

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information
and Compliance Report

June 30, 2024

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Report

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Colfax, California

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison for the General Fund, 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.

To the City Council
City of Colfax, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 17, 2024

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, 2024. 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 2023-2024 by \$41,596,436 (*Net Position*) which represents an increase of 27% or \$8,717,614. These assets are allocated as follows:
 - Net Investment in capital assets - \$31,148,923 Total capital additions for the fiscal year were \$8,639,978.
 - Restricted net position - \$2,217,287. 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 - \$8,230,226. This is an increase of \$1,150,734 over the previous year. These funds may be used to meet ongoing obligations of the City. City established reserves (operations, capital improvements, and unfunded pension liability) and Nonspendable funds (long-term receivables and deferrals) are included in unrestricted net position.
- Total revenue from all sources was \$14,365,861 of which \$7,709,145 was from capital grants and contributions. Total expenses from all sources were \$5,648,247.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide Statement of Net Position on page 13 and the government-wide Statement of Activities on page 14 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 15. 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 13. 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 15. 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 \$41,596,436 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, 2024 and June 30, 2023 are summarized (Table 1), as follows:

Table 1
City of Colfax, Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current assets	\$ 7,415,400	\$ 6,338,055	\$ 4,505,858	\$ 3,254,887	\$ 11,921,258	\$ 9,592,942
Non-current and capital assets	11,172,827	10,396,686	28,242,587	21,031,620	39,415,414	31,428,306
Total Assets	18,588,227	16,734,741	32,748,445	24,286,507	51,336,672	41,021,248
Deferred Outflows of Resources						
Pension plan	99,957	111,406	106,140	118,297	206,097	229,703
Liabilities:						
Current liabilities	831,406	372,126	2,229,060	753,536	3,060,466	1,125,662
Long-term liabilities	551,950	518,636	5,838,929	6,198,933	6,390,879	6,717,569
Total Liabilities	1,383,356	890,762	8,067,989	6,952,469	9,451,345	7,843,231
Deferred Inflows of Resources						
Pension plan	902	1,346	958	1,429	1,860	2,775
Leases	493,128	526,123	-	-	493,128	526,123
Net Position:						
Net investment in capital assets	10,628,049	9,824,531	20,520,874	13,415,854	31,148,923	23,240,385
Restricted	1,177,599	1,520,631	1,039,688	1,038,314	2,217,287	2,558,945
Unrestricted	5,005,150	4,082,754	3,225,076	2,996,738	8,230,226	7,079,492
Total Net Position	\$ 16,810,798	\$ 15,427,916	\$ 24,785,638	\$ 17,450,906	\$ 41,596,436	\$ 32,878,822

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 \$1,045,631 (29%) in fiscal year 2023-2024 as compared to the previous year. The City had significant increases in operating and capital grants due to increases in project activity. In addition, due to higher interest rates, earnings on investments also had a significant increase. The increase was offset by a decrease in charges for services in governmental activities. The City's governmental activities net position increased by \$1,382,882 (9%) for the fiscal year. Sources of revenue and expenditures are noted in Table 2 below.

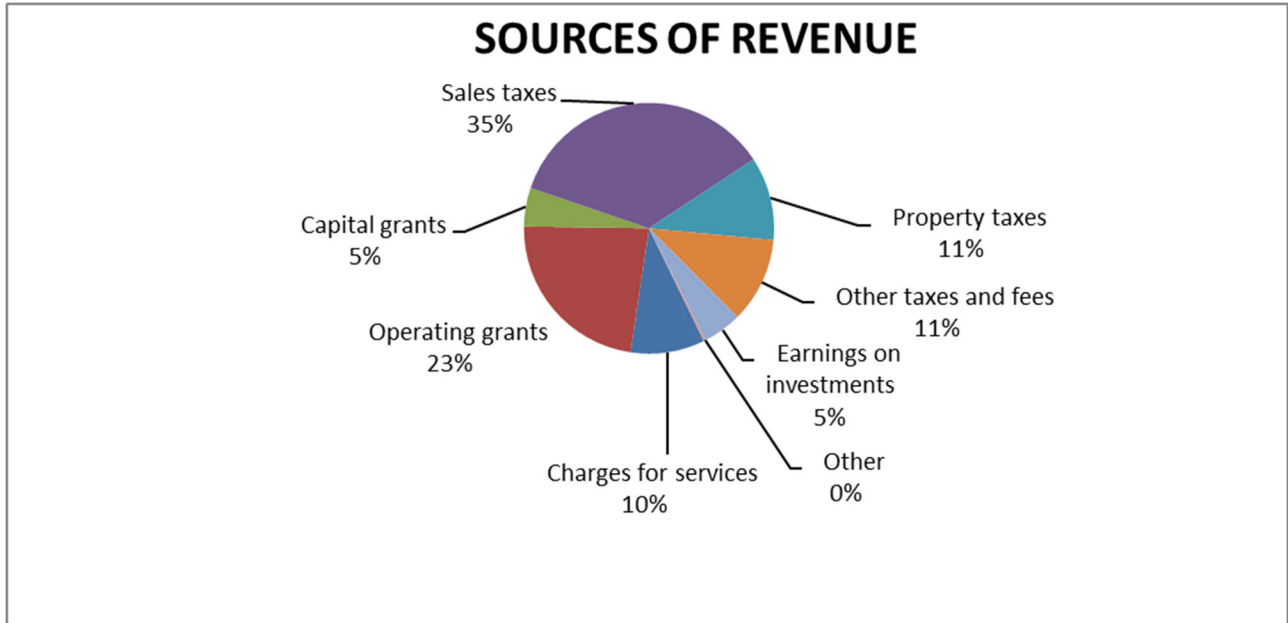
Business-Type Activities

Total revenues for Business-type activities increased \$5,482,626 (128%) in fiscal year 2023-2024 as compared to the previous year. The increase in revenues was primarily due to the receipt of capital grant funds for a construction project associated with the Wastewater Treatment Plant. Business-type activities increased the City's net position by \$7,334,732 for the fiscal year, an increase of \$5,432,858 over the previous year. The increase in net position is also primarily due to the capital grant funds for the construction project at the

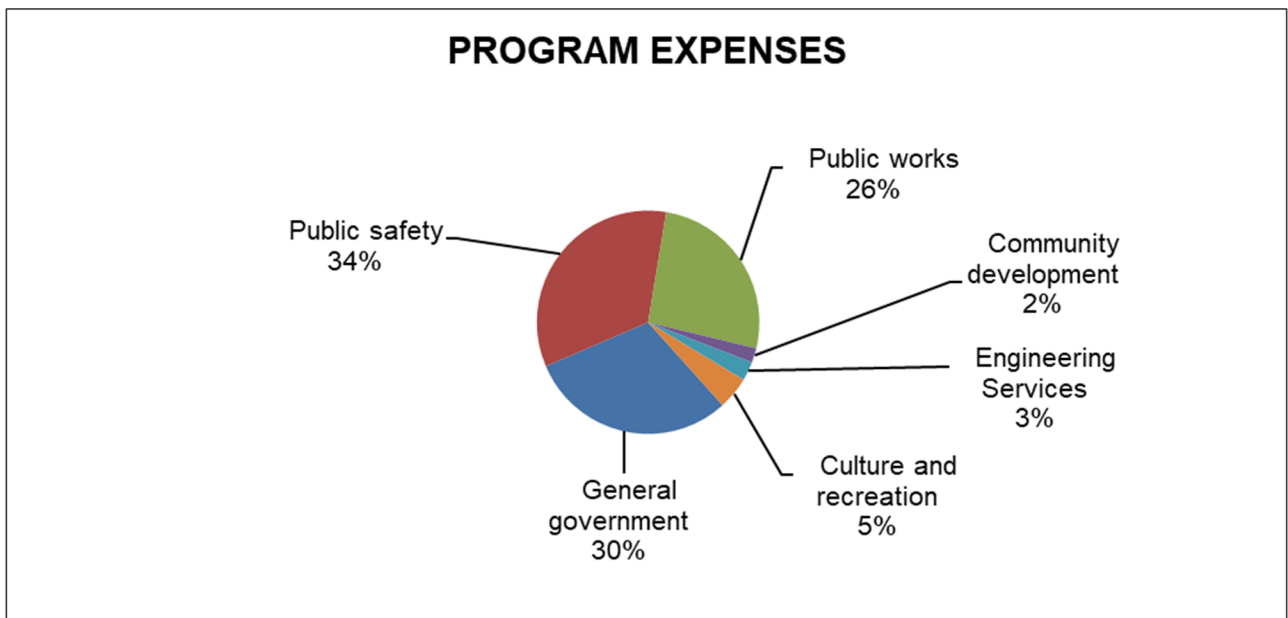
Table 2
City of Colfax, Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 440,950	\$ 520,756	\$ 2,194,934	\$ 2,183,607	\$ 2,635,884	\$ 2,704,363
Operating grants and contributions	1,052,065	646,909	-	-	1,052,065	646,909
Capital grants and contributions	228,826	283,276	7,480,319	1,721,175	7,709,145	2,004,451
General revenues:						
Sales taxes	1,633,763	1,338,670	-	-	1,633,763	1,338,670
Property taxes	494,620	469,943	-	-	494,620	469,943
Other taxes and fees	506,649	460,143	-	-	506,649	460,143
Earnings on investments	230,801	126,976	88,885	72,438	319,686	199,414
Other	11,047	(293,583)	3,002	307,294	14,049	13,711
Total revenues	4,598,721	3,553,090	9,767,140	4,284,514	14,365,861	7,837,604
Expenses:						
General government	971,972	1,081,821	-	-	971,972	1,081,821
Public safety	1,094,942	1,046,236	-	-	1,094,942	1,046,236
Public works	840,805	901,794	-	-	840,805	901,794
Community development	67,801	68,260	-	-	67,801	68,260
Engineering Services	88,197	128,522	-	-	88,197	128,522
Culture and recreation	152,122	158,834	-	-	152,122	158,834
Sewer	-	-	2,370,296	2,316,796	2,370,296	2,316,796
Interest on long-term debt	-	-	62,112	65,844	62,112	65,844
Total expenses	3,215,839	3,385,467	2,432,408	2,382,640	5,648,247	5,768,107
Change in net position	1,382,882	167,623	7,334,732	1,901,874	8,717,614	2,069,497
Net position, July 1	15,427,916	15,260,293	17,450,906	15,549,032	32,878,822	30,809,325
Net position, June 30	<u>\$16,810,798</u>	<u>\$15,427,916</u>	<u>\$24,785,638</u>	<u>\$17,450,906</u>	<u>\$41,596,436</u>	<u>\$32,878,822</u>

Governmental Activities – Sources of Revenue
(Graphic representation of Table 2 in percentages)



Fiscal Year 2023-2024
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 the performance of City functions including infrastructure assets. Capital assets include general government and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2024, net capital assets of the governmental activities totaled \$10,628,049 and the net capital assets of the business-type activities totaled \$26,711,898. 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

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,379,087	\$ 1,379,087	\$ 134,700	\$ 134,700	\$ 1,513,787	\$ 1,513,787
Easements	68,310	68,310	-	-	68,310	68,310
Construction in progress	1,189,115	103,639	10,000,388	2,520,070	11,189,503	2,623,709
Building and improvements	10,736,419	10,698,361	25,885,254	25,857,752	36,621,673	36,556,113
Vehicles	170,423	170,424	44,053	44,053	214,476	214,477
Machinery and equipment	329,492	329,492	1,768,433	1,759,810	2,097,925	2,089,302
Furniture and fixtures	12,534	12,534	-	-	12,534	12,534
Accumulated depreciation	(3,257,331)	(2,937,316)	(11,120,930)	(10,335,141)	(14,378,261)	(13,272,457)
Total Capital Assets, Net	\$10,628,049	\$ 9,824,531	\$26,711,898	\$19,981,244	\$37,339,947	\$29,805,775

The City invested \$8,639,976 in capital asset improvements and additions during the current fiscal year including the following:

- Installation of metal buildings at the Wastewater Treatment Plant and the City's Corporation Yard.
- Wastewater treatment plant construction project, primarily inflow/infiltration improvements and algae DAF/SAF upgrades.
- Construction activities on the CDBG Road Rehabilitation Project.
- Replacement of lift station and wastewater equipment

Long-Term Debt

At the end of fiscal year 2023-2024, the City had total long-term debts outstanding of \$6,890,017, as compared to a total of \$7,204,880 in the previous year (See Table 4 and Note E to the financial statements).

Table 4
City of Colfax, Long-Term Liabilities

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Postclosure landfill costs	\$ 431,519	\$ 416,524	\$ -	\$ -	\$ 431,519	\$ 416,524
State loan - restructured	-	-	6,086,395	6,460,761	6,086,395	6,460,761
Note payable	-	-	104,629	104,629	104,629	104,629
Compensated absences	13,226	4,080	19,572	12,552	32,798	16,632
Net pension liability	113,818	100,072	120,858	106,262	234,676	206,334
Total Long-term Debt	\$ 558,563	\$ 520,676	\$ 6,331,454	\$ 6,684,204	\$ 6,890,017	\$ 7,204,880

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

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

- Annual payment on the restructured State loan associated with the Wastewater Treatment Plant facility implementation (2009) and Pond 3 liner, I&I mitigation and SCADA project which completed in early fiscal year 2013-2014.
- Increase in net pension liability – see Note H for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2024-2025, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF COLFAX

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 5,819,922	\$ 1,421,504	\$ 7,241,426
Accounts receivable, net	122,902	227,723	350,625
Due from other governmental agencies	1,296,034	2,903,403	4,199,437
Internal balance	92,926	(92,926)	-
Interest receivable	61,820	25,079	86,899
Leases receivable	18,796		18,796
Prepaid expenses	3,000	21,075	24,075
Total current assets	<u>7,415,400</u>	<u>4,505,858</u>	<u>11,921,258</u>
Noncurrent assets:			
Restricted cash and investments		1,519,156	1,519,156
Leases receivable, non-current	521,580		521,580
Notes receivable	23,198	11,533	34,731
Capital assets, net			
Non-depreciable	2,636,512	10,135,089	12,771,601
Depreciable, net	7,991,537	16,576,809	24,568,346
Total capital assets, net	<u>10,628,049</u>	<u>26,711,898</u>	<u>37,339,947</u>
Total assets	<u>18,588,227</u>	<u>32,748,445</u>	<u>51,336,672</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension plan	<u>99,957</u>	<u>106,140</u>	<u>206,097</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	603,138	939,081	1,542,219
Retention payable	68,536	734,574	803,110
Accrued expenses	19,375	62,880	82,255
Unearned revenue	113,258		113,258
Refundable deposits	20,486		20,486
Current portion of long-term liabilities	6,613	492,525	499,138
Total current liabilities	<u>831,406</u>	<u>2,229,060</u>	<u>3,060,466</u>
Long-term liabilities:			
Loan payable		5,708,285	5,708,285
Postclosure landfill costs	431,519		431,519
Compensated absences	6,613	9,786	16,399
Net pension liability	113,818	120,858	234,676
Total long-term liabilities	<u>551,950</u>	<u>5,838,929</u>	<u>6,390,879</u>
Total liabilities	<u>1,383,356</u>	<u>8,067,989</u>	<u>9,451,345</u>
DEFERRED INFLOWS OF RESOURCES:			
Leases	493,128		493,128
Pension plan	902	958	1,860
	<u>494,030</u>	<u>958</u>	<u>494,988</u>
NET POSITION:			
Net investment in capital assets	10,628,049	20,520,874	31,148,923
Restricted	1,177,599	1,039,688	2,217,287
Unrestricted	5,005,150	3,225,076	8,230,226
Total net position	<u>\$ 16,810,798</u>	<u>\$ 24,785,638</u>	<u>\$ 41,596,436</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, 2024

	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
GOVERNMENTAL ACTIVITIES						
General government	\$ 971,972	\$ 382,121		\$ (589,851)		\$ (589,851)
Public safety	1,094,942	54,604	\$ 222,265	(818,073)		(818,073)
Public works	840,805		829,800	217,821		217,821
Community development	67,801			(67,801)		(67,801)
Engineering services	88,197			(88,197)		(88,197)
Culture and recreation	152,122	4,225		(147,897)		(147,897)
Total governmental activities	<u>3,215,839</u>	<u>440,950</u>	<u>1,052,065</u>	<u>(1,493,998)</u>		<u>(1,493,998)</u>
BUSINESS-TYPE ACTIVITIES						
Sewer	2,370,296	2,194,934			\$ 7,304,957	7,304,957
Interest on long-term debt	62,112				(62,112)	(62,112)
Total business-type activities	<u>2,432,408</u>	<u>2,194,934</u>		<u>7,480,319</u>	<u>7,242,845</u>	<u>7,242,845</u>
Total government	<u>\$ 5,648,247</u>	<u>\$ 2,635,884</u>	<u>\$ 1,052,065</u>	<u>\$ 7,709,145</u>	<u>(1,493,998)</u>	<u>7,242,845</u>
GENERAL REVENUES:						
Taxes:						
				1,633,763		1,633,763
				494,620		494,620
				143,926		143,926
				98,348		98,348
				60,795		60,795
				4,922		4,922
				198,658		198,658
				230,801	88,885	319,686
				11,047	3,002	14,049
Total general revenues				<u>2,876,880</u>	<u>91,887</u>	<u>2,968,767</u>
Changes in net position				1,382,882	7,334,732	8,717,614
Net position, beginning of year				<u>15,427,916</u>	<u>17,450,906</u>	<u>32,878,822</u>
Net position, end of year				<u>\$ 16,810,798</u>	<u>\$ 24,785,638</u>	<u>\$ 41,596,436</u>

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

CITY OF COLFAX
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2024

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS:				
Cash and investments	\$ 5,016,613	\$ 25,348	\$ 777,961	\$ 5,819,922
Accounts receivable, net	122,902			122,902
Due from other governmental agencies	539,577	742,219	14,238	1,296,034
Interest receivable	50,273		11,547	61,820
Leases receivable	540,376			540,376
Notes receivable	14,005		9,193	23,198
Prepaid items	3,000			3,000
Due from other funds	315,848			315,848
	<u>\$ 6,602,594</u>	<u>\$ 767,567</u>	<u>\$ 812,939</u>	<u>\$ 8,183,100</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 85,646	\$ 508,656	\$ 8,836	\$ 603,138
Accrued expenses	15,843		3,532	19,375
Retention payable	9,860	58,676		68,536
Unearned revenue	26,699		86,559	113,258
Due to other funds		191,168	31,754	222,922
Refundable deposits	20,486			20,486
Total liabilities	<u>158,534</u>	<u>758,500</u>	<u>130,681</u>	<u>1,047,715</u>
DEFERRED INFLOWS OF RESOURCES:				
Leases	493,128			493,128
Unavailable revenue		535,305		535,305
Total deferred inflows of resources	<u>493,128</u>	<u>535,305</u>		<u>1,028,433</u>
FUND BALANCES:				
Nonspendable	64,254		9,193	73,447
Restricted	926,860		673,065	1,599,925
Committed	1,145,000			1,145,000
Assigned	99,519			99,519
Unassigned	3,715,299	(526,238)	-	3,189,061
Total fund balances	<u>5,950,932</u>	<u>(526,238)</u>	<u>682,258</u>	<u>6,106,952</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,602,594</u>	<u>\$ 767,567</u>	<u>\$ 812,939</u>	<u>\$ 8,183,100</u>

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

CITY OF COLFAX

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

June 30, 2024

Total Governmental Fund Balances	\$ 6,106,952
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.	99,957
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	10,628,049
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	535,305
Long-term liabilities/assets are not due and payable/recoverable in the current period and, therefore, are not reported in the governmental funds balance sheet.	
Compensated absences	(13,226)
Postclosure landfill liability	(431,519)
Net pension liability	(113,818)
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>(902)</u>
Net Position of Governmental Activities	<u><u>\$ 16,810,798</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, 2024

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund		
REVENUES:				
Taxes	\$ 2,370,657		\$ 67,492	\$ 2,438,149
Licenses, fees and permits	166,224		5,102	171,326
Intergovernmental revenues	234,764	\$ 446,234	406,663	1,087,661
Charges for services	158,218			158,218
Fines, forfeitures and penalties	1,345			1,345
Use of money and property	296,778		42,489	339,267
Other revenue	10,867			10,867
Total revenues	<u>3,238,853</u>	<u>446,234</u>	<u>521,746</u>	<u>4,206,833</u>
EXPENDITURES:				
Current:				
General government	895,324	2,829	8,656	906,809
Public safety	908,559		186,159	1,094,718
Public works	165,400	204,898	253,017	623,315
Engineering services	88,197			88,197
Cultural and recreation	133,893			133,893
Capital outlay		1,123,533		1,123,533
Total expenditures	<u>2,191,373</u>	<u>1,331,260</u>	<u>447,832</u>	<u>3,970,465</u>
Excess of revenues over expenditures	<u>1,047,480</u>	<u>(885,026)</u>	<u>73,914</u>	<u>236,368</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	513	502,204	83,628	586,345
Transfers out	(66,990)		(519,355)	(586,345)
Total other financing sources (uses)	<u>(66,477)</u>	<u>502,204</u>	<u>(435,727)</u>	
Net change in fund balances	981,003	(382,822)	(361,813)	236,368
Fund balances, beginning of year, as previously presented	4,969,929		900,655	5,870,584
Changes within reporting entity (nonmajor to major)		(143,416)	143,416	
Fund balances, beginning of year, as adjusted	<u>4,969,929</u>	<u>(143,416)</u>	<u>1,044,071</u>	<u>5,870,584</u>
Fund balances, end of year	<u>\$ 5,950,932</u>	<u>\$ (526,238)</u>	<u>\$ 682,258</u>	<u>\$ 6,106,952</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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 236,368
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	1,123,533
Depreciation expense	(320,015)
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	(14,995)
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.	
Difference between unavailable revenue recognized in the current year and prior year	391,888
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	(9,145)
Change in deferred outflow/inflows of resources and net pension liability/asset	<u>(24,752)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,382,882</u></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, 2024

ASSETS:

Current assets:

Cash and cash equivalents	\$ 1,421,504
Accounts receivable, net	227,723
Due from other governmental agencies	2,903,403
Interest receivable	25,079
Prepaid expenses	<u>21,075</u>
Total current assets	4,598,784

Noncurrent assets:

Restricted cash and cash equivalents	1,519,156
Notes receivable	11,533
Capital assets, net:	
Nondepreciable	10,135,089
Depreciable, net	<u>16,576,809</u>
Total capital assets, net	<u>26,711,898</u>
Total assets	<u>32,841,371</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension plan	<u>106,140</u>
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LIABILITIES:

Current liabilities:

Accounts payable	939,081
Retention payable	734,574
Accrued expenses	62,880
Current portion of long-term liabilities	492,525
Due to other funds	<u>92,926</u>
Total current liabilities	<u>2,321,986</u>

Long-term liabilities:

Loan payable	5,708,285
Compensated absences	9,786
Net pension liability	<u>120,858</u>
Total long-term liabilities	<u>5,838,929</u>
Total liabilities	<u>8,160,915</u>

DEFERRED INFLOWS OF RESOURCES:

Pension plan	<u>958</u>
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NET POSITION:

Net investment in capital assets	20,520,874
Restricted	1,039,688
Unrestricted	<u>3,225,076</u>
Total net position	<u>\$ 24,785,638</u>

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

CITY OF COLFAX

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

For the Year Ended June 30, 2024

OPERATING REVENUES:	
Service charges	\$ 2,150,541
Miscellaneous	44,393
Total operating revenues	<u>2,194,934</u>
OPERATING EXPENSES:	
Personnel services	676,962
Operation and maintenance	907,545
Depreciation	785,789
Total operating expenses	<u>2,370,296</u>
Net income from operations	<u>(175,362)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	88,885
Rental income	3,002
Interest expense	(62,112)
Total nonoperating revenues (expenses)	<u>29,775</u>
CAPITAL CONTRIBUTIONS:	
State grant revenue	<u>7,480,319</u>
Change in net position	7,334,732
Net position, beginning of year	<u>17,450,906</u>
Net position, end of year	<u>\$ 24,785,638</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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,155,773
Cash paid to suppliers	(123,252)
Cash paid to employees and related benefits	(637,673)
Net cash provided by operating activities	<u>1,394,848</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(6,857,032)
Capital contributions received	4,877,982
Debt principal paid	(374,366)
Debt interest paid	(64,608)
Received from other funds	92,926
Net cash used for capital and related financing activities	<u>(2,325,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	90,749
Payments on notes receivable received	529
Net cash provided by investing activities	<u>91,278</u>
Net decrease in cash and cash equivalents	(838,972)
Cash and cash equivalents, beginning of year	<u>3,779,632</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,940,660</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 1,421,504
Restricted cash and cash equivalents	<u>1,519,156</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,940,660</u></u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net income from operations	\$ (175,362)
Adjustments to reconcile net income from operations to cash provided by operating activities:	
Depreciation	785,789
Nonoperating revenues received	3,002
(Increase) decrease in assets:	
Accounts receivable, net	(40,236)
Due from other governmental agencies	(1,927)
Prepaid expenses	(21,075)
(Decrease) increase in liabilities:	
Accounts payable	805,368
Accrued expenses	5,987
Compensated absences	7,020
Net pension liability	14,596
Deferred inflows (outflows) related to pension plan	<u>11,686</u>
Net cash provided by operating activities	<u><u>\$ 1,394,848</u></u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

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, 2024.

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, use, or directly benefit from goods, services and privileges provided by a given function or segment, and

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 fund:

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2024

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.

Lease Receivable: The City is a lessor for noncancellable leases of property for billboards and telecommunications facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets and 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 assets or fund balance by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net assets or fund balance that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the expenditure is incurred or 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 H and related to leases receivable as described in Note D.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Capital projects	\$ 275,000	\$ 1,331,260	\$ (1,056,260)
Mitigation Fund		194,497	(194,497)

Although expenditures exceeded the budget, there is fund balance sufficient to cover the expenditures.

Deficit Fund Equity: The following funds have fund deficits at June 30, 2024:

Fund	Deficit
Nonmajor Capital Projects Funds:	
Capital projects	\$ 526,238

The fund deficit is the result of grant revenues not being collected within 90 days after year-end and thus were deferred, whereas the related expenditures were recognized.

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for year ended June 30, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement will implement changes to the financial reporting model including the Management's Discussion and Analysis, Unusual or Infrequent Items, presentation of the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information. The provisions of this Statement are effective for year ended June 30, 2026.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In October 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale. This Statement is effective for the year ended June 30, 2026.

The City is currently analyzing the impact of this new Statement on the financial statements.

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, 2024 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 5,819,922	\$ 1,421,504	\$ 7,241,426
Restricted cash and investments		1,519,156	1,519,156
	<u>\$ 5,819,922</u>	<u>\$ 2,940,660</u>	<u>\$ 8,760,582</u>

As of June 30, 2024, the City’s cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	665,029
Investments	
California Local Agency Investment Fund	<u>8,095,253</u>
Total cash and investments	<u>\$ 8,760,582</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.

	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	None
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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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 217 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, 2024, the carrying amount of the City's deposits was \$665,029 and the balance in financial institutions was \$778,923. Of the balances in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City.

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 \$178,255,132,764, which is managed by the State Treasurer. Of that amount, 3.00% 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2024 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Transportation Fund	\$ 14,859
Gas Tax	3,547
Road Maintenance	11,809
Mitigation Funds	1,539
Capital Projects Fund	191,168
Sewer	92,926
	<u>\$ 315,848</u>

The due to/from balance in the Capital Projects Fund is to pay project expenditures until receivables are collected. All other due to/from balances are to transfer resources to the fund incurring the expenditure/expense.

Transfers during the year ended June 30, 2024 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Capital Projects</u>	<u>Transportation and Road</u>	
Major Governmental Funds:				
General		\$ 31,435	\$ 35,555	\$ 66,990
Nonmajor Governmental Funds:				
CDBG	\$ 513			513
Transportation and Road Fund			1,548	1,548
Gas Tax			46,525	46,525
Road Maintenance Funds		282,122		282,122
Mitigation Funds		188,647		188,647
	<u>\$ 513</u>	<u>\$ 502,204</u>	<u>\$ 83,628</u>	<u>\$ 586,345</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.

NOTE D – LEASES RECEIVABLE

The City records a lease receivable and deferred inflow for the present value of the future payments received under agreements for several leases.

The City leases billboard rights under two lease agreements, one that expires August 2038 for a monthly rent of \$515, and another that expires November 2037 for a monthly rent of \$3,102. These leases have rent increases every five years at the CPI rate. For purposes of discounting future payments on the leases, the City used a discount rate of 5.75%. The deferred inflow is being amortized over 17.17 years, the remaining term of the leases.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE D – LEASES RECEIVABLE (Continued)

In October 2022, the City entered into an agreement to lease property for telecommunications facilities that expires October 2027, and includes the option to extend for four additional five-year terms, for an annual rent of \$6,000. The lease has rent increases every year at the CPI rate. For purposes of discounting future payments on the leases, the City used a discount rate of 7.75%. The deferred inflow is being amortized over 25 years, the total remaining term of the lease through all the optional extended periods.

For the year ended June 30, 2024, the City reported leases receivable of \$540,376 and deferred inflows of resources of \$493,128. The City recognized \$65,793 of lease and interest revenue during the year ended June 30, 2024 under these leases.

NOTE E – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Additions	Retirements	Balance at June 30, 2024
Capital assets, not being depreciated:				
Land	\$ 1,379,087			\$ 1,379,087
Easements	68,310			68,310
Construction in progress	103,639	\$ 1,085,476		1,189,115
Total capital assets, not being depreciated	<u>1,551,036</u>	<u>1,085,476</u>		<u>2,636,512</u>
Capital assets, being depreciated:				
Buildings and improvements	10,698,361	38,057		10,736,418
Vehicles	170,424			170,424
Machinery and equipment	329,492			329,492
Furniture and fixtures	12,534			12,534
Total capital assets, being depreciated	<u>11,210,811</u>	<u>38,057</u>	<u>-</u>	<u>11,248,868</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,600,765)	(280,235)		(2,881,000)
Vehicles	(170,424)			(170,424)
Machinery and equipment	(154,489)	(38,885)		(193,374)
Furniture and fixtures	(11,638)	(895)		(12,533)
Total accumulated depreciation	<u>(2,937,316)</u>	<u>(320,015)</u>	<u>-</u>	<u>(3,257,331)</u>
Capital assets being depreciated, net	<u>8,273,495</u>	<u>(281,958)</u>		<u>7,991,537</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 9,824,531</u>	<u>\$ 803,518</u>	<u>\$ -</u>	<u>\$ 10,628,049</u>

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

General governmental	\$ 16,271
Public safety	224
Public works	217,490
Culture and recreation	18,229
Community development	67,801
Total governmental activities depreciation expense	<u>\$ 320,015</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE E – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2024 was as follows:

	Balance at June 30, 2023	Additions	Retirements	Transfers	Balance at June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress	2,520,070	\$ 7,480,319			10,000,389
Total capital assets, not being depreciated	2,654,770	7,480,319			10,135,089
Capital assets, being depreciated:					
Buildings and improvements	25,857,752	27,501			25,885,253
Vehicles	44,053				44,053
Machinery and equipment	1,759,810	8,623			1,768,433
Total capital assets, being depreciated	27,661,615	36,124			27,697,739
Less accumulated depreciation for:					
Buildings and improvements	(9,573,568)	(649,867)			(10,223,435)
Vehicles	(37,754)	(6,299)			(44,053)
Machinery and equipment	(723,819)	(129,623)			(853,442)
Total accumulated depreciation	(10,335,141)	(785,789)			(11,120,930)
Capital assets being depreciated, net	17,326,474	(749,665)			16,576,809
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 19,981,244	\$ 6,730,654	\$ -	\$ -	\$ 26,711,898

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

Sewer	\$ 785,789
Total business-type activities depreciation expense	\$ 785,789

NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental Activities:					
Postclosure landfill costs	\$ 416,524	\$ 14,995		\$ 431,519	
Compensated absences	4,080	9,146		13,226	\$ 6,613
Net pension liability	100,072	13,746		113,818	
Governmental activities long-term liabilities	\$ 520,676	\$ 37,887	\$ -	\$ 558,563	\$ 6,613

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE F – LONG-TERM LIABILITIES (Continued)

	Balance June 30,2007	Additions	Payments	Balance June 30,2007	Due Within One Year
Business-Type Activities:					
State loan - restructured	\$ 6,460,761		\$ (374,366)	\$ 6,086,395	\$ 378,110
Note Payable	104,629			104,629	104,629
Total bonds, loans, settlements payable	6,565,390		(374,366)	6,191,024	482,739
Compensated absences	12,552	\$ 7,020		19,572	9,786
Net pension liability	106,262	14,596		120,858	
Business-type activities long-term liabilities	<u>\$ 6,684,204</u>	<u>\$ 21,616</u>	<u>\$ (374,366)</u>	<u>\$ 6,331,454</u>	<u>\$ 492,525</u>

Note: The change in the compensated absences liability is presented as a net change.

Long-term debt of the City’s governmental activities consisted of the following as of June 30, 2024:

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, 2024, the remaining closure and postclosure maintenance costs to be recognized over the next 15 years is \$431,519.

Long-term debt of the City’s business-type activities consisted of the following as of June 30, 2024:

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.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE F – LONG-TERM LIABILITIES (Continued)

Principal and interest payments on debt are due as follows:

June 30	State Loan - Restructured		Total
	Principal	Interest	
2025	\$ 378,110	\$ 60,864	\$ 438,974
2026	381,891	57,083	438,974
2027	385,710	53,264	438,974
2028	389,567	49,407	438,974
2029	393,463	45,511	438,974
2030-2034	2,027,125	167,745	2,194,870
2035-2039	2,130,529	64,340	2,194,869
Totals	<u>\$ 6,086,395</u>	<u>\$ 498,214</u>	<u>\$ 6,584,609</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 \$6,584,607 at June 30, 2024. Total cash basis principal and interest payments on the loan during the year ended June 30, 2024 were \$438,974 and net revenues were \$702,314, respectively.

NOTE G – NET POSITION/FUND BALANCE

The following are the purposes for which net positions are restricted on the Government-Wide Statement of Net Position:

	Governmental Activities	Business-Type Activities
Mitigation projects	\$ 583,323	
Landfill	495,341	
Street projects	63,661	
Recycling	26,081	
Economic development	9,193	
Debt service reserve		\$ 438,974
Capital improvements		321,775
Replacement of short-lived assets		278,939
	<u>\$ 1,177,599</u>	<u>\$ 1,039,688</u>

In addition to these restricted amounts, the City Council had designated \$505,000 from the operating reserve and \$600,000 for capital projects in business-type activities at June 30, 2024.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE G – NET POSITION/FUND BALANCE (Continued)

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Nonspendable:			
Long-term receivables	\$ 61,254	\$ 9,193	\$ 70,447
Prepaid expenses	3,000		3,000
Total Nonspendable	<u>64,254</u>	<u>9,193</u>	<u>73,447</u>
Restricted for:			
Landfill closure	926,860		926,860
Street projects		63,661	63,661
Mitigation projects		583,323	583,323
Recycling		24,400	24,400
Other		1,681	1,681
Total Restricted	<u>926,860</u>	<u>673,065</u>	<u>1,599,925</u>
Committed for:			
Operating Reserve	600,000		600,000
Pension Reserve	145,000		145,000
Capital Reserve	400,000		400,000
Total Committed	<u>1,145,000</u>		<u>1,145,000</u>
Assigned for:			
Fire services	99,519		99,519
Total Assigned	<u>99,519</u>		<u>99,519</u>
Unassigned	<u>3,715,299</u>	<u>(526,238)</u>	<u>3,189,061</u>
Total Unassigned	<u>3,715,299</u>	<u>(526,238)</u>	<u>3,189,061</u>
TOTAL FUND BALANCES	<u><u>\$ 5,950,932</u></u>	<u><u>\$ 156,020</u></u>	<u><u>\$ 6,106,952</u></u>

The City Council has designated \$600,000 of General Fund committed fund balance as an operating reserve to protect against revenue shortfalls and unpredicted one-time expenditures.

NOTE H – 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
- PEPRA Miscellaneous Rate Plan

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE H – PENSION PLAN (Continued)

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.

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, 2024, are summarized as follows:

	Miscellaneous Rate Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Rate Plan (On or after January 1, 2013)
Hire date		
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	7.00%	7.75%
Required employer contribution rates	10.66%	7.68%

In addition to the contribution rates above, the City was also required to make payments of \$11,259 toward its unfunded actuarial liability during the year ended June 30, 2024. 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, 2024, the employer contributions made to the Plan were \$68,725.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2024, the City reported a net pension liability for its proportionate share of the net pension liability of \$234,676.

The City’s net pension asset is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability used to

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE H – PENSION PLAN (Continued)

calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2024 and 2023 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2023	0.00441%
Proportion - June 30, 2024	<u>0.00469%</u>
Change - Increase (Decrease)	<u>0.00028%</u>

For the year ended June 30, 2024, the City recognized pension expense of \$119,761. At June 30, 2024, 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	\$ 68,725	
Changes in assumptions	14,169	
Net differences between projected and actual earnings on plan investments	37,996	
Difference between actual and allocated contributions	21,031	
Difference between expected and actual experience	11,989	\$ (1,860)
Adjustment due to differences in proportions	<u>52,187</u>	
Total	<u>\$ 206,097</u>	<u>\$ (1,860)</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as an addition of the net pension asset 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:

<u>Fiscal Year Ended June 30</u>	
2025	\$ 60,196
2026	38,554
2027	35,672
2028	<u>1,090</u>
	<u>\$ 135,512</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE H – PENSION PLAN (Continued)

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90% (a)
Inflation	2.30%
Projected Salary Increase	Varies depending on entry age and service
Mortality (1)	Derived using CalPERS Membership Data

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

(1) The underlying mortality assumptions were developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. Further details can be found in the 2021 experience study report on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. 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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE H – PENSION PLAN (Continued)

Asset Class (c)	New Strategic Allocation	Real Return Years 1 - 10(a),(b)
Global Equity - cap-weighted	30.00%	4.54%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

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	5.90%
Net Pension Liability/(Asset)	\$ 426,501
Current Discount Rate	6.90%
Net Pension Liability/(Asset)	\$ 234,676
1% Increase	7.90%
Net Pension Liability/(Asset)	\$ 76,790

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

NOTE I – 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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE I – INSURANCE (Continued)

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.

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

Coverage	SCORE	Excess	Banking Layer/ Deductible
Liability	\$ 750,000	\$ 39,500,000	\$ 25,000
Employers liability/crime	1,000,000		2,500
Deadly Weapons	2,500,000		2,500
Auto Physical Damage	1,000,000		1,000
Property	500,000,000		25,000
Boiler and machinery	100,000,000		10,000
Mobile equipment	7,000,000		25,000
Workers Compensation liability	250,000	4,750,000	50,000
Pollution	10,000,000		250,000

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 J – COMMITMENTS AND CONTINGENCIES

Contract Commitments: The City had the following contract commitments at June 30, 2024:

	Remaining Contract Amount
CDBG Road Rehab Project	\$ 1,401,714
Wastewater Treatment Plant Construction	3,680,403
Construction Inspection	501,656
	<u>\$ 5,583,773</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE J – COMMITMENTS AND CONTINGENCIES (Continued)

Sheriff Services: The City entered into an agreement with Placer County to provide sheriff, coroner, and marshal services extending through June 30, 2026. The fees for the three-year contract are \$2,919,296. These fees are subject to renegotiation should salary and benefit costs be increased by a Memorandum of Understanding between the Placer County Board of Supervisors and Placer County Deputy Sheriff's Association.

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.

NOTE K – CHANGE IN REPORTING UNITS

The Capital Projects Fund met the criteria of being reported as a major fund as of June 30, 2024, so the following restatements were made:

	Reporting Units Affected by Restatements of Beginning Balances	
	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>
June 20, 2023, as previously reported		\$ 900,655
Change from nonmajor to major fund	<u>\$ (143,416)</u>	<u>143,416</u>
June 30, 2023, as restated	<u><u>\$ (143,416)</u></u>	<u><u>\$ 1,044,071</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note A)	
REVENUES:				
Taxes	\$ 1,976,094	\$ 2,016,734	\$ 2,370,657	\$ 353,923
Licenses, fees and permits	146,792	143,792	166,224	22,432
Intergovernmental revenues	196,500	196,500	234,764	38,264
Charges for services	198,550	198,550	158,218	(40,332)
Fines, forfeitures and penalties	2,500	1,000	1,345	345
Use of money and property	94,000	199,000	296,778	97,778
Other revenue			10,867	10,867
Total revenues	<u>2,614,436</u>	<u>2,755,576</u>	<u>3,238,853</u>	<u>483,277</u>
EXPENDITURES				
Current:				
General government	996,770	1,004,062	895,324	108,738
Public safety	947,989	905,529	908,559	(3,030)
Public works	207,528	197,971	165,400	32,571
Engineering services	182,250	122,250	88,197	34,053
Culture and recreation	175,028	162,221	133,893	28,328
Capital outlay		275,000		275,000
Total expenditures	<u>2,509,565</u>	<u>2,667,033</u>	<u>2,191,373</u>	<u>475,660</u>
Excess (deficiency) of revenues over expenditures	104,871	88,543	1,047,480	958,937
OTHER FINANCING SOURCES (USES):				
Transfers in	28,840	28,840	513	(28,327)
Transfers out	(355,589)	(355,589)	(66,990)	288,599
Total other financing sources (uses)	<u>(326,749)</u>	<u>(326,749)</u>	<u>(66,477)</u>	<u>260,272</u>
Net change in fund balance	(221,878)	(238,206)	981,003	1,219,209
Fund balance, beginning of year	<u>4,969,929</u>	<u>4,969,929</u>	<u>4,969,929</u>	
Fund balance, end of year	<u>\$ 4,748,051</u>	<u>\$ 4,731,723</u>	<u>\$ 5,950,932</u>	<u>\$ 1,219,209</u>

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

CITY OF COLFAX
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2024

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

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00469%	0.00441%	-0.00020%	0.00346%	0.00293%	0.00245%	0.00246%	0.00202%	0.00169%	0.00231%
Proportionate share of the net pension liability	\$ 234,676	\$ 206,334	\$ (3,890)	\$ 145,938	\$ 117,142	\$ 92,380	\$ 97,040	\$ 70,057	\$ 46,274	\$ 57,010
Covered payroll - measurement period	\$ 771,795	\$ 645,747	\$ 591,701	\$ 727,475	\$ 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	30.41%	31.95%	-0.66%	20.06%	18.33%	15.02%	16.30%	15.35%	12.59%	16.14%
Plan fiduciary net position as a percentage of the total pension liability	83.45%	85.34%	100.31%	86.77%	86.84%	88.14%	84.22%	83.56%	78.40%	79.82%
Notes to Schedule:										
Reporting valuation date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount rate	6.90%	6.90%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%	7.50%	7.50%
Change in benefit terms: None										

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

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	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)	\$ 68,725	\$ 73,921	\$ 64,454	\$ 59,733	\$ 63,773	\$ 52,523	\$ 44,554	\$ 48,319	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(68,725)	(73,921)	(64,454)	(59,733)	(63,773)	(52,523)	(44,554)	(48,319)	(33,408)	(30,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 722,331	\$ 771,795	\$ 645,747	\$ 591,701	\$ 727,475	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481
Contributions as a percentage of covered payroll	9.51%	9.58%	9.98%	10.10%	8.77%	8.22%	7.24%	8.12%	7.32%	8.32%
Notes to schedule:										
Contribution valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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					
Inflator	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases					Varies by Entry Age and Service					
Investment rate of return and discount rate	6.80%	7.00%	7.00%	7.00%	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.

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COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENT

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

	Special Revenue			
	CDBG	Transportation & Road Fund	Gas Tax	Road Maintenance SB1/RSTBG
ASSETS:				
Cash and investments		\$ 84,257		
Due from other governmental agencies			\$ 5,171	\$ 9,067
Interest receivable				2,742
Notes receivable	\$ 9,193			
Total assets	\$ 9,193	\$ 84,257	\$ 5,171	\$ 11,809
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable		\$ 2,205	\$ 1,624	
Accrued expenses		3,532		
Retention payable				
Deferred revenue				
Due to other funds		14,859	3,547	\$ 11,809
Total liabilities		20,596	5,171	11,809
Deferred Inflows of Resources				
Unavailable revenue				
Total Deferred Inflows of Resources				
FUND BALANCES:				
Nonspendable	\$ 9,193			
Restricted		\$ 63,661		
Unassigned				
Total fund balances	9,193	63,661		
Total liabilities and fund balances	\$ 9,193	\$ 84,257	\$ 5,171	\$ 11,809

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

Special Revenue				Total Nonmajor Governmental Funds
Mitigation Funds	Beverage Recycling	Oil Grant	Grant Funds	
\$ 576,974	\$ 20,173	\$ 3,978	\$ 92,579	\$ 777,961
7,888	208	41	668	14,238
				11,547
				9,193
<u>\$ 584,862</u>	<u>\$ 20,381</u>	<u>\$ 4,019</u>	<u>\$ 93,247</u>	<u>\$ 812,939</u>
			\$ 5,007	\$ 8,836
				3,532
			86,559	86,559
\$ 1,539				31,754
<u>1,539</u>			<u>91,566</u>	<u>130,681</u>
				9,193
583,323	\$ 20,381	\$ 4,019	1,681	673,065
<u>583,323</u>	<u>20,381</u>	<u>4,019</u>	<u>1,681</u>	<u>682,258</u>
<u>\$ 584,862</u>	<u>\$ 20,381</u>	<u>\$ 4,019</u>	<u>\$ 93,247</u>	<u>\$ 812,939</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2024

	Special Revenue				
	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax	Road Maintenance SB1/RSTBG
REVENUES:					
Taxes				\$ 67,492	
Licenses, fees and permits			\$ 180		
Intergovernmental revenues	\$ 186,159		158,800		\$ 53,049
Use of money and property		\$ 67	441		9,731
Total revenues	<u>186,159</u>	<u>67</u>	<u>159,421</u>	<u>67,492</u>	<u>62,780</u>
EXPENDITURES:					
Current:					
General government					
Public safety	186,159				
Public works			226,200	20,967	
Capital outlay					
Total expenditures	<u>186,159</u>		<u>226,200</u>	<u>20,967</u>	
Excess (deficiency) of revenues over (under) expenditures		<u>67</u>	<u>(66,779)</u>	<u>46,525</u>	<u>62,780</u>
OTHER FINANCING SOURCES (USES):					
Transfers in			83,628		
Transfers out		(513)	(1,548)	(46,525)	(282,122)
Total other financing sources (uses)		<u>(513)</u>	<u>82,080</u>	<u>(46,525)</u>	<u>(282,122)</u>
Net change in fund balances		(446)	15,301	-	(219,342)
Fund balances, beginning of year, as previously presented		9,639	48,360		219,342
Change within financial reporting entity (major to nonmajor)					
Fund balances, beginning of year, as adjusted	-	<u>9,639</u>	<u>48,360</u>	-	<u>219,342</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 9,193</u>	<u>\$ 63,661</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue				Formerly Non- major Fund	Total Nonmajor Governmental Funds
Mitigation Funds	Beverage Recycling	Oil Grant	Grant Funds	Capital Projects	
					\$ 67,492
\$ 4,922					5,102
			\$ 8,655		406,663
30,089	\$ 795	\$ 157	1,209		42,489
<u>35,011</u>	<u>795</u>	<u>157</u>	<u>9,864</u>	<u>-</u>	<u>521,746</u>
			8,656		8,656
5,850					186,159
					253,017
<u>5,850</u>			<u>8,656</u>		<u>447,832</u>
29,161	795	157	1,208	-	73,914
					83,628
<u>(188,647)</u>					<u>(519,355)</u>
<u>(188,647)</u>					<u>(435,727)</u>
(159,486)	795	157	1,208	-	(361,813)
742,809	19,586	3,862	473	(143,416)	900,655
				143,416	143,416
<u>742,809</u>	<u>19,586</u>	<u>3,862</u>	<u>473</u>	<u>-</u>	<u>1,044,071</u>
<u>\$ 583,323</u>	<u>\$ 20,381</u>	<u>\$ 4,019</u>	<u>\$ 1,681</u>	<u>\$ -</u>	<u>\$ 682,258</u>

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COMPLIANCE REPORT



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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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Richardson & Company, LLP

December 17, 2024

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

Opinion on Each Major Federal Program

We have audited the City of Colfax, California's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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 for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

To the City Council
City of Colfax, California

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

December 17, 2024

CITY OF COLFAX, CALIFORNIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

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?	None noted
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?	None noted
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>AL Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
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)?	No

(Continued)

CITY OF COLFAX, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

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, 2024

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the California Department of Housing and Community Development			
Community Development Block Grant Program	14.228	22-CDBG-NH-00052	\$ 754,452
TOTAL FEDERAL AWARDS			<u>\$ 754,452</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, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Colfax, California (the City) under programs of the federal government for the year ended June 30, 2024. 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 City'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 charge indirect costs to federal programs during the year ended June 30, 2024.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the City's programs during the year ended June 30, 2024.