

**CITY OF COLFAX, CALIFORNIA**

Audited Financial Statements and Supplemental Information

June 30, 2016



CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Colfax, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colfax, California as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
City of Colfax, California

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

February 1, 2017

## 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, 2016. We encourage the readers to consider the information presented here in conjunction with the accompanying basic financial statements and the additional information provided.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of Fiscal Year 2015-2016 by \$18,823,091 (*Net Position*) which represents an increase of 5.7% or \$1,019,295. These assets are allocated as follows:
  - Net Investment in capital assets - \$15,220,203. Total capital additions for the fiscal year were \$1,101,260.
  - Restricted net position - \$1,571,347. 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 - \$2,031,541. This is an increase of \$538,104 over the previous year. These funds may be used to meet ongoing obligations of the City.
- Total revenue from all sources was \$4,620,207 of which \$582,664 was from capital grants and contributions. Total operating expenditures from all sources were \$3,600,912.

### USING THIS ANNUAL REPORT

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

## Reporting the City as a Whole

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

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

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

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

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

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

## Reporting the City's Most Significant Funds

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



of funds – *governmental* and *proprietary* (business activities/enterprise funds) – use different accounting approaches:

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

## THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Colfax, assets exceeded liabilities by \$18,823,091 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, 2016 and 2015 are summarized (Table 1), as follows:

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

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	\$ 2,708	\$ 2,493	\$ 1,381	\$ 1,111	\$ 4,090	\$ 3,604
Non-current and Capital assets	5,346	4,303	19,927	20,541	25,273	24,844
<b>Total Assets</b>	8,054	6,796	21,308	21,652	29,362	28,448
<b>Deferred Outflows of Resources</b>						
Pension Contributions made subsequent to measurement date	17	18	16	15	33	33
<b>Liabilities:</b>						
Long-term liabilities	939	681	8,740	9,107	9,679	9,788
Other liabilities	270	344	537	513	807	857
<b>Total Liabilities</b>	1,209	1,025	9,277	9,620	10,486	10,645
<b>Deferred Inflows of Resources</b>						
Unamortized gains on pension investment	44	18	42	15	86	33
<b>Net Position:</b>						
Net Investment in capital assets	4,800	4,193	10,420	10,661	15,220	14,854
Restricted	1,036	921	535	536	1,571	1,457
Unrestricted	981	657	1,050	835	2,032	1,492
<b>Total Net Position</b>	<u>\$ 6,818</u>	<u>\$ 5,771</u>	<u>\$ 12,005</u>	<u>\$ 12,032</u>	<u>\$ 18,823</u>	<u>\$ 17,803</u>

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

### **Governmental Activities**

Total revenues for Governmental Activities increased 26.7% in fiscal year 2015-2016 as compared to the previous year. The majority of the increase was capital grants associated with the Road Rehabilitation and Railroad Crossing Improvements projects which started in fiscal year 2012-2013 and were completed during fiscal year 2015-2016. The City's governmental activities net position increased by \$1,046,458 for the fiscal year. Sources of revenue and expenditures are noted in Table 2 below.

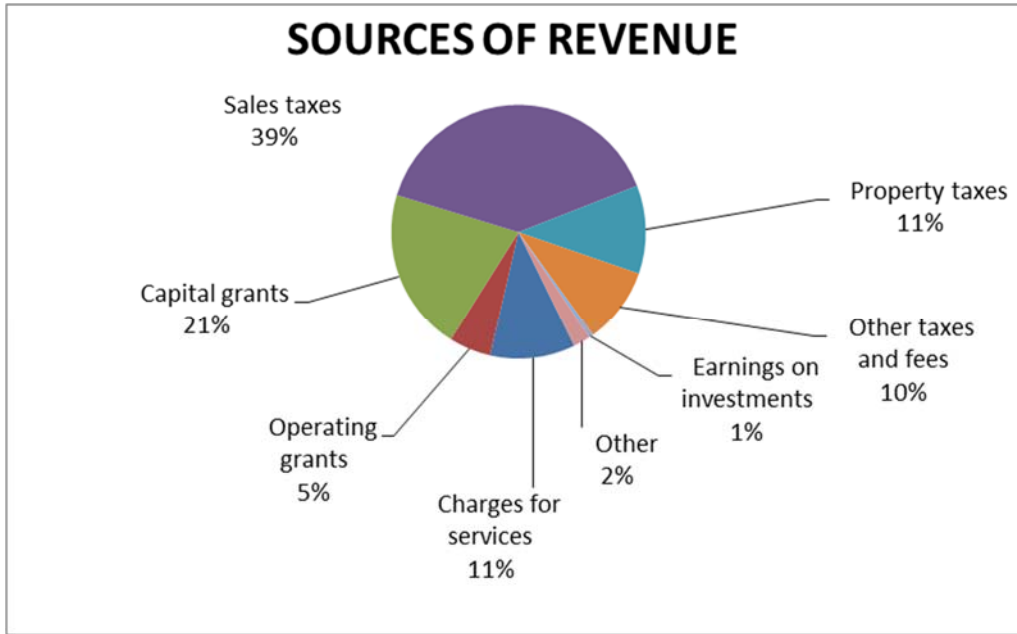
## Business-Type Activities

Business-type activities decreased the City of Colfax's net position by \$27,163 for the fiscal year. Detailed revenues and expenditures are reported in Table 2 below.

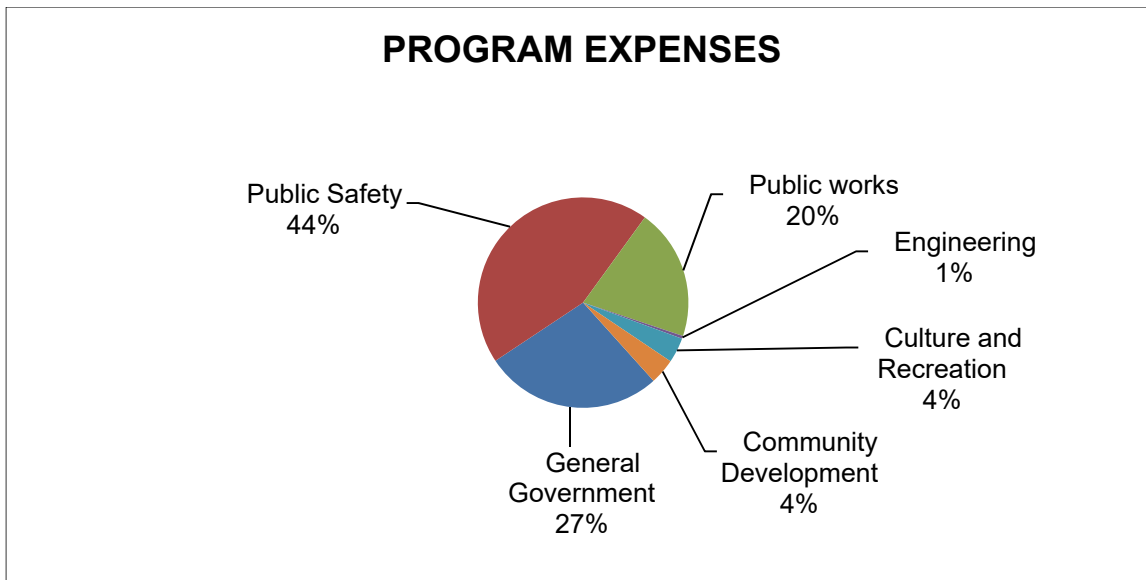
**Table 2**  
**City of Colfax, Change in Net Position**  
**(in Thousands)**

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 304	\$ 198	\$ 1,800	\$ 1,791	\$ 2,104	\$ 1,989
Operating grants and contributions	150	182	-	-	150	182
Capital grants and contributions	583	144	-	-	583	144
General revenues:						
Sales taxes	1,104	956	-	-	1,104	956
Property taxes	315	300	1	3	316	303
Other taxes and fees	274	342	-	-	274	342
Earnings on investments	15	13	13	13	27	26
Other	62	80	-	-	62	80
<b>Total revenues</b>	<b>2,806</b>	<b>2,215</b>	<b>1,814</b>	<b>1,807</b>	<b>4,620</b>	<b>4,022</b>
<b>Expenses:</b>						
General government	481	410	-	-	481	410
Public Safety	779	719	-	-	779	719
Public works	355	280	-	-	355	280
Engineering	8	44	-	-	8	44
Culture and recreation	67	171	-	-	67	171
Community development	69	92	-	-	69	92
Sewer	-	-	1,842	1,825	1,842	1,825
Garbage	-	-	-	-	-	-
<b>Total expenses</b>	<b>1,759</b>	<b>1,716</b>	<b>1,842</b>	<b>1,825</b>	<b>3,601</b>	<b>3,541</b>
Change in net position	1,046	499	(27)	(18)	1,019	481
Net position, July 1						
-as previously reported	5,771	5,294	12,032	12,069	17,804	17,363
Restatement	-	(22)	-	(19)	-	(41)
Net position, July 1 -as restated	5,771	5,272	12,032	12,050	17,804	17,322
Net position, June 30	\$ 6,818	\$ 5,771	\$ 12,005	\$ 12,032	\$ 18,823	\$ 17,803

**Fiscal Year 2015-2016**  
**Governmental Activities – Sources of Revenue**  
 (Graphic representation of Table 2 in percentages)



**Fiscal Year 2015-2016**  
**Governmental Activities – Program Expenses**  
 (Graphic representation of Table 2 in percentages)



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include police, fire and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2016, net capital assets of the governmental activities totaled \$5,227,846 and the net capital assets of the business-type activities totaled \$19,413,370. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See table 3 and Note D to the financial statements.)

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

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,289	\$ 758	\$ 135	\$ 135	\$ 1,424	\$ 893
Construction in progress	36	236	-	-	36	236
Building and Improvements	5,073	4,345	24,343	24,343	29,415	28,688
Vehicles	420	420	3	3	423	423
Furniture and Fixtures	7	7	-	-	7	7
Machinery and equipment	382	382	637	594	1,019	976
Accumulated depreciation	(1,978)	(1,845)	(5,704)	(5,069)	(7,682)	(6,914)
<b>Total Assets</b>	<b>\$ 5,228</b>	<b>\$ 4,303</b>	<b>\$ 19,413</b>	<b>\$ 20,006</b>	<b>\$ 24,641</b>	<b>\$ 24,309</b>

Major capital asset improvements and additions/deletions during the current fiscal year included the following:

- Final construction costs incurred for Grass Valley Street Road Rehabilitation and Railroad Pedestrian crossing improvements.
- Purchase of parcel of land from Winner Chevrolet.

## Long-Term Debt

At the end of fiscal year 2015-2016, the City of Colfax had total long-term debts outstanding of \$10,071,527, as compared to a total of \$10,175,282 last year (See Table 4 and Note E to the financial statements).

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

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Note Payable	\$ 427	\$ 109	\$ -	\$ -	\$ 427	\$ 109
Compensated absences	12	8	13	8	25	16
Landfill Closure	482	537	-	-	482	537
General obligation bond	-	-	14	20	14	20
State Loans	-	-	8,980	9,325	8,980	9,325
Legal Settlements	-	-	97	111	97	111
Pension Liability	24	31	23	26	46	57
<b>Total Long-term Debt</b>	<b>\$ 945</b>	<b>\$ 685</b>	<b>\$ 9,126</b>	<b>\$ 9,490</b>	<b>\$ 10,072</b>	<b>\$ 10,175</b>

The City's long-term debt includes: compensated absences due employees for accrued vacation and sick leave pay, Post Closure expenses related to the City's closed landfill site, notes payable for the construction of the sewer plant and improvements projects, and notes payable for the purchase of property, legal settlements, and the pension liability. Additionally, the City issued general obligation bonds to finance the sewer facility back in 1978.

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

- Purchase of additional parcel of land and payments made on the Note Payable associated with the purchase of property from previous years (Governmental Activities)
- Annual payment on the State loan associated with Pond 3 liner, I&I mitigation and SCADA project which started in fiscal year 2011-2012. This project completed in early fiscal year 2013-2014.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2016-2017, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures due to the lingering effects of the economic downturn in recent years.

Operating revenues and expenses are projected to remain fairly level with fiscal year 2015-2016. The budget is balanced, with expenditure amounts in the General Fund and

Enterprise Fund within projected revenues and available funds, while providing for contributions toward prudent fund balance reserves. The City has continued to provide existing services at the reduced staff levels achieved over the past several years – and anticipates adding one new position in fiscal year 2016-2017.

The City's Capital Improvement program is in transition, from recent very large expenditure projects required to bring the wastewater system in compliance, to smaller projects addressing deferred infrastructure needs. Funding is secured for some of these improvements. Staff is pursuing appropriate grant opportunities to assist in funding other improvements.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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## CITY OF COLFAX

## GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,138,277	\$ 1,213,777	\$ 3,352,054
Accounts receivable, net of allowance for doubtful accounts	34,524	160,946	195,470
Due from other government agencies	532,914	3,513	536,427
Interest receivable	2,721	2,046	4,767
Prepaid expenses		864	864
Total current assets	<u>2,708,436</u>	<u>1,381,146</u>	<u>4,089,582</u>
Noncurrent assets:			
Restricted cash		494,039	494,039
Notes receivable	117,942	19,586	137,528
Capital assets, net of accumulated depreciation			
Non-depreciable	1,324,976	134,700	1,459,676
Depreciable	<u>3,902,870</u>	<u>19,278,670</u>	<u>23,181,540</u>
	<u>5,345,788</u>	<u>19,926,995</u>	<u>25,272,783</u>
Total assets	<u>8,054,224</u>	<u>21,308,141</u>	<u>29,362,365</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	<u>17,253</u>	<u>16,445</u>	<u>33,698</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	231,150	82,384	313,534
Accrued expenses	7,012	68,352	75,364
Unearned revenue	25,702		25,702
Current portion of long-term liabilities	<u>6,040</u>	<u>386,344</u>	<u>392,384</u>
Total current liabilities	<u>269,904</u>	<u>537,080</u>	<u>806,984</u>
Long-term liabilities:			
Notes payable	427,444	8,710,752	9,138,196
Postclosure landfill costs	482,167		482,167
Compensated absences	6,040	6,466	12,506
Net pension liability	<u>23,692</u>	<u>22,582</u>	<u>46,274</u>
Total long-term liabilities	<u>939,343</u>	<u>8,739,800</u>	<u>9,679,143</u>
Total liabilities	<u>1,209,247</u>	<u>9,276,880</u>	<u>10,486,127</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	<u>44,465</u>	<u>42,380</u>	<u>86,845</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,800,402	10,419,801	15,220,203
Restricted net position	1,036,229	535,118	1,571,347
Unrestricted net position	<u>981,134</u>	<u>1,050,407</u>	<u>2,031,541</u>
Total net position	<u>\$ 6,817,765</u>	<u>\$ 12,005,326</u>	<u>\$ 18,823,091</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, 2016

	Program Revenues				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions			
Governmental Activities							
General government	\$ 480,971	\$ 182,774			\$ (298,197)		\$ (298,197)
Public safety	779,410	117,561	\$ 137,559		(524,290)		(524,290)
Public works	354,710		7,135	\$ 582,664	235,089		235,089
Community development	69,106		5,000		(64,106)		(64,106)
Engineering services	7,691				(7,691)		(7,691)
Culture and recreation	67,437	3,480			(63,957)		(63,957)
Total governmental activities	<u>1,759,325</u>	<u>303,815</u>	<u>149,694</u>	<u>582,664</u>	<u>(723,152)</u>		<u>(723,152)</u>
Business-type activities:							
Sewer	1,749,638	1,800,339				\$ 50,701	50,701
Interest on long-term debt	91,949					(91,949)	(91,949)
Total business-type activities	<u>1,841,587</u>	<u>1,800,339</u>				<u>(41,248)</u>	<u>(41,248)</u>
Total government	<u>\$ 3,600,912</u>	<u>\$ 2,104,154</u>	<u>\$ 149,694</u>	<u>\$ 582,664</u>	<u>(723,152)</u>	<u>(41,248)</u>	<u>(764,400)</u>
		General revenues					
		Taxes:					
		Sales and use taxes			1,104,357		1,104,357
		Property taxes			314,709	1,389	316,098
		Transient occupancy tax			18,060		18,060
		Franchises			81,591		81,591
		Gas taxes			49,266		49,266
		Motor vehicle in-lieu			125,364		125,364
		Investment income			14,667	12,696	27,363
		Rental income			54,115		54,115
		Miscellaneous			7,481		7,481
		Total general revenues			<u>1,769,610</u>	<u>14,085</u>	<u>1,783,695</u>
		Changes in net position			<u>1,046,458</u>	<u>(27,163)</u>	<u>1,019,295</u>
		Net position, beginning of year			<u>5,771,307</u>	<u>12,032,489</u>	<u>17,803,796</u>
		Net position, end of year			<u>\$ 6,817,765</u>	<u>\$ 12,005,326</u>	<u>\$ 18,823,091</u>

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

CITY OF COLFAX  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2016

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,499,214	\$ 4,852	\$ 634,211	\$ 2,138,277
Accounts receivable, net of allowance for doubtful accounts	34,524			34,524
Due from other governmental agencies	370,127	155,652	7,135	532,914
Interest receivable	2,017	(80)	784	2,721
Notes receivable	73,923		44,019	117,942
Due from other funds	125,597			125,597
<b>TOTAL ASSETS</b>	<b>\$ 2,105,402</b>	<b>\$ 160,424</b>	<b>\$ 686,149</b>	<b>\$ 2,951,975</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 193,262	\$ 29,998	\$ 7,890	\$ 231,150
Accrued expenses	5,280		1,732	7,012
Unearned revenue	25,702			25,702
Due to other funds		125,597		125,597
<b>Total liabilities</b>	<b>224,244</b>	<b>155,595</b>	<b>9,622</b>	<b>389,461</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue		28,325	7,135	35,460
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>28,325</b>	<b>7,135</b>	<b>35,460</b>
<b>Fund balances:</b>				
Nonspendable			44,019	44,019
Committed	395,000			395,000
Restricted	813,544		625,373	1,438,917
Unassigned	672,614	(23,496)		649,118
<b>TOTAL FUND BALANCES</b>	<b>1,881,158</b>	<b>(23,496)</b>	<b>669,392</b>	<b>2,527,054</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 2,105,402</b>	<b>\$ 160,424</b>	<b>\$ 686,149</b>	<b>\$ 2,951,975</b>

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, 2016

Total Governmental Fund Balances	\$ 2,527,054
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.	17,253
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	5,227,846
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	35,460
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(945,383)
Employee pension differences to be recognized in the futures as pension expense are reported as deferred inflows of resources on the statement of net position.	<u>(44,465)</u>
Net Position of Governmental Activities	<u><u>\$ 6,817,765</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, 2016

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>REVENUES:</b>				
Taxes	\$ 1,512,798		\$ 49,266	\$ 1,562,064
Licenses, fees and permits	131,707		930	132,637
Intergovernmental revenues	149,280	\$ 439,018	319,290	907,588
Charges for services	89,970			89,970
Fines, forfeitures and penalties	2,731			2,731
Use of money and property	65,539	(502)	3,745	68,782
Other revenue	6,551			6,551
Total revenues	<u>1,958,576</u>	<u>438,516</u>	<u>373,231</u>	<u>2,770,323</u>
<b>EXPENDITURES:</b>				
General government	498,699		10,359	509,058
Public safety	665,502		111,372	776,874
Public works	124,983		183,285	308,268
Community development			118	118
Engineering services	7,691			7,691
Cultural and recreation	54,413			54,413
Debt Service:				
Principal	212,920			212,920
Capital outlay	531,800	526,443		1,058,243
Total expenditures	<u>2,096,008</u>	<u>526,443</u>	<u>305,134</u>	<u>2,927,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,432)</u>	<u>(87,927)</u>	<u>68,097</u>	<u>(157,262)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long-term debt	530,800			530,800
Transfers in	23,320	39,680	49,055	112,055
Transfers out	(39,680)		(72,375)	(112,055)
Total other financing sources (uses)	<u>514,440</u>	<u>39,680</u>	<u>(23,320)</u>	<u>530,800</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	377,008	(48,247)	44,777	373,538
Fund balance - beginning of year	<u>1,504,150</u>	<u>24,751</u>	<u>624,615</u>	<u>2,153,516</u>
Fund balance - end of year	<u>\$ 1,881,158</u>	<u>\$ (23,496)</u>	<u>\$ 669,392</u>	<u>\$ 2,527,054</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 373,538

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

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

Capital outlay	1,058,243
Depreciation expense	(133,365)

Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.

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

Gard Family Living Trust note payments	212,920
Postclosure landfill costs	54,394
Issuance of note payable	(530,800)

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

Deferred revenue recognized	35,460
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.

Change in compensated absences	(4,160)
Change in deferred outflow of resources	(394)
Change in net pension obligation	7,056
Change in deferred inflow of resources	(26,434)

Change in Net Position of Governmental Activities \$ 1,046,458

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



CITY OF COLFAX

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 1,060,000	\$ 1,225,000	\$ 1,512,798	\$ 287,798
Licenses, fees and permits	57,700	57,700	131,707	74,007
Intergovernmental	130,000	130,000	149,280	19,280
Charges for services	148,263	148,263	89,970	(58,293)
Fines and forfeitures	10,000	10,000	2,731	(7,269)
Use of money and property	46,300	46,300	65,539	19,239
Other revenue	1,000	1,000	6,551	5,551
Total revenues	<u>1,453,263</u>	<u>1,618,263</u>	<u>1,958,576</u>	<u>340,313</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government and administration	502,861	517,088	498,699	18,389
Public safety	595,843	622,090	665,502	(43,412)
Public works	83,593	83,593	124,983	(41,390)
Engineering services	7,500	30,000	7,691	22,309
Culture and recreation	46,419	46,419	54,413	(7,994)
<b>Debt Service:</b>				
Principal	120,000	85,000	212,920	(127,920)
Capital outlay	15,000	15,000	531,800	(516,800)
Total expenditures	<u>1,371,216</u>	<u>1,399,190</u>	<u>2,096,008</u>	<u>(696,818)</u>
Excess (deficiency) of revenues over expenditures	82,047	219,073	(137,432)	(356,505)
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt			530,800	530,800
Transfers in			23,320	23,320
Transfers out	(50,226)	(50,226)	(39,680)	10,546
Total other financing uses	<u>(50,226)</u>	<u>(50,226)</u>	<u>514,440</u>	<u>564,666</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	31,821	168,847	377,008	208,161
Fund balances - beginning of year	<u>1,504,150</u>	<u>1,504,150</u>	<u>1,504,150</u>	
Fund balances - end of year	<u>\$ 1,535,971</u>	<u>\$ 1,672,997</u>	<u>\$ 1,881,158</u>	<u>\$ 208,161</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, 2016

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 1,213,777
Accounts receivable, net of allowance for doubtful accounts of \$20,000	160,946
Notes receivable	19,586
Due from other governmental agencies	3,513
Interest receivable	2,046
Prepaid expenses	864
Total current assets	<u>1,400,732</u>

Noncurrent Assets:

Restricted cash	494,039
Capital assets:	
Nondepreciable	134,700
Depreciable	<u>19,278,670</u>
Total capital assets, net of accumulated depreciation	<u>19,413,370</u>

Total assets	<u>21,308,141</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Pension contributions subsequent to measurement date	<u>16,445</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	82,384
Accrued expenses	68,352
Current portion of long-term liabilities	<u>386,344</u>
Total current liabilities	<u>537,080</u>

Long-term Liabilities:

Bonds payable, long-term portion	-
Notes payable, long-term portion	8,710,752
Compensated absences	6,466
Net pension liability	<u>22,582</u>
Total long-term liabilities	<u>8,739,800</u>
Total liabilities	<u>9,276,880</u>

DEFERRED INFLOWS OF RESOURCES:

Unamortized gains on pension investments	<u>42,380</u>
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NET POSITION:

Invested in capital assets, net of related debt	10,419,801
Restricted	535,118
Unrestricted	<u>1,050,407</u>
Total net position	<u>\$ 12,005,326</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, 2016

Operating revenues:	
Service charges	\$ 1,751,499
Permits	18,556
Miscellaneous	30,284
Total operating revenues	<u>1,800,339</u>
Operating expenses:	
Personnel services	392,246
Operation and maintenance	722,107
Depreciation	635,285
Total operating expenses	<u>1,749,638</u>
Income from operations	<u>50,701</u>
Non-operating revenues (expenses):	
Interest income	12,696
Tax assessment	1,389
Interest expense	(91,949)
Total nonoperating revenues	<u>(77,864)</u>
Change in net position	(27,163)
Net position, beginning of year	<u>12,032,489</u>
Net position, end of year	<u>\$ 12,005,326</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, 2016

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,819,692
Cash paid to suppliers	(705,316)
Cash paid to employees and related benefits	(358,026)
Cash provided by operating activities	<u>756,350</u>
Cash Flows from Noncapital Financing Activities:	
Tax assessments received	<u>1,829</u>
Cash provided by noncapital financing activities	<u>1,829</u>
Cash Flows from Capital and Related Financing Activities:	
Capital expenditures	(43,017)
Debt principal paid	(351,721)
Settlements paid	(14,259)
Interest paid	(94,254)
Cash used for capital and related financing activities	<u>(503,251)</u>
Cash Flows from Investing Activities:	
Interest received	11,482
Payments received on issued notes	741
Cash used for investing activities	<u>12,223</u>
Increase in cash and cash equivalents	267,151
Cash and cash equivalents, beginning of year	<u>1,440,665</u>
Cash and cash equivalents, end of year	<u>\$ 1,707,816</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 1,213,777
Restricted cash and investments	<u>494,039</u>
Cash and cash equivalents	<u>\$ 1,707,816</u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating income	\$ 50,701
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	635,285
Change in pension obligation and related deferred inflows (outflows)	21,927
(Increase) decrease in assets:	
Accounts receivable	19,353
(Decrease) increase in liabilities:	
Accounts payable	16,791
Accrued expenses	6,978
Accrued compensated absences	<u>5,315</u>
Cash provided by operating activities	<u>\$ 756,350</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements. In addition the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services and privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise fund:

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



CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fund types:

*GOVERNMENTAL FUNDS*

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

*PROPRIETARY FUNDS*

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

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

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including the City's investment in California Local Agency Investment Fund (LAIF). Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost.

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

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unused vacation is paid to employees upon termination after one year of service. The maximum accrual for all employees for vacation is one times the employees' annual vacation leave credits. There is no limit as to the accrual of sick leave. Sick leave is not payable upon termination, but may be converted to service credits under the City's defined benefit pension plan.

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

For governmental fund types, proceeds from borrowing are reported as an other 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.

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund	Appropriations	Total Expenditures and Transfers Out	Excess Expenditures
Major Governmental Funds:			
Capital Projects	\$ 260,000	\$ 526,443	\$ 266,443
Major Enterprise Fund:			
Sewer Fund	1,775,194	1,841,587	66,393
Nonmajor Governmental Funds:			
Supplemental Law Enforcement Fund	100,000	114,618	14,618
CDBG Fund	-	8,702	8,702
Transportation and Road Fund	164,836	165,091	255
Gas Tax Fund	59,837	66,999	7,162

Deficit Fund Equity: The City’s Capital Projects Fund had a fund deficit at June 30, 2016, because a portion of the receivables were not collected within the City’s availability period. This deficit will be eliminated when this receivable is collected.

New Pronouncements: In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). GASB 79 addresses accounting and financial reporting for certain external pools and pool participants and established criteria for an external pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective beginning the year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective beginning the year ended June 30, 2017.

The City is currently analyzing the impact of the required implementation of these new statements.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

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, 2016 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,138,277	\$ 1,213,777	\$ 3,352,054
Restricted cash		494,039	494,039
	<u>\$ 2,138,277</u>	<u>\$ 1,707,816</u>	<u>\$ 3,846,093</u>

As of June 30, 2016, the City's cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	138,883
Investments	
California Local Agency Investment Fund	<u>3,706,910</u>
Total cash and investments	<u>\$ 3,846,093</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.

	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
Local agency bonds	None	None	10%
Mortgage-back securities	None	20%	None
Bankers acceptances	180 days	40%	30%
High grade commercial paper	270 days	40%	10%
Negotiable certificates of deposit	None	None	None
LAIF	N/A	None	None
Medium term corporate notes	5 years	30%	5%
Repurchase Agreements	365 days	20%	None
Money market fund	None	None	None

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE B – CASH AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 167 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, 2016, the carrying amount of the City's deposits was \$138,883 and the balance in financial institutions was \$290,919. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$40,919 was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$75,442,588,513 managed by the State Treasurer. Of that amount, 2.81% 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, 2016

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2016 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Capital Projects Fund	<u>\$ 125,597</u>

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

Transfers during the year ended June 30, 2016 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Transportation and Road</u>	
Major Governmental Funds:				
General		\$ 39,680		\$ 39,680
Nonmajor Governmental Funds:				
Supplemental Law Enforcement	\$ 14,618			14,618
CDBG	8,702			8,702
Gas Tax			\$ 49,055	49,055
	<u>\$ 23,320</u>	<u>\$ 39,680</u>	<u>\$ 49,055</u>	<u>\$ 112,055</u>

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



CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 758,329	\$ 530,800			\$ 1,289,129
Construction in progress	235,793	455,029		\$ (654,975)	35,847
Total capital assets, not being depreciated	994,122	985,829	-	(654,975)	1,324,976
Capital assets, being depreciated:					
Buildings and improvements	4,345,353	72,414		654,975	5,072,742
Vehicles	419,525				419,525
Machinery and equipment	382,298				382,298
Furniture and fixtures	6,764				6,764
Total capital assets, being depreciated	5,153,940	72,414	-	654,975	5,881,329
Less accumulated depreciation for:					
Buildings and improvements	(1,048,064)	(131,053)			(1,179,117)
Vehicles	(407,968)	(2,312)			(410,280)
Machinery and equipment	(382,298)				(382,298)
Furniture and fixtures	(6,764)				(6,764)
Total accumulated depreciation	(1,845,094)	(133,365)	-	-	(1,978,459)
Capital assets being depreciated, net	3,308,846	(60,951)	-	654,975	3,902,870
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 4,302,968	\$ 924,878	\$ -	\$ -	\$ 5,227,846

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

General governmental	\$ 13,942
Public safety	2,536
Public works	37,189
Culture and recreation	10,770
Community development	68,928
Total governmental activities depreciation expense	\$ 133,365

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE D – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Total capital assets, not being depreciated	134,700				134,700
Capital assets, being depreciated:					
Buildings and improvements	24,342,595				24,342,595
Vehicles	3,400				3,400
Machinery and equipment	593,499	\$ 43,017			636,516
Total capital assets, being depreciated	24,939,494	43,017			24,982,511
Less accumulated depreciation for:					
Buildings and improvements	(4,686,490)	(590,670)			(5,277,160)
Vehicles	(3,400)				(3,400)
Machinery and equipment	(378,666)	(44,615)			(423,281)
Total accumulated depreciation	(5,068,556)	(635,285)			(5,703,841)
Capital assets being depreciated, net	19,870,938	(592,268)			19,278,670
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 20,005,638</u>	<u>\$ (592,268)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,413,370</u>

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

Sewer	<u>\$ 635,285</u>
Total business-type activities depreciation expense	<u>\$ 635,285</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016	Due Within One Year
<b>Governmental Activities:</b>					
Note payable	\$ 109,564	\$ 530,800	\$ (212,920)	\$ 427,444	
Postclosure landfill costs	536,561		(54,394)	482,167	
Compensated absences	7,920	4,160		12,080	\$ 6,040
Pension liability	30,748		(7,056)	23,692	
Governmental activities long-term liabilities	<u>\$ 684,793</u>	<u>\$ 534,960</u>	<u>\$ (274,370)</u>	<u>\$ 945,383</u>	<u>\$ 6,040</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 20,000		\$ (6,000)	\$ 14,000	\$ 14,000
State loan - restructured	9,325,290		(345,721)	8,979,569	349,178
Legal settlement 2009	111,318		(14,259)	97,059	16,698
Total bonds, loans, settlements payable	9,456,608		(365,980)	9,090,628	379,876
Compensated absences	7,619	\$ 5,315		12,934	6,468
Pension liability	26,262		(3,680)	22,582	
Business-type activities long-term liabilities	<u>\$ 9,490,489</u>	<u>\$ 5,315</u>	<u>\$ (369,660)</u>	<u>\$ 9,126,144</u>	<u>\$ 386,344</u>

Long-term debt of the City's governmental activities consists of the following as of June 30, 2016:

On February 10, 2016, the City entered into an agreement with the Gard Family Living Trust to purchase two land parcels from Winner Chevrolet. The agreement provides that the City lease the property to the seller for one dollar per year for a term of 50 years, and that the seller upgrade the existing property. The City and seller believe that the upgrades to the property will provide additional sales tax for the City. The City will pay 50% of the increase in sales tax over the base year sales amount in semi-annual payments over a period of 10 years with two 5-year extensions, or until paid in full, whichever is earlier. The agreement entered into on December 8, 2010 was completely paid during the year ended June 30, 2016.

\$ 427,444

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE E – LONG-TERM LIABILITIES (Continued)

Postclosure landfill cost: State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions on its landfill for 30 years after closure. The City has recorded a liability for landfill closure in the General Fund in accordance with GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Costs*. The City hired a private consultant to perform an analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City's landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by the consultant's analysis. The consultant's analysis is an estimate only and is subject to change due to inflation or deflation, technology, or applicable laws and regulations. The City is currently estimating that 100% of the landfill is used and there is no remaining life. As of June 30, 2016, the remaining closure and postclosure maintenance costs to be recognized over the next 23 years is \$482,167.

Long-term debt of the City's business-type activities consists of the following as of June 30, 2016:

On June 1, 1978, the City issued 100 \$1,000 USDA Rural Development general obligation bonds. The interest rate applicable on these bonds is 5%. The final maturity of these bonds is June 1, 2018. On August 3, 2016, the City paid this remaining balance of \$14,000. \$ 14,000

On September 19, 2011, the City entered into a loan agreement with the State for \$12,825,600 at an interest rate of 1%. The City received proceeds of \$7,761,000, which includes the \$36,000 to refund the City's 1978 USDA Sewer Revenue Bond and \$7,725,000 to restructure the original loan. The State forgave \$3,319,000 of the loan principal during 2013. Additionally, the City received loan disbursements of \$982,088 during the fiscal years 2013 and 2014, respectively. Annual principal and interest payments of \$438,974 are due on October 1. The note matures in 2038. 8,979,569

During 2009, the City settled a legal claim for \$450,000 related to the operations of its wastewater treatment plant. The City's insurance provider, SCORE, paid the entire \$450,000; however, the City is responsible for reimbursing \$226,601 to SCORE. 97,059

\$ 9,090,628

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE E – LONG-TERM LIABILITIES (Continued)

Principal payments on debt are due as follows:

June 30	General Obligation Bonds	State Loan - Restructured	Legal Settlement 2009	Total
2017	\$ 7,000	\$ 349,178	\$ 16,698	\$ 372,876
2018	7,000	352,670	22,263	381,933
2019		356,196	27,830	384,026
2020		359,759	30,268	390,027
2021		363,356		363,356
2022-2026		1,872,016		1,872,016
2027-2031		1,967,508		1,967,508
2032-2036		2,067,871		2,067,871
2037-2039		1,291,015		1,291,015
Totals	<u>\$ 14,000</u>	<u>\$ 8,979,569</u>	<u>\$ 97,059</u>	<u>\$ 9,090,628</u>

Interest payments on debt are due as follows:

June 30	General Obligation Bonds	State Loan - Restructured	Total
2017	\$ 700	\$ 89,796	\$ 90,496
2018	350	86,304	86,654
2019		82,777	82,777
2020		79,215	79,215
2021		75,618	75,618
2022-2026		322,853	322,853
2027-2031		227,361	227,361
2032-2036		126,998	126,998
2037-2039		25,906	25,906
Totals	<u>\$ 1,050</u>	<u>\$ 1,116,828</u>	<u>\$ 1,117,878</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE F – NET POSITION/FUND BALANCE

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Landfill	\$ 331,377	
Economic development	251,166	
Mitigation projects	228,480	
Fire Department	140,147	
Recycling	40,754	
Street projects	39,038	
Community projects	5,267	
Debt service reserve		\$ 438,974
Replacement of short-lived assets		55,064
Capital improvements		41,080
	<u>\$ 1,036,229</u>	<u>\$ 535,118</u>

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable:				
Long-term receivables			\$ 44,019	\$ 44,019
Prepaid expenses				
Total Nonspendable			<u>44,019</u>	<u>44,019</u>
Committed for:				
Operating Reserve	\$ 395,000			395,000
Total committed	<u>395,000</u>	<u>-</u>	<u>-</u>	<u>395,000</u>
Restricted for:				
Street projects			3,578	3,578
Landfill closure	813,544			813,544
Economic redevelopment			207,147	207,147
Recycling			40,754	40,754
Fire Department			140,147	140,147
Community projects			5,267	5,267
Mitigation projects			228,480	228,480
Total Restricted	<u>813,544</u>	<u>-</u>	<u>625,373</u>	<u>1,438,917</u>
Unassigned	672,614	\$ (23,496)		649,118
Total Unassigned	<u>672,614</u>	<u>(23,496)</u>		<u>649,118</u>
Total fund balances	<u>\$ 1,881,158</u>	<u>\$ (23,496)</u>	<u>\$ 669,392</u>	<u>\$ 2,527,054</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – PENSION PLANS

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

- Miscellaneous Plan
- PEPR A Miscellaneous Plan

Benefit provisions under the Plan are established by State statute and Council resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://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 PEPR A Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates - union	5.000%	6.500%
Required employee contribution rates - non-union	7.000%	6.500%
Required employer contribution rates	7.489%	6.724%

In addition to the contribution rates above, the City was also required to make payments of \$1,224 toward its unfunded actuarial liability during the year ended June 30, 2016. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – PENSION PLANS (Continued)

For the year ended June 30, 2016, the employer contribution made to the Plan was \$33,408 for the year ended June 30, 2016.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:  
As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of \$46,274.

The City’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2015	0.00231%
Proportion - June 30, 2016	0.00169%
Change - Increase (Decrease)	(0.00062)%

For the year ended June 30, 2016, the City recognized pension expense of \$72,288. At June 30, 2016, 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	\$ 31,812	
Change in assumptions		\$ (17,840)
Net differences between projected and actual earnings on plan investments		(8,943)
Difference between expected and actual experience	1,886	
Adjustment due to differences in proportions		(60,062)
Total	<u>\$ 33,698</u>	<u>\$ (86,845)</u>



CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – PENSION PLANS (Continued)

The \$31,812 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2017	\$ (35,762)
2018	(34,741)
2019	(25,888)
2020	<u>11,432</u>
	<u>\$ (84,959)</u>

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

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – PENSION PLANS (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is gross of administrative expenses. Administrative expenses are assumed to be 15 basis points.

Paragraph 30 of Statement 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%
Total	100.0%		

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – PENSION PLANS (Continued)

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

1% Decrease		6.65%
Net Pension Liability	\$	77,604
Current Discount Rate		7.65%
Net Pension Liability	\$	46,274
1% Increase		8.65%
Net Pension Liability	\$	20,407

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

Payable to the Pension Plan: At June 30, 2016, the City had payables for the outstanding amount of contributions to the pension plan of \$927.

NOTE H – INSURANCE

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE H – INSURANCE (Continued)

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

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<i>LIABILITY CLAIMS:</i>		
- \$ 25,000	Self-insured	Banking layer
\$ 25,001 - \$ 500,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 500,001 - \$ 39,500,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS' COMPENSATION:</i>		
- \$ 50,000	Self-insured	Banking layer
\$ 50,001 - \$ 250,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 250,001 - \$ 4,750,000	Local Agency Workers' Compensation Excess Joint Powers Authority	Shared risk pool
\$ 4,750,001 - Statutory Limit	California State Association of Counties Excess Workers' Compensation	Shared risk pool

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

NOTE I – COMMITMENTS AND CONTINGENCIES

The City participates in various federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The audits by the grantors for the year ended June 30, 2016, have not yet been conducted. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

In May 2015, the City entered into an agreement with the County of Placer for fire protection services through the County’s contract with the California Department of Forestry and Fire Protection (Cal Fire) from July 1, 2015 through June 30, 2018. The services provided by Cal Fire include training for the City’s volunteer firefighters, contracted Cal Fire/Placer County Fire Battalion Chief, and fire protection planning services. For services provided, the City is required to pay the County of Placer \$30,340 per year or \$91,440 over the course of the three year contract.

NOTE J – JOINT VENTURE

The City participates in a Joint Exercise of Powers Agreement with the County of Placer establishing the Sierra Valley Energy Authority (the Authority). The Authority was established to provide assistance to the City and the County with the development, financing and implementation of public and private sector energy and resource development and conservation programs. The City has not had a financial activity related to the Authority during the year ended June 30, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.001687%	0.002307%
Proportionate share of the net pension liability	\$ 46,274	\$ 57,010
Covered - employee payroll - measurement period	\$ 367,481	\$ 353,250
Proportionate share of the net pension liability as a percentage of covered payroll	12.59%	16.14%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to Schedule:

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

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

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

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(33,408)	(30,589)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll - fiscal year	\$ 456,524	\$ 367,481
Contributions as a percentage of covered - employee payroll	7.32%	8.32%
Valuation date:	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Amortization method	Entry age normal
Remaining amortization period	Level percentage of payroll, closed 15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.0%, average, including inflation of 2.75%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 to 63 years

Omitted years: The year ended June 30, 2015 was the first year of implementation GASB Statement No. 68, therefore only two years are shown.

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**COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS**

CITY OF COLFAX

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue				
	Community Projects	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,260		\$ 206,874	\$ 7,708	\$ 5,434
Due from other governmental agencies				7,135	
Interest receivable	7		273	(61)	44
Notes receivable			44,019		
<b>Total assets</b>	<b>\$ 5,267</b>	<b>\$ -</b>	<b>\$ 251,166</b>	<b>\$ 14,782</b>	<b>\$ 5,478</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable				\$ 5,975	\$ 1,901
Accrued expenses				1,671	
<b>Total liabilities</b>		<b>-</b>		<b>7,646</b>	<b>1,901</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue				7,135	
<b>Total Deferred Inflows of Resources</b>				<b>7,135</b>	
<b>Fund balance:</b>					
Nonspendable			\$ 44,019		
Restricted	\$ 5,267		207,147	1	3,577
<b>Total fund balance</b>	<b>5,267</b>		<b>251,166</b>	<b>1</b>	<b>3,577</b>
<b>Total liabilities and fund balance</b>	<b>\$ 5,267</b>	<b>\$ -</b>	<b>\$ 251,166</b>	<b>\$ 14,782</b>	<b>\$ 5,478</b>

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

Special Revenue				Total
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	Nonmajor Governmental Funds
\$ 228,190	\$ 32,891	\$ 7,886	\$ 139,968	\$ 634,211
290	48	4	-	7,135
			179	784
				44,019
<u>\$ 228,480</u>	<u>\$ 32,939</u>	<u>\$ 7,890</u>	<u>\$ 140,147</u>	<u>\$ 686,149</u>
		\$ 14		\$ 7,890
		61		1,732
		75		9,622
				7,135
				7,135
				44,019
<u>\$ 228,480</u>	<u>\$ 32,939</u>	<u>7,815</u>	<u>\$ 140,147</u>	<u>625,373</u>
<u>228,480</u>	<u>32,939</u>	<u>7,815</u>	<u>140,147</u>	<u>669,392</u>
<u>\$ 228,480</u>	<u>\$ 32,939</u>	<u>\$ 7,890</u>	<u>\$ 140,147</u>	<u>\$ 686,149</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2016

	Special Revenue				Gas Tax
	Community Projects	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	
REVENUES:					
Tax revenues					\$ 49,266
Licenses, fees and permits				\$ 930	
Intergovernmental revenues		\$ 114,618		115,321	
Use of money and property	\$ 21		\$ 2,210	(214)	153
Total revenues	<u>21</u>	<u>114,618</u>	<u>2,210</u>	<u>116,037</u>	<u>49,419</u>
EXPENDITURES:					
General government					
Public safety		100,000			
Public works				165,091	17,944
Community development					
Total expenditures		<u>100,000</u>		<u>165,091</u>	<u>17,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21</u>	<u>14,618</u>	<u>2,210</u>	<u>(49,054)</u>	<u>31,475</u>
OTHER FINANCING SOURCES (USES):					
Transfers in				49,055	
Transfers out		(14,618)	(8,702)		(49,055)
Total other financing sources (uses)		<u>(14,618)</u>	<u>(8,702)</u>	<u>49,055</u>	<u>(49,055)</u>
Net change in fund balance	21		(6,492)	1	(17,580)
Fund balances - beginning of year	<u>5,246</u>		<u>257,658</u>		<u>21,157</u>
Fund balances - end of year	<u>\$ 5,267</u>	<u>\$ -</u>	<u>\$ 251,166</u>	<u>\$ 1</u>	<u>\$ 3,577</u>

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

Special Revenue				Total
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	Nonmajor Governmental Funds
				\$ 49,266
		\$ 5,000	\$ 84,351	930
\$ 930	\$ 138	14	493	319,290
930	138	5,014	84,844	373,231
10,359				10,359
	250		11,372	111,372
		118		183,285
10,359	250	118	11,372	118
				305,134
(9,429)	(112)	4,896	73,472	68,097
				49,055
				(72,375)
				(23,320)
(9,429)	(112)	4,896	73,472	44,777
237,909	33,051	2,919	66,675	624,615
\$ 228,480	\$ 32,939	\$ 7,815	\$ 140,147	\$ 669,392

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 1, 2017.

Internal Control Over Financial Reporting

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

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

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

To the City Council  
City of Colfax, California

Compliance and Other Matters

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

Purpose of this Report

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

*Richardson & Company, LLP*

February 1, 2017