

CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2013

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements and Supplemental Information

June 30, 2013

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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, 2013, 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 of Colfax, as of June 30, 2013, 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 on pages 3 through 11 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 of Colfax'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 19, 2014 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

February 19, 2014

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, 2013. 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 by \$16,704,249 (Net Position). These assets are allocated as follows:
 - Net Investment in capital assets - \$14,994,932.
 - Total capital outlay for the fiscal year was \$6,056,719. The majority of this outlay was for a Sewer Fund project including a new Pond Liner at the Waste Water Treatment plant, Inflow and Infiltration (I&I) mitigation, and a SCADA monitoring system upgrade. The project is being funded by Federal and State Grants and a loan from the State Water Board.
 - Restricted net position - \$991,283. This amount is for Special revenue funds, Capital project funds and Debt service funds. There were no significant changes in this category from the previous year.
 - Unrestricted net position - \$718,034. This is a significant increase as compared to negative (\$228,341) for the previous year.
 - The General Fund experienced increased sales tax revenues and a one-time fee collected for a new digital sign on City property. This caused the Governmental activities unrestricted net position to increase by \$206,987, but remains in a negative position of (\$33,246) at the end of the year.
 - In Proprietary Funds, an increase of \$739,388 is primarily due to increased sewer charges (annual increases) and decreased operating costs in the Sewer Fund. These funds are designated for future loan payments on the State Water Board loan. The loan restructured in Fiscal year ended June 30, 2012 waived payments for the 2013 fiscal year – payments will resume in fiscal year 2014.
- Total revenues from all sources was \$7,802,899 of which \$4,384,878 was from capital grants and contributions. Total operating expenditures from all sources were \$3,188,886.

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 assets – 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 \$16,704,249 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, 2013 and 2012 are summarized (Table 1), as follows:

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

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 1,769	\$ 1,507	\$ 1,316	\$ 572	\$ 3,085	\$ 2,079
Capital assets	4,163	3,950	20,998	15,783	25,161	19,733
Total Assets	5,932	5,457	22,314	16,355	28,246	21,812
Liabilities:						
Long-term liabilities	1,096	1,255	9,956	8,152	11,052	9,407
Other liabilities	162	109	328	206	490	315
Total Liabilities	1,258	1,364	10,284	8,358	11,542	9,722
Net Position:						
Net Investment in capital assets	3,716	3,420	11,279	7,985	14,995	11,405
Restricted	991	913	-	-	991	913
Unrestricted	(33)	(240)	751	12	718	(228)
Total Net Position	\$ 4,674	\$ 4,093	\$12,030	\$ 7,997	\$16,704	\$12,090

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.

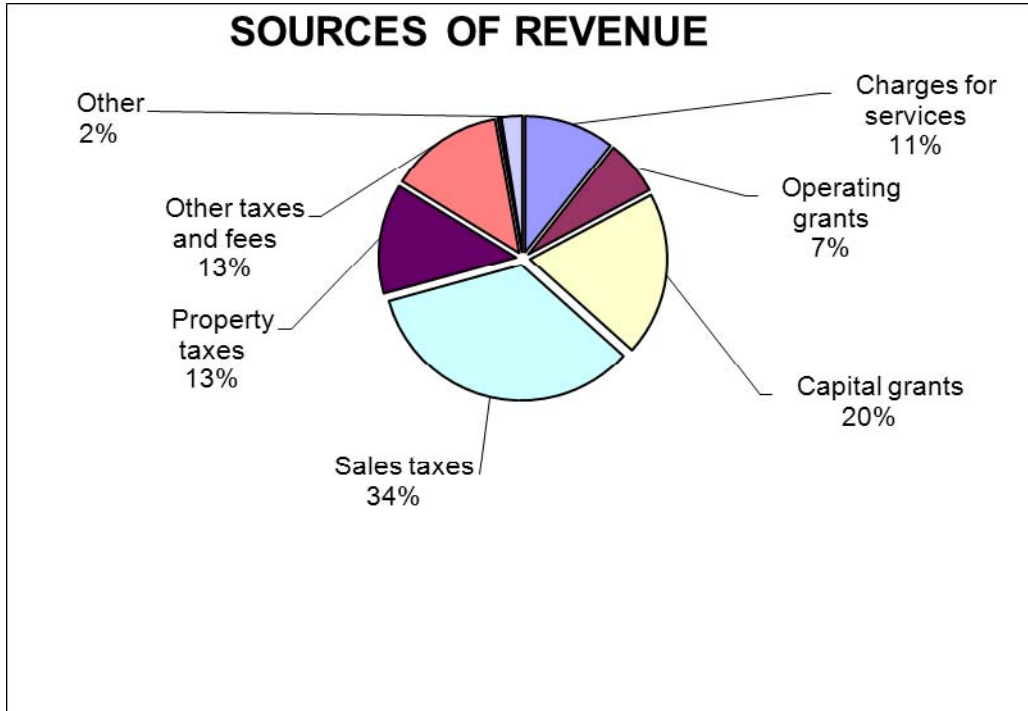
Governmental Activities

The City's governmental activities net position increased by \$581,024 (before transfers). As noted in Table 2 below, the primary contributors are an increase in sales tax revenues, a one-time fee collected for a digital sign on City property (charges for services) and decreased operating expenditures.

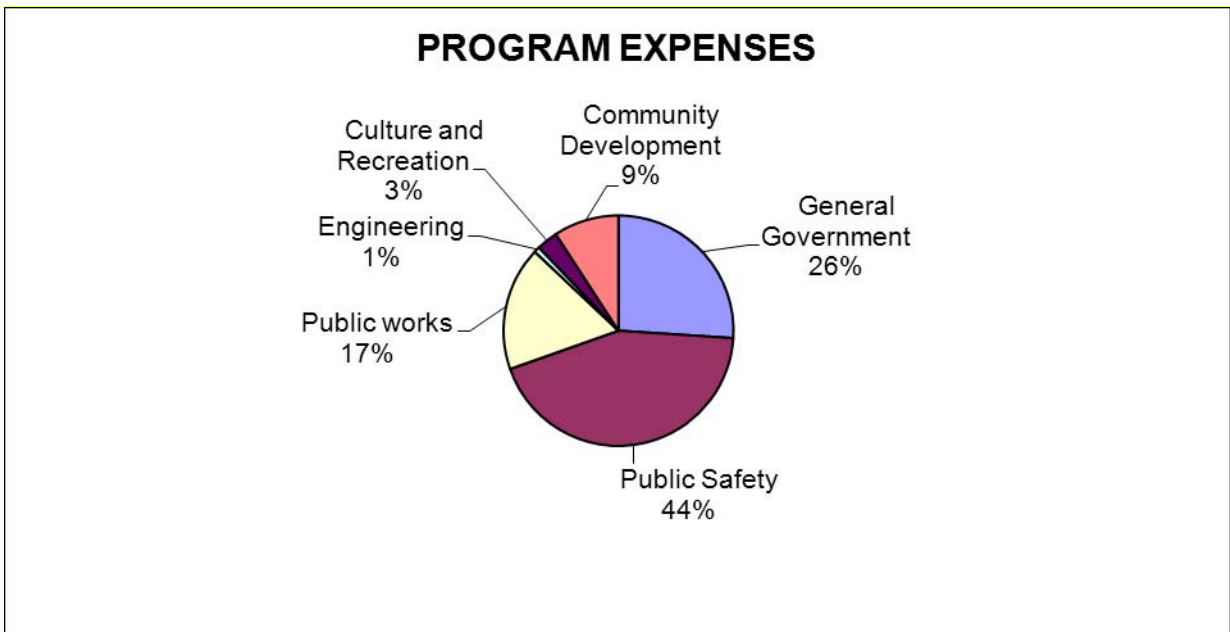
Table 2
City of Colfax, Change in Net Position
(in Thousands)

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 230	\$ 132	\$ 1,657	\$ 1,606	\$ 1,887	\$ 1,738
Operating grants and contributions	141	232	-	-	141	232
Capital grants and contributions	421	402	3,964	902	4,385	1,304
General revenues:						
Sales taxes	735	544			735	544
Property taxes	283	280	7	7	290	287
Other taxes and fees	289	317			289	317
Earnings on investments	8	9	15	6	23	15
Other	53	68			53	68
Total revenues	2,160	1,984	5,643	2,521	7,803	4,505
Expenses:						
General government	411	422			411	422
Public Safety	688	679			688	679
Public works	275	369			275	369
Engineering	13	27			13	27
Culture and recreation	47	30			47	30
Community development	145	96			145	96
Sewer	-	-	1,610	1,772	1,610	1,772
Garbage	-	-	-	-	-	-
Total expenses	1,579	1,623	1,610	1,772	3,189	3,395
Change in net position before transfers	581	361	4,033	749	4,614	1,110
Transfers	-	(1)	-	1	-	-
Change in net position	581	360	4,033	750	4,614	1,110
Net position, July 1	4,093	4,078	7,997	6,902	12,090	10,980
Transfer of solid waste net position	-	(345)	-	345	-	-
Net position, June 30	\$ 4,674	\$ 4,093	\$ 12,030	\$ 7,997	\$ 16,704	\$ 12,090

Fiscal Year 2012-2013
Governmental Activities – Sources of Revenue
 (Graphic representation of Table 2 in percentages)



Fiscal Year 2012-2013
Governmental Activities – Program Expenses
 (Graphic representation of Table 2 in percentages)



Business-Type Activities

Business-type activities increased the City of Colfax's net assets by \$4,032,989. Detailed revenues and expenditures are reported in Table 2 on page 8. Some of the major contributors to this change are:

- The City was entitled to capital grants reimbursements for the Pond 3 Liner/I&I Mitigation/SCADA project. The total grants collected and accrued were \$3,964,080.

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, 2013, net capital assets of the governmental activities totaled \$4,163,142 and the net capital assets of the business-type activities totaled \$20,998,312. 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 560	\$ 560	\$ 135	\$ 135	\$ 695	\$ 695
Construction in progress	46	20	6,401	758	6,447	778
Building and Improvements	4,291	3,939	17,879	17,879	22,170	21,818
Vehicles	444	444	3	3	447	447
Furnitures and Fixtures	7	7	-	-	7	7
Machinery and equipment	471	471	467	432	938	903
Accumulated depreciation	(1,656)	(1,491)	(3,887)	(3,424)	(5,543)	(4,915)
Total Assets	\$ 4,163	\$ 3,950	\$ 20,998	\$ 15,783	\$ 25,161	\$ 19,733

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

- Completion of an improvements project for the City ball field and the addition of a Splash Park facility in Governmental assets.

- Construction costs for the Sewer project started last year – Pond 3 Liner installation, I&I system improvements and SCADA program upgrades. Costs capitalized for fiscal year 2013 total \$5,643,803. This entire project completes in the first half of fiscal year 2014.

Long-Term Debt

At year-end, the City of Colfax had total long-term debts outstanding of \$11,053,162, as compared to a total of \$9,407,048 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	
	2013	2012	2013	2012	2013	2012
Note Payable	\$ 448	\$ 530	\$ -	\$ -	\$ 448	\$ 530
Compensated absences	18	22	10	13	28	35
Landfill Closure	556	578	-	-	556	578
General obligation bond	-	-	31	36	31	36
County Loan	-	-	1,000	-	1,000	-
State Loans	-	-	8,688	7,761	8,688	7,761
Legal Settlements	75	125	227	342	302	467
Total Long-term Debt	\$ 1,097	\$ 1,255	\$ 9,956	\$ 8,152	\$ 11,053	\$ 9,407

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 and legal settlements. Additionally, the City issued general obligation bonds to finance the sewer facility back in 1978.

The increase over last year is due to the State Loan funds for the Sewer project and a loan from Placer County for working capital during the Sewer project due to the reimbursement process of the project grants. Additional information on City debt is included in Note E of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2013-2014, the City Council and management were cautious 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 2012-2013. The City will continue to provide existing services at the reduced staff levels achieved over the past several years.

Capital projects expected for fiscal year 2013-2014 include:

- Completion of Sewer project – Pond Liner installation, I&I system improvements and SCADA system upgrade.
- Road Rehabilitation improvements and the initial phase of the Railroad pedestrian crossing project.

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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,161,587	\$ 984,870	\$ 2,146,457
Accounts receivable, net of allowance for doubtful accounts	34,499	270,190	304,689
Due from other government agencies	517,318	58,727	576,045
Interest receivable	808	1,346	2,154
Notes receivable	53,351		53,351
Prepaid expenses	1,095	864	1,959
Total current assets	<u>1,768,658</u>	<u>1,315,997</u>	<u>3,084,655</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation			
Non-depreciable	605,697	6,535,765	7,141,462
Depreciable	3,557,445	14,462,547	18,019,992
	<u>4,163,142</u>	<u>20,998,312</u>	<u>25,161,454</u>
Total assets	<u>5,931,800</u>	<u>22,314,309</u>	<u>28,246,109</u>
LIABILITIES			
Current liabilities:			
Accounts payable	130,881	66,371	197,252
Retention payable		107,183	107,183
Accrued expenses	14,702	153,745	168,447
Unearned revenue	15,816		15,816
Current portion of long-term liabilities	84,059	1,237,222	1,321,281
Total current liabilities	<u>245,458</u>	<u>1,564,521</u>	<u>1,809,979</u>
Long-term liabilities:			
Postclosure landfill costs	556,104		556,104
Bonds payable		26,000	26,000
Notes payable	447,343	8,688,179	9,135,522
Compensated absences	9,059	5,196	14,255
Total long-term liabilities	<u>1,012,506</u>	<u>8,719,375</u>	<u>9,731,881</u>
Total liabilities	<u>1,257,964</u>	<u>10,283,896</u>	<u>11,541,860</u>
NET POSITION			
Net investment in capital assets	3,715,799	11,279,133	14,994,932
Restricted net position	991,283		991,283
Unrestricted net position	(33,246)	751,280	718,034
Total net position	<u>\$ 4,673,836</u>	<u>\$ 12,030,413</u>	<u>\$ 16,704,249</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, 2013

	Program Revenues				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions			
Governmental Activities							
General government	\$ 410,662	\$ 201,764			\$ (208,898)		\$ (208,898)
Public safety	687,954	25,930	\$ 119,737		(542,287)		(542,287)
Public works	275,220			\$ 99,013	(176,207)		(176,207)
Community development	145,374		21,436	321,785	197,847		197,847
Engineering services	13,248				(13,248)		(13,248)
Culture and recreation	46,767	2,397			(44,370)		(44,370)
Total governmental activities	<u>1,579,225</u>	<u>230,091</u>	<u>141,173</u>	<u>420,798</u>	<u>(787,163)</u>		<u>(787,163)</u>
Business-type activities:							
Sewer	1,497,934	1,657,259		3,964,080		\$ 4,123,405	4,123,405
Interest on long-term debt	111,727					(111,727)	(111,727)
Total business-type activities	<u>1,609,661</u>	<u>1,657,259</u>		<u>3,964,080</u>		<u>4,011,678</u>	<u>4,011,678</u>
Total government	<u>\$3,188,886</u>	<u>\$1,887,350</u>	<u>\$ 141,173</u>	<u>\$ 4,384,878</u>	<u>(787,163)</u>	<u>4,011,678</u>	<u>3,224,515</u>
General revenues							
Taxes:							
Sales and use taxes							
					734,999		734,999
					282,670	6,611	289,281
					20,678		20,678
					101,890		101,890
					51,283		51,283
					2,197		2,197
					114,113		114,113
					7,541	14,700	22,241
					46,675		46,675
					6,141		6,141
					<u>1,368,187</u>	<u>21,311</u>	<u>1,389,498</u>
					<u>581,024</u>	<u>4,032,989</u>	<u>4,614,013</u>
					<u>4,092,812</u>	<u>7,997,424</u>	<u>12,090,236</u>
					<u>\$ 4,673,836</u>	<u>\$ 12,030,413</u>	<u>\$16,704,249</u>

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

CITY OF COLFAX
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 661,882		\$ 499,705	\$ 1,161,587
Accounts receivable, net of allowance for doubtful accounts	34,499			34,499
Due from other governmental agencies	144,035	\$ 327,936	45,347	517,318
Interest receivable	312	144	352	808
Notes receivable			53,351	53,351
Prepaid expenses			1,095	1,095
Due from other funds	104,483			104,483
	\$ 945,211	\$ 328,080	\$ 599,850	\$ 1,873,141
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 95,166	\$ 19,517	\$ 16,198	\$ 130,881
Accrued expenses	5,728	5,893	3,081	14,702
Unearned revenue	15,816			15,816
Due to other funds		72,768	31,715	104,483
Total liabilities	116,710	98,178	50,994	265,882
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		220,000		220,000
TOTAL DEFERRED INFLOWS OF RESOURCES		220,000		220,000
Fund balances:				
Nonspendable			54,446	54,446
Committed	131,812			131,812
Restricted	768,629	9,902	494,410	1,272,941
Unassigned	(71,940)			(71,940)
TOTAL FUND BALANCES	828,501	9,902	548,856	1,387,259
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 945,211	\$ 328,080	\$ 599,850	\$ 1,873,141

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, 2013

Total Governmental Fund Balances	\$ 1,387,259
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	4,163,142
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	220,000
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.	<u>(1,096,565)</u>
Net Position of Governmental Activities	<u><u>\$ 4,673,836</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, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ 1,147,598		\$ 51,283	\$ 1,198,881
Licenses, fees and permits	133,009		2,989	135,998
Intergovernmental revenues	160,780	\$ 109,721	212,513	483,014
Charges for services	139,732			139,732
Fines, forfeitures and penalties	7,552			7,552
Use of money and property	50,604	582	3,053	54,239
Other revenue	326	5,000		5,326
Total revenues	<u>1,639,601</u>	<u>115,303</u>	<u>269,838</u>	<u>2,024,742</u>
EXPENDITURES:				
General government	471,301			471,301
Public safety	541,494		106,408	647,902
Public works	92,295		152,807	245,102
Community development		4,498	70,686	75,184
Engineering services	13,248			13,248
Cultural and recreation	37,605			37,605
Debt Service:				
Principal	83,055			83,055
Capital outlay		363,457	14,434	377,891
Total expenditures	<u>1,238,998</u>	<u>367,955</u>	<u>344,335</u>	<u>1,951,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>400,603</u>	<u>(252,652)</u>	<u>(74,497)</u>	<u>73,454</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		17,811	107,007	124,818
Transfers out	(12,352)		(112,466)	(124,818)
Total other financing sources (uses)	<u>(12,352)</u>	<u>17,811</u>	<u>(5,459)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	388,251	(234,841)	(79,956)	73,454
Fund balance - beginning of year	<u>440,250</u>	<u>244,743</u>	<u>628,812</u>	<u>1,313,805</u>
Fund balance - end of year	<u>\$ 828,501</u>	<u>\$ 9,902</u>	<u>\$ 548,856</u>	<u>\$ 1,387,259</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 73,454
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	377,891
Depreciation expense	(164,874)
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	83,055
Postclosure landfill costs	22,244
Settlement payments	50,000
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	220,000
Deferred revenue recognized last year	(84,493)
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	<u>3,747</u>
Change in Net Position of Governmental Activities	<u>\$ 581,024</u>

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, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 946,000	\$ 946,000	\$ 1,147,598	\$ 201,598
Licenses, fees and permits	38,250	38,250	133,009	94,759
Intergovernmental	150,000	150,000	160,780	10,780
Charges for services	137,600	137,600	139,732	2,132
Fines and forfeitures	10,000	10,000	7,552	(2,448)
Use of money and property	44,975	44,975	50,604	5,629
Other revenue	5,000	5,000	326	(4,674)
Total revenues	<u>1,331,825</u>	<u>1,331,825</u>	<u>1,639,601</u>	<u>307,776</u>
Expenditures:				
Current:				
General government and administration	370,522	383,833	471,301	(87,468)
Public safety	558,063	558,063	541,494	16,569
Public works	90,589	90,589	92,295	(1,706)
Engineering services	15,000	33,000	13,248	19,752
Culture and recreation	36,935	36,935	37,605	(670)
Debt Service:				
Principal	20,000	20,000	83,055	(63,055)
Capital outlay	10,000	10,000		10,000
Total expenditures	<u>1,101,109</u>	<u>1,132,420</u>	<u>1,238,998</u>	<u>(106,578)</u>
Excess (deficiency) of revenues over expenditures	230,716	199,405	400,603	201,198
Other financing sources (uses):				
Transfers in				
Transfers out			(12,352)	(12,352)
Total other financing uses			<u>(12,352)</u>	<u>(12,352)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	230,716	199,405	388,251	188,846
Fund balances - beginning of year	<u>440,250</u>	<u>440,250</u>	<u>440,250</u>	
Fund balances - end of year	<u>\$ 670,966</u>	<u>\$ 639,655</u>	<u>\$ 828,501</u>	<u>\$ 188,846</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, 2013

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 984,870
Accounts receivable, net of allowance for doubtful accounts of \$19,131	270,190
Due from other governmental agencies	58,727
Interest receivable	1,346
Prepaid expenses	864
Total current assets	<u>1,315,997</u>

Noncurrent Assets:

Capital assets:

Nondepreciable	6,535,765
Depreciable	14,462,547
Total capital assets, net of accumulated depreciation	<u>20,998,312</u>

Total assets	<u>22,314,309</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	66,371
Retention payable	107,183
Accrued expenses	153,745
Current portion of long-term liabilities	1,237,222
Total current liabilities	<u>1,564,521</u>

Long-term Liabilities:

Bonds payable, long-term portion	26,000
Notes payable, long-term portion	8,688,179
Compensated absences	5,196
Total long-term liabilities	<u>8,719,375</u>
Total liabilities	<u>10,283,896</u>

NET POSITION:

Invested in capital assets, net of related debt	11,279,133
Unrestricted	751,280
Total net position	<u>\$ 12,030,413</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, 2013

Operating revenues:	
Service charges	\$ 1,594,641
Miscellaneous	62,618
Total operating revenues	<u>1,657,259</u>
Operating expenses:	
Personnel services	385,105
Operation and maintenance	649,781
Depreciation	463,048
Total operating expenses	<u>1,497,934</u>
Income from operations	<u>159,325</u>
Non-operating revenues (expenses):	
Interest income	14,700
Tax assessment	6,611
Interest expense	(111,727)
Total nonoperating revenues	<u>(90,416)</u>
Capital contributions:	
State grant revenue	<u>3,964,080</u>
Change in net position	4,032,989
Net position, beginning of year	<u>7,997,424</u>
Net position, end of year	<u><u>\$ 12,030,413</u></u>

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

CITY OF COLFAX

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND - SEWER FUND

For the Year Ended June 30, 2013

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,571,485
Cash paid to suppliers	(721,826)
Cash paid to employees and related benefits	(389,435)
Cash provided by operating activities	<u>460,224</u>
Cash Flows from Noncapital Financing Activities:	
Tax assessments received	<u>6,611</u>
Cash provided by noncapital financing activities	<u>6,611</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	(5,571,645)
Debt proceeds received	3,927,179
Debt principal paid	(2,005,000)
Intergovernmental revenues received	4,272,199
Settlements paid	(114,607)
Interest paid	(23,451)
Cash used for capital and related financing activities	<u>484,675</u>
Cash Flows from Investing Activities	
Interest received	<u>13,315</u>
Decrease in cash and cash equivalents	964,825
Cash and cash equivalents, beginning of year	<u>20,045</u>
Cash and cash equivalents, end of year	<u><u>\$ 984,870</u></u>
Reconciliation of operating income from operations to cash provided by operating activities:	
Operating loss	\$ 159,325
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	463,048
(Increase) decrease in assets:	
Accounts receivable	(85,774)
(Decrease) increase in liabilities:	
Accounts payable	(72,045)
Accrued expenses	(1,918)
Accrued compensated absences	(2,412)
Cash provided by operating activities	<u><u>\$ 460,224</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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, 2013

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, 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 Funds – Capital Projects Funds are 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, 2013

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 funds and internal service funds are charges to customers or other funds for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An allowance for doubtful accounts of \$869 and \$19,131 has been provided for General and Sewer Funds, respectively, 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 expenditure in the governmental fund, and the related assets are reported in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at their estimated fair market value on the date donated.

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise pre-paid 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 government's 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.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fund	Appropriations	Total Expenditures	Excess Expenditures
General Fund	\$ 1,132,420	\$ 1,238,998	\$ 106,578
Nonmajor Governmental Funds:			
Supplemental Law Enforcement Fund	100,025	106,408	6,383
CDBG Fund	53,600	66,116	12,516
Transportation Fund	91,351	132,825	41,474
Mitigation Fund		14,434	14,434

Deficit Fund Equity: The City has no funds with fund deficits at June 30, 2013.

New Pronouncements: Effective July 1, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. The City also reports revenues not meeting the availability criteria as deferred inflows.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the City to record a liability and expense equal to their proportionate share of the collective net pension liability and

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expense for the PERS plan. This Statement requires the use of the entry age normal method to be used with each period’s service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for the City’s June 30, 2015 financial statements. The City is currently evaluating the effect of this new pronouncement.

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, 2013 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	\$ 1,161,587	\$ 984,870	\$ 2,146,457

As of June 30, 2013, the City’s cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	128,787
Investments	
California Local Agency Investment Fund	<u>2,017,370</u>
Total cash and investments	<u>\$ 2,146,457</u>

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B – CASH AND INVESTMENTS (Continued)

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in LAIF has an average maturity of 278 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, 2013, the carrying amount of the City's deposits was \$128,787 and the balance in financial institutions was \$297,249. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance, \$47,249 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B – CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$58,828,474,533 managed by the State Treasurer. Of that amount, 1.96% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Transfers during the year ended June 30, 2013 were as follows:

Transfers out	Transfers in				Total
	Capital Projects Fund	Supplemental Law Enforcement	Nonmajor Governmental CDBG	Transportation and Road Fund	
General Fund	\$ 5,945	\$ 6,407			\$ 12,352
Nonmajor Governmental Funds:					
Gas Tax				\$ 33,094	33,094
Mitigation Funds	11,866		\$ 67,506		79,372
	<u>\$ 17,811</u>	<u>\$ 6,407</u>	<u>\$ 67,506</u>	<u>\$ 33,094</u>	<u>\$ 124,818</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, 2013

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2013 was as follows:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 559,960				\$ 559,960
Construction in progress	20,067	\$ 25,670			45,737
Total capital assets, not being depreciated	<u>580,027</u>	<u>25,670</u>	<u>-</u>	<u>-</u>	<u>605,697</u>
Capital assets, being depreciated:					
Buildings and improvements	3,938,528	352,221			4,290,749
Vehicles	444,259				444,259
Machinery and equipment	471,398				471,398
Furniture and fixtures	6,764				6,764
Total capital assets, being depreciated	<u>4,860,949</u>	<u>352,221</u>	<u>-</u>	<u>-</u>	<u>5,213,170</u>
Less accumulated depreciation for:					
Buildings and improvements	(708,520)	(114,194)			(822,714)
Vehicles	(356,367)	(29,174)			(385,541)
Machinery and equipment	(419,672)	(21,144)			(440,816)
Furniture and fixtures	(6,292)	(362)			(6,654)
Total accumulated depreciation	<u>(1,490,851)</u>	<u>(164,874)</u>	<u>-</u>	<u>-</u>	<u>(1,655,725)</u>
Capital assets being depreciated, net	<u>3,370,098</u>	<u>187,347</u>	<u>-</u>	<u>-</u>	<u>3,557,445</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 3,950,125</u>	<u>\$ 213,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,163,142</u>

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

General governmental	\$ 15,352
Public safety	40,052
Public works	30,118
Culture and recreation	9,162
Community development	70,190
Total governmental activities depreciation expense	<u>\$ 164,874</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE D – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2013 was as follows:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress	757,262	\$ 5,643,803			6,401,065
Total capital assets, not being depreciated	<u>891,962</u>	<u>5,643,803</u>	<u>-</u>	<u>-</u>	<u>6,535,765</u>
Capital assets, being depreciated:					
Buildings and improvements	17,879,419				17,879,419
Vehicles	3,400				3,400
Machinery and equipment	431,728	35,025			466,753
Total capital assets, being depreciated	<u>18,314,547</u>	<u>35,025</u>	<u>-</u>	<u>-</u>	<u>18,349,572</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,159,063)	(426,875)			(3,585,938)
Vehicles	(3,070)	(330)			(3,400)
Machinery and equipment	(261,844)	(35,843)			(297,687)
Total accumulated depreciation	<u>(3,423,977)</u>	<u>(463,048)</u>	<u>-</u>	<u>-</u>	<u>(3,887,025)</u>
Capital assets being depreciated, net	<u>14,890,570</u>	<u>(428,023)</u>	<u>-</u>	<u>-</u>	<u>14,462,547</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 15,782,532</u>	<u>\$ 5,215,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,998,312</u>

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

Sewer	<u>\$ 463,048</u>
Total business-type activities depreciation expense	<u>\$ 463,048</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Payments	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Note payable	\$ 530,398		\$ (83,055)	\$ 447,343	
Legal Settlement 2011	125,000		(50,000)	75,000	\$ 75,000
Total notes and settlement payable	655,398		(133,055)	522,343	75,000
Postclosure landfill costs	578,348		(22,244)	556,104	
Compensated absences	21,865		(3,747)	18,118	9,059
Governmental activities long-term liabilities	<u>\$ 1,255,611</u>	<u>\$ -</u>	<u>\$ (159,046)</u>	<u>\$ 1,096,565</u>	<u>\$ 84,059</u>
Business-Type Activities:					
General obligation bonds	\$ 36,000		\$ (5,000)	\$ 31,000	\$ 5,000
Placer County loan		\$ 3,000,000	(2,000,000)	1,000,000	1,000,000
State loan - restructured	7,761,000	927,179		8,688,179	
Legal settlement 2010	216,512		(108,256)	108,256	108,256
Legal settlement 2009	125,120		(6,351)	118,769	118,769
Total bonds, loan settlements payable	8,138,632	3,927,179	(2,119,607)	9,946,204	1,232,025
Compensated absences	12,805		(2,412)	10,393	5,197
Business-type activities long-term liabilities	<u>\$ 8,151,437</u>	<u>\$ 3,927,179</u>	<u>\$ (2,122,019)</u>	<u>\$ 9,956,597</u>	<u>\$ 1,237,222</u>

Long-term debt of the City's governmental activities consists of the following as of June 30, 2013:

On December 8, 2010, the City entered into an agreement with the Gard Family Living Trust to purchase the Winner Chevrolet auto dealership building. 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 auto dealership 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.

\$ 447,343

On June 11, 2012, the City agreed to settle on the arbitrator's decision to award the Stationery Engineers, Local 39 Health & Welfare Trust Fund (Trust Fund) \$175,000 for unpaid fringe benefit contributions, interest, liquidated damages, fees and costs.

75,000

\$ 522,343

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE E – LONG-TERM LIABILITIES (Continued)

Post closure 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, 2013, the remaining closure and postclosure maintenance costs to be recognized over the next 25 years is \$556,104.

Long-term debt of the City’s business-type activities consists of the following as of June 30, 2013:

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. \$ 31,000

On September 19, 2012, the City secured a loan from the Placer County Treasurer in the amount of \$3,000,000 to provide temporary financing for the improvements to the City’s wastewater treatment facilities until loan and grant proceeds are received. The note is secured by the City’s loans, grants, and property tax revenues, and bears an interest rate of 0.4%. The principal and interest balances are due on the date of maturity and the City may prepay the balance in payments of at least \$500,000. The final maturity date of this note is June 30, 2014. 1,000,000

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. Terms of the loan call for the repayment period to be deferred until one year after completion of the Pond Lining project, which is expected to be in 2014. The State forgave \$3,319,000 of the loan principal during 2013. Additionally, the City received loan disbursements of \$927,179 during the year, and expects to receive disbursements for the remaining balance in 2014. 8,688,179

On February 15, 2011, the United States District Court ordered the City to pay the Environmental Law Foundation \$433,024 in legal fees and interest. The payments are to be made in four equal installments, including interest at a rate of 10%. 108,256

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. 118,769

\$ 9,946,204

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE E – LONG-TERM LIABILITIES (Continued)

Principal payments on debt are due as follows:

June 30	Legal Settlement 2011	General Obligation Bonds	Placer County Loan	State Loan - Restructured	Legal Settlement 2010	Legal Settlement 2009	Total
2014	\$ 75,000	\$ 5,000	\$ 1,000,000		\$ 108,256	\$ 118,769	\$ 1,307,025
2015		6,000		\$ 319,665			325,665
2016		6,000		322,862			328,862
2017		7,000		326,090			333,090
2018		7,000		329,351			336,351
2019-2023				1,696,822			1,696,822
2024-2028				1,783,376			1,783,376
2029-2033				1,874,347			1,874,347
2034-2038				1,969,957			1,969,957
2039-2043				65,709			65,709
Totals	\$ 75,000	\$ 31,000	\$ 1,000,000	\$ 8,688,179	\$ 108,256	\$ 118,769	\$ 10,021,204

Interest payments on debt are due as follows:

June 30	General Obligation Bonds	Placer County Loan	State Loan - Restructured	Legal Settlement 2010	Total
2014	\$ 1,550	\$ 9,641		\$ 10,826	\$ 22,017
2015	1,300		\$ 90,284		91,584
2016	1,000		87,087		88,087
2017	700		83,858		84,558
2018	350		80,597		80,947
2019-2023			352,921		352,921
2024-2028			266,366		266,366
2029-2033			175,396		175,396
2034-2038			79,785		79,785
2039-2043			4,059		4,059
Totals	\$ 4,900	\$ 9,641	\$ 1,220,353	\$ 10,826	\$ 1,245,720

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE F – NET POSITION/FUND BALANCE

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

	<u>Governmental Activities</u>
Street projects	\$ 53,738
Landfill	212,525
Economic development	263,127
Recycling	32,841
Fire Department	27,115
Community projects	225,222
Mitigation projects	<u>176,715</u>
	<u>\$ 991,283</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			\$ 53,351	\$ 53,351
Prepaid expenses			1,095	1,095
Total Nonspendable	<u>-</u>	<u>-</u>	<u>54,446</u>	<u>54,446</u>
Committed for:				
Highway 80 Revitalization	\$ 131,812			131,812
Total committed	<u>131,812</u>	<u>-</u>	<u>-</u>	<u>131,812</u>
Restricted for:				
Street projects		\$ 9,902	43,836	53,738
Landfill	768,629			768,629
Economic redevelopment			209,776	209,776
Recycling			31,746	31,746
Fire Department			27,115	27,115
Community projects			5,222	5,222
Caboose restoration				-
Mitigation projects			176,715	176,715
Total Restricted	<u>768,629</u>	<u>9,902</u>	<u>494,410</u>	<u>1,272,941</u>
Unassigned	(71,940)			(71,940)
Total Unassigned	<u>(71,940)</u>	<u>-</u>	<u>-</u>	<u>(71,940)</u>
Total fund balances	<u>\$ 828,501</u>	<u>\$ 9,902</u>	<u>\$ 548,856</u>	<u>\$ 1,387,259</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description: Effective April 2008, the City began contributing to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent and part-time employees working at least 1,000 hours per year are enrolled in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over 12 consecutive months of employment. Benefit provisions and all other requirements are established by State statute. The establishment and amendment of specific benefit provisions of the Plan is authorized by resolution of the City Council. PERS requires plans with less than 100 active participants to participate in risk pools. The City participated in the Miscellaneous 2% at 60 Risk Pool. Copies of the PERS annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, CA 95814.

Contributions: Participants in the Plan are required to contribute 5% of their annual covered salary for union members and 7% for non-union members. The City is required to contribute to PERS at an actuarially determined rate. The rate for the year ended June 30, 2013 was 8.486% of the annual covered payroll. The contribution requirement of plan members and the City are established and may be amended by PERS. The City's contributions for the years ended June 30, 2013, 2012 and 2011 were \$33,846, \$26,181, and \$20,307, respectively, which was equal to the required contributions.

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, 2013

NOTE H – INSURANCE (Continued)

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

Amount	Coverage provider	Payment Source
<i>LIABILITY CLAIMS:</i>		
- \$ 25,000	Self-insured	Banking layer
\$ 25,001 - \$ 500,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 500,001 - \$ 40,000,000	California Joint Powers Risk Management Authority	Shared risk pool
 <i>WORKERS' COMPENSATION:</i>		
- \$ 25,000	Self-insured	Banking layer
\$ 25,001 - \$ 150,000	Small Cities Organized Risk Effort	Shared risk pool
\$ 150,001 - \$ 4,850,000	Local Agency Workers' Compensation Excess Joint Powers Authority	Shared risk pool
\$ 4,850,001 - 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, 2013, 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.

Since October 25, 2007, the Central Valley Water Board adopted and rescinded a number of cease and desist orders that prescribe waste discharge requirements and time schedules for the City at its Wastewater Treatment Plant. The Orders currently in effect are Cease and Desist Order R5-2011-0097 issued on December 8, 2011, Waste Discharge Requirements Order R5-2013-0045 issued on May 30, 2013, and Cease and Desist Order R5-2013-0046 issued on May 30, 2013.

Cease and Desist Order R5-2011-0097 required in part, that storage pond #3 be lined, that inflow and infiltration be reduced, that the storage capacity be evaluated, and that the Discharge comply with the final copper effluent by January 1, 2014. If the City fails to comply with the provisions of this Order, the Central Valley Water Board may refer this matter to the Attorney General for judicial enforcement, may issue a complaint for administrative civil liability, or may take other enforcement actions.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE I – COMMITMENTS AND CONTINGENCIES

Cease and Desist Order R5-2013-0046 and Water Discharge Requirements Order R5-2013-0045 set final effluent limitations for arsenic, which must be complied with by May 30, 2016. Failure to comply with this Order or with the Waste Discharge Requirements may result in the assessment of Administrative Civil Liability of up to \$10,000 per violation, per day, depending on the violation, pursuant to the California Water Code, including sections 13268, 13350, and 13385. The Central Valley Water Board reserves its right to take enforcement actions authorized by law.

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

NOTE J – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The State repaid \$44,754 to the City in the year ended June 30, 2013.

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS

CITY OF COLFAX

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue				
	Bricks	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
ASSETS:					
Cash and cash equivalents	\$ 5,219		\$ 216,045	\$ 8,938	\$ 38,730
Due from other governmental agencies		\$ 31,715	3,500		5,132
Interest receivable	3		129	(17)	43
Notes receivable			53,351		
Prepaid expenses					
Total assets	\$ 5,222	\$ 31,715	\$ 273,025	\$ 8,921	\$ 43,905
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable			\$ 9,898	\$ 5,873	\$ 69
Accrued expenses				3,048	
Deferred revenue					
Due to other funds		\$ 31,715			
Total liabilities		\$ 31,715	9,898	8,921	69
Fund balance:					
Nonspendable			53,351		
Restricted	\$ 5,222		209,776		43,836
Total fund balance	5,222		263,127		43,836
Total liabilities and fund balance	\$ 5,222	\$ 31,715	\$ 273,025	\$ 8,921	\$ 43,905

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

Special Revenue				Total Nonmajor Governmental Funds
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	
\$ 176,778	\$ 23,894	\$ 3,003	\$ 27,098	\$ 499,705
	5,000			-
160	15	2	17	45,347
				352
		1,095		53,351
				1,095
<u>\$ 176,938</u>	<u>\$ 28,909</u>	<u>\$ 4,100</u>	<u>\$ 27,115</u>	<u>\$ 599,850</u>
\$ 223		\$ 135		\$ 16,198
		33		3,081
				31,715
<u>223</u>		<u>168</u>		<u>50,994</u>
		1,095		54,446
176,715	\$ 28,909	2,837	\$ 27,115	494,410
<u>176,715</u>	<u>28,909</u>	<u>3,932</u>	<u>27,115</u>	<u>548,856</u>
<u>\$ 176,938</u>	<u>\$ 28,909</u>	<u>\$ 4,100</u>	<u>\$ 27,115</u>	<u>\$ 599,850</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2013

	Special Revenue			
	Bricks	Supplemental Law Enforcement	CDBG	Transportation & Road Fund
REVENUES:				
Tax revenues				
Licenses, fees and permits				\$ 792
Intergovernmental revenues		\$ 100,000	\$ 3,500	99,013
Use of money and property	\$ 13	1	2,178	(74)
Other revenue				
Total revenues	<u>13</u>	<u>100,001</u>	<u>5,678</u>	<u>99,731</u>
EXPENDITURES:				
Public safety		106,408		
Public works				132,825
Community development			66,116	
Capital outlay				
Total expenditures		<u>106,408</u>	<u>66,116</u>	<u>132,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13</u>	<u>(6,407)</u>	<u>(60,438)</u>	<u>(33,094)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		6,407	67,506	33,094
Transfers out				
Total other financing sources (uses)		<u>6,407</u>	<u>67,506</u>	<u>33,094</u>
Net change in fund balance	13		7,068	
Fund balances - beginning of year	<u>5,209</u>		<u>256,059</u>	
Fund balances - end of year	<u>\$ 5,222</u>	<u>\$ -</u>	<u>\$ 263,127</u>	<u>\$ -</u>

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

Special Revenue					Total
Gas Tax	Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	Nonmajor Governmental Funds
\$ 51,283					\$ 51,283
	\$ 2,197				2,989
146	659	\$ 5,000	\$ 5,000		212,513
		60	2	\$ 68	3,053
<u>51,429</u>	<u>2,856</u>	<u>5,060</u>	<u>5,002</u>	<u>68</u>	<u>269,838</u>
					106,408
19,982					152,807
		40	4,530		70,686
	14,434				14,434
<u>19,982</u>	<u>14,434</u>	<u>40</u>	<u>4,530</u>		<u>344,335</u>
31,447	(11,578)	5,020	472	68	(74,497)
					107,007
(33,094)	(79,372)				(112,466)
<u>(33,094)</u>	<u>(79,372)</u>				<u>(5,459)</u>
(1,647)	(90,950)	5,020	472	68	(79,956)
45,483	267,665	23,889	3,460	27,047	628,812
<u>\$ 43,836</u>	<u>\$ 176,715</u>	<u>\$ 28,909</u>	<u>\$ 3,932</u>	<u>\$ 27,115</u>	<u>\$ 548,856</u>