

**CITY OF COLFAX, CALIFORNIA**

Audited Financial Statements, Supplemental Information  
and Compliance Report

June 30, 2021

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CITY OF COLFAX, CALIFORNIA

Audited Financial Statements, Supplemental Information and Compliance Report

June 30, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

December 20, 2021

## 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, 2021. We encourage the readers to consider the information presented here in conjunction with the accompanying basic financial statements and the additional information provided.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of Fiscal Year 2020-2021 by \$28,691,373 (*Net Position*) which represents an increase of 6% or \$1,626,006. These assets are allocated as follows:
  - Net Investment in capital assets - \$20,815,363. Total capital additions for the fiscal year were \$1,446,500.
  - Restricted net position - \$2,508,763. This amount is for both governmental and business-type activities and is restricted for capital projects, debt service and legally segregated taxes, grants and fees.
  - Unrestricted net position for combined governmental and business-type activities - \$5,367,247. This is an increase of \$619,030 over the previous year. These funds may be used to meet ongoing obligations of the City. The City established reserves for operations, capital improvements, and unfunded pension liability are included in unrestricted net position.
- Total revenue from all sources was \$6,389,097 of which \$841,592 was from capital grants and contributions. Total expenses from all sources were \$4,763,091.

### USING THIS ANNUAL REPORT

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

activities for which the City acts solely as a trustee or agent (fiduciary) for the benefit of individuals and entities external to this governmental unit.

### **Reporting the City as a Whole**

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

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

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

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

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

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

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law (Gas Tax and Law Enforcement



Grants funds). However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two (2) kinds of funds – *governmental* and *proprietary* (business activities/enterprise funds) – use different accounting approaches:

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

## THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,691,373 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, 2021 and June 30, 2020 are summarized (Table 1), as follows:

**Table 1**  
**City of Colfax, Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current assets	\$ 5,109,009	\$ 4,916,267	\$ 2,775,027	\$ 2,227,696	\$ 7,884,036	\$ 7,143,963
Non-current and capital assets	10,243,112	9,873,041	18,941,916	19,322,166	29,185,028	29,195,207
<b>Total Assets</b>	15,352,121	14,789,308	21,716,943	21,549,862	37,069,064	36,339,170
<b>Deferred Outflows of Resources</b>						
Pension plan	59,719	65,062	67,613	73,663	127,332	138,725
<b>Liabilities:</b>						
Current liabilities	189,454	575,251	920,650	1,072,520	1,110,104	1,647,771
Long-term liabilities	473,324	483,709	6,920,554	7,276,390	7,393,878	7,760,099
<b>Total Liabilities</b>	662,778	1,058,960	7,841,204	8,348,910	8,503,982	9,407,870
<b>Deferred Inflows of Resources</b>						
Pension plan	488	2,185	553	2,473	1,041	4,658
<b>Net Position:</b>						
Net investment in capital assets	10,185,629	9,805,169	10,629,734	10,048,560	20,815,363	19,853,729
Restricted	1,516,105	1,305,406	992,658	1,158,015	2,508,763	2,463,421
Unrestricted	3,046,840	2,682,650	2,320,407	2,065,567	5,367,247	4,748,217
<b>Total Net Position</b>	<b>\$ 14,748,574</b>	<b>\$ 13,793,225</b>	<b>\$ 13,942,799</b>	<b>\$ 13,272,142</b>	<b>\$ 28,691,373</b>	<b>\$ 27,065,367</b>

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

## Governmental Activities

Total revenues for governmental activities decreased \$2,523,164 (-40%) in fiscal year 2020-2021 as compared to the previous year. The majority of the decrease can be attributed to the receipt of capital grants and contributions primarily related to the construction of a roundabout project in the previous fiscal year. The City's governmental activities net position increased by \$955,349 (7%) for the fiscal year. Approximately \$592,000 of the net position increase is for restricted activities or invested in capital assets. Sources of revenue and expenditures are noted in Table 2 below.

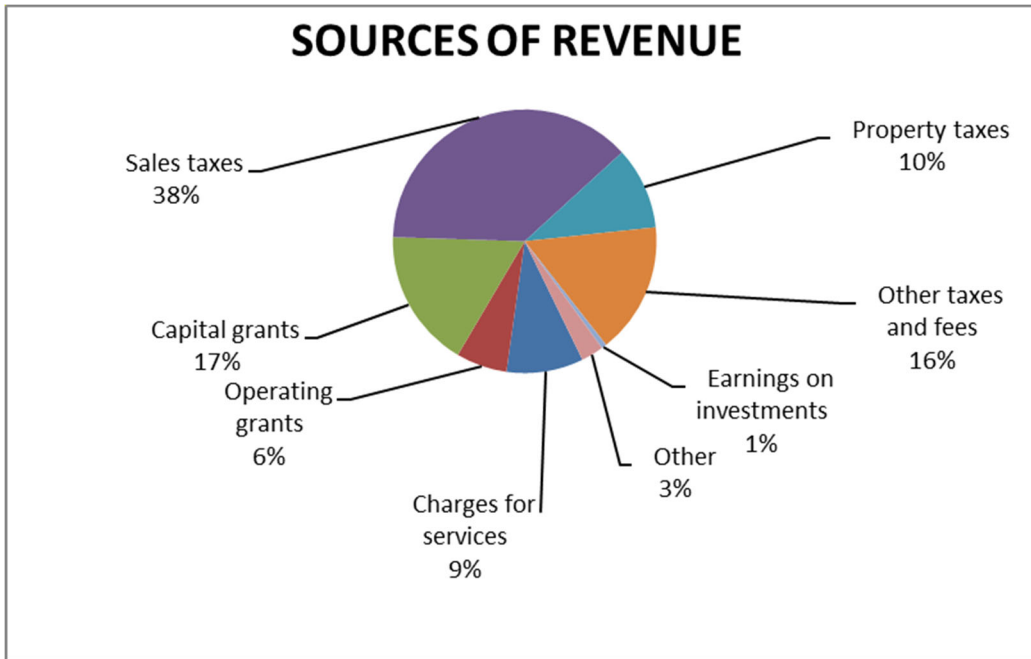
## Business-Type Activities

Total revenues for Business-type activities increased \$58,504 (2%) in fiscal year 2020-2021 as compared to the previous year. Business-type activities increased the City's net position by \$670,657 for the fiscal year, an increase of \$57,141 over the previous year.

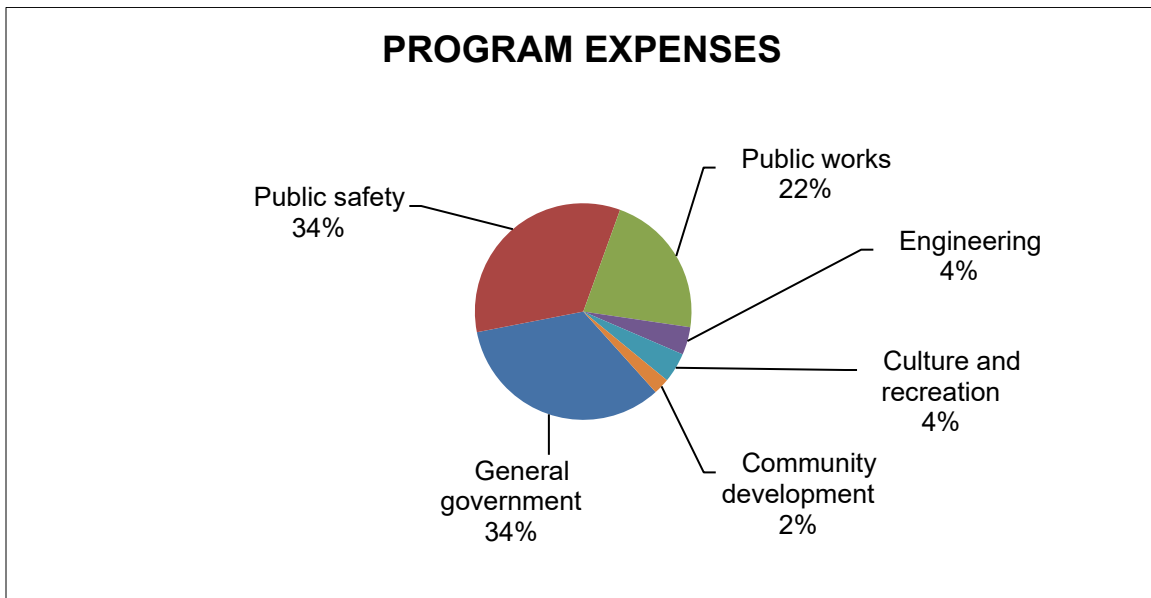
**Table 2**  
**City of Colfax, Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 356,660	\$ 389,482	\$ 2,199,943	\$ 2,213,674	\$ 2,556,603	\$ 2,603,156
Operating grants and contributions	235,750	235,669	-	-	235,750	235,669
Capital grants and contributions	643,813	2,898,823	197,779	280,246	841,592	3,179,069
General revenues:						
Sales taxes	1,424,798	1,524,302	-	-	1,424,798	1,524,302
Property taxes	381,360	379,390	-	-	381,360	379,390
Other taxes and fees	608,421	669,964	-	-	608,421	669,964
Earnings on investments	24,022	75,904	17,333	54,363	41,355	130,267
Other	104,486	128,940	194,732	3,000	299,218	131,940
<b>Total revenues</b>	<b>3,779,310</b>	<b>6,302,474</b>	<b>2,609,787</b>	<b>2,551,283</b>	<b>6,389,097</b>	<b>8,853,757</b>
<b>Expenses:</b>						
General government	949,332	775,319	-	-	949,332	775,319
Public safety	948,634	912,698	-	-	948,634	912,698
Public works	614,802	552,778	-	-	614,802	552,778
Community development	68,260	68,260	-	-	68,260	68,260
Engineering Services	117,278	96,378	-	-	117,278	96,378
Culture and recreation	125,655	126,502	-	-	125,655	126,502
Sewer	-	-	1,865,935	1,860,950	1,865,935	1,860,950
Interest on long-term debt	-	-	73,195	76,817	73,195	76,817
<b>Total expenses</b>	<b>2,823,961</b>	<b>2,531,935</b>	<b>1,939,130</b>	<b>1,937,767</b>	<b>4,763,091</b>	<b>4,469,702</b>
Change in net position	955,349	3,770,539	670,657	613,516	1,626,006	4,384,055
Net position, July 1	13,793,225	10,022,686	13,272,142	12,658,626	27,065,367	22,681,312
Net position, June 30	<u>\$ 14,748,574</u>	<u>\$ 13,793,225</u>	<u>\$ 13,942,799</u>	<u>\$ 13,272,142</u>	<u>\$ 28,691,373</u>	<u>\$ 27,065,367</u>

**Fiscal Year 2020-2021**  
**Governmental Activities – Sources of Revenue**  
 (Graphic representation of Table 2 in percentages)



**Fiscal Year 2020-2021**  
**Governmental Activities – Program Expenses**  
 (Graphic representation of Table 2 in percentages)



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include police, fire and public works equipment, vehicles, buildings, roads, wastewater treatment facilities and sewer lines. At June 30, 2021, net capital assets of the governmental activities totaled \$10,185,629 and the net capital assets of the business-type activities totaled \$17,932,774. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See table 3 and Note D to the financial statements.)

**Table 3**  
**City of Colfax, Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,379,087	\$ 1,354,891	\$ 134,700	\$ 134,700	\$ 1,513,787	\$ 1,489,591
Easements	68,310	-	-	-	68,310	-
Construction in progress	107,813	164,083	100,486	362,494	208,299	526,577
Building and improvements	10,467,101	9,815,973	25,829,796	24,870,158	36,296,897	34,686,131
Vehicles	662,762	662,760	44,053	44,053	706,815	706,813
Machinery and equipment	470,511	461,439	723,471	683,471	1,193,982	1,144,910
Furniture and fixtures	15,926	15,926	-	-	15,926	15,926
Accumulated depreciation	(2,985,881)	(2,669,903)	(8,899,732)	(8,247,762)	(11,885,613)	(10,917,665)
<b>Total Capital Assets, Net</b>	<b>\$ 10,185,629</b>	<b>\$ 9,805,169</b>	<b>\$ 17,932,774</b>	<b>\$ 17,847,114</b>	<b>\$ 28,118,403</b>	<b>\$ 27,652,283</b>

The City invested \$1,446,500 in capital asset improvements and additions during the current fiscal year including the following:

- Street repairs and improvements
- Planning grant for sewer collection system and wastewater treatment plant Improvements
- New easement for City Trails
- Wastewater treatment plan fissure repair (insurance reimbursement)

## Long-Term Debt

At the end of fiscal year 2019-2020, the City had total long-term debts outstanding of \$7,883,143, as compared to a total of \$8,386,013 last year (See Table 4 and Note E to the financial statements).

**Table 4**  
**City of Colfax, Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Postclosure landfill costs	\$ 398,873	\$ 418,777	\$ -	\$ -	\$ 398,873	\$ 418,777
State loan - restructured	-	-	7,198,411	7,561,765	7,198,411	7,561,765
Note payable	-	-	104,629	236,789	104,629	236,789
Compensated absences	12,012	19,986	23,280	31,554	35,292	51,540
Net pension liability	68,445	54,939	77,493	62,203	145,938	117,142
<b>Total Long-term Debt</b>	<b>\$ 479,330</b>	<b>\$ 493,702</b>	<b>\$ 7,403,813</b>	<b>\$ 7,892,311</b>	<b>\$ 7,883,143</b>	<b>\$ 8,386,013</b>

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

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

- Annual payment on the restructured State loan associated with the Wastewater Treatment Plant facility implementation (2009) and Pond 3 liner, I&I mitigation and SCADA project which completed in early fiscal year 2013-2014.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the City Budget for fiscal year 2021-2022, the City Council and management were cautiously optimistic as to the growth of revenues and expenditures. Conservative estimates were utilized particularly due to the Covid-19 pandemic.

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

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

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

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## **BASIC FINANCIAL STATEMENTS**

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## CITY OF COLFAX

## GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 4,538,937	\$ 2,408,264	\$ 6,947,201
Accounts receivable, net	88,310	187,697	276,007
Due from other governmental agencies	475,232	159,243	634,475
Interest receivable	3,530	2,563	6,093
Prepaid expenses	3,000	17,260	20,260
Total current assets	<u>5,109,009</u>	<u>2,775,027</u>	<u>7,884,036</u>
Noncurrent assets:			
Restricted cash and investments		992,658	992,658
Notes receivable	57,483	16,484	73,967
Capital assets, net			
Non-depreciable	1,555,210	235,186	1,790,396
Depreciable, net	8,630,419	17,697,588	26,328,007
Total capital assets, net	<u>10,185,629</u>	<u>17,932,774</u>	<u>28,118,403</u>
Total assets	<u>15,352,121</u>	<u>21,716,943</u>	<u>37,069,064</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension plan	<u>59,719</u>	<u>67,613</u>	<u>127,332</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	134,633	83,821	218,454
Accrued expenses	11,901	61,830	73,731
Unearned revenue	22,480	291,740	314,220
Refundable deposits	14,434		14,434
Current portion of long-term liabilities	6,006	483,259	489,265
Total current liabilities	<u>189,454</u>	<u>920,650</u>	<u>1,110,104</u>
Long-term liabilities:			
Loan payable		6,831,421	6,831,421
Postclosure landfill costs	398,873		398,873
Compensated absences	6,006	11,640	17,646
Net pension liability	68,445	77,493	145,938
Total long-term liabilities	<u>473,324</u>	<u>6,920,554</u>	<u>7,393,878</u>
Total liabilities	<u>662,778</u>	<u>7,841,204</u>	<u>8,503,982</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension plan	<u>488</u>	<u>553</u>	<u>1,041</u>
<b>NET POSITION:</b>			
Net investment in capital assets	10,185,629	10,629,734	20,815,363
Restricted	1,516,105	992,658	2,508,763
Unrestricted	<u>3,046,840</u>	<u>2,320,407</u>	<u>5,367,247</u>
Total net position	<u>\$ 14,748,574</u>	<u>\$ 13,942,799</u>	<u>\$ 28,691,373</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, 2021

	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
<b>GOVERNMENTAL ACTIVITIES:</b>						
General government	\$ 949,332	\$ 255,874		\$ (693,458)		\$ (693,458)
Public safety	948,634	97,306	\$ 185,460	\$ 4,046	(661,822)	(661,822)
Public works	614,802		48,212	639,767	73,177	73,177
Community development	68,260		2,078		(66,182)	(66,182)
Engineering services	117,278				(117,278)	(117,278)
Culture and recreation	125,655	3,480			(122,175)	(122,175)
Total governmental activities	<u>2,823,961</u>	<u>356,660</u>	<u>235,750</u>	<u>643,813</u>	<u>(1,587,738)</u>	<u>(1,587,738)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Sewer	1,865,935	2,199,943		197,779	\$ 531,787	531,787
Interest on long-term debt	73,195				(73,195)	(73,195)
Total business-type activities	<u>1,939,130</u>	<u>2,199,943</u>		<u>197,779</u>	<u>458,592</u>	<u>458,592</u>
Total government	<u>\$ 4,763,091</u>	<u>\$ 2,556,603</u>	<u>\$ 235,750</u>	<u>\$ 841,592</u>	<u>(1,587,738)</u>	<u>458,592</u>

GENERAL REVENUES:

Taxes:			
Sales and use taxes		1,424,798	1,424,798
Property taxes		381,360	381,360
Transient occupancy tax		13,561	13,561
Franchises		82,891	82,891
Gas taxes		52,830	52,830
Construction fee assessments		67,690	67,690
Mitigation fees		215,750	215,750
Motor vehicle in-lieu		175,699	175,699
Investment income		24,022	17,333
Rental income		85,124	3,000
Transfers		(286)	286
Miscellaneous		19,648	191,446
Total general revenues		<u>2,543,087</u>	<u>212,065</u>
Changes in net position		955,349	670,657
Net position, beginning of year		<u>13,793,225</u>	<u>13,272,142</u>
Net position, end of year		<u>\$ 14,748,574</u>	<u>\$ 13,942,799</u>

The accompanying notes are an integral part of these financial statements

CITY OF COLFAX

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2021

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS:</b>				
Cash and investments	\$ 3,472,537	\$ 150,970	\$ 915,430	\$ 4,538,937
Accounts receivable, net	88,310			88,310
Due from other governmental agencies	290,869	177,093	7,270	475,232
Interest receivable	2,725	116	689	3,530
Notes receivable	36,809		20,674	57,483
Prepaid items	3,000			3,000
Due from other funds	174,590			174,590
<b>Total assets</b>	<b>\$ 4,068,840</b>	<b>\$ 328,179</b>	<b>\$ 944,063</b>	<b>\$ 5,341,082</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 129,573	\$ 2,503	\$ 2,557	\$ 134,633
Accrued expenses	9,733		2,168	11,901
Unearned revenue	22,480			22,480
Due to other funds		174,590		174,590
Refundable deposits	14,434			14,434
<b>Total liabilities</b>	<b>176,220</b>	<b>177,093</b>	<b>4,725</b>	<b>358,038</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	4,250	158,175		162,425
<b>Total deferred inflows of resources</b>	<b>4,250</b>	<b>158,175</b>		<b>162,425</b>
<b>FUND BALANCES:</b>				
Nonspendable	39,809		20,674	60,483
Restricted	813,215		918,664	1,731,879
Committed	830,000			830,000
Unassigned	2,205,346	(7,089)		2,198,257
<b>Total fund balances</b>	<b>3,888,370</b>	<b>(7,089)</b>	<b>939,338</b>	<b>4,820,619</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,068,840</b>	<b>\$ 328,179</b>	<b>\$ 944,063</b>	<b>\$ 5,341,082</b>

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

CITY OF COLFAX

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

June 30, 2021

Total Governmental Fund Balances	\$ 4,820,619
Amounts reported for governmental activities in the statement of net position are different because:	
Pension contributions subsequent to the valuation measurement date and other items will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.	59,719
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	10,185,629
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	162,425
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	
Compensated absences	(12,012)
Postclosure landfill liability	(398,873)
Net pension liability	(68,445)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.	<u>(488)</u>
Net Position of Governmental Activities	<u><u>\$ 14,748,574</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, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>REVENUES:</b>				
Taxes	\$ 1,902,610		\$ 52,830	\$ 1,955,440
Licenses, fees and permits	195,202	\$ 67,690	215,840	478,732
Intergovernmental revenues	256,385	108,073	302,235	666,693
Charges for services	158,542			158,542
Fines, forfeitures and penalties	1,580			1,580
Use of money and property	103,186	582	5,378	109,146
Other revenue	21,636			21,636
Total revenues	<u>2,639,141</u>	<u>176,345</u>	<u>576,283</u>	<u>3,391,769</u>
<b>EXPENDITURES:</b>				
Current:				
General government	941,822			941,822
Public safety	765,877		157,752	923,629
Public works	168,473	67,064	180,583	416,120
Engineering services	117,278			117,278
Cultural and recreation	107,427			107,427
Capital outlay	20,381	270,528	54,365	345,274
Total expenditures	<u>2,121,258</u>	<u>337,592</u>	<u>392,700</u>	<u>2,851,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>517,883</u>	<u>(161,247)</u>	<u>183,583</u>	<u>540,219</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	8,945	218,615	101,687	329,247
Transfers out	(75,270)		(254,263)	(329,533)
Total other financing sources (uses)	<u>(66,325)</u>	<u>218,615</u>	<u>(152,576)</u>	<u>(286)</u>
Net change in fund balances	451,558	57,368	31,007	539,933
Fund balances, beginning of year	<u>3,436,812</u>	<u>(64,457)</u>	<u>908,331</u>	<u>4,280,686</u>
Fund balances, end of year	<u>\$ 3,888,370</u>	<u>\$ (7,089)</u>	<u>\$ 939,338</u>	<u>\$ 4,820,619</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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 539,933
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital outlay	345,274
Depreciation expense	(328,410)
Contributed capital assets	363,596
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds.	
Postclosure landfill costs	19,904
Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities.	
Difference between unavailable revenue recognized in the current year and prior year	24,231
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	7,974
Change in deferred outflow/inflows of resources and net pension liability	<u>(17,153)</u>
Change in Net Position of Governmental Activities	<u>\$ 955,349</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, 2021

ASSETS:

Current assets:

Cash and cash equivalents	\$ 2,408,264
Accounts receivable, net	187,697
Due from other governmental agencies	159,243
Interest receivable	2,563
Prepaid expenses	17,260
Total current assets	<u>2,775,027</u>

Noncurrent assets:

Restricted cash and cash equivalents	992,658
Notes receivable	16,484
Capital assets, net:	
Nondepreciable	235,186
Depreciable, net	17,697,588
Total capital assets, net	<u>17,932,774</u>

Total assets	<u>21,716,943</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Pension plan	<u>67,613</u>
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LIABILITIES:

Current liabilities:

Accounts payable	83,821
Accrued expenses	61,830
Unearned revenue	291,740
Current portion of long-term liabilities	483,259
Total current liabilities	<u>920,650</u>

Long-term liabilities:

Loan payable	6,831,421
Compensated absences	11,640
Net pension liability	77,493
Total long-term liabilities	<u>6,920,554</u>

Total liabilities	<u>7,841,204</u>
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DEFERRED INFLOWS OF RESOURCES:

Pension plan	<u>553</u>
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NET POSITION:

Net investment in capital assets	10,629,734
Restricted	992,658
Unrestricted	2,320,407
	<u>13,942,799</u>

Total net position	<u>\$ 13,942,799</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLFAX

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

For the Year Ended June 30, 2021

OPERATING REVENUES:	
Service charges	\$ 2,162,840
Miscellaneous	37,103
Total operating revenues	<u>2,199,943</u>
OPERATING EXPENSES:	
Personnel services	528,960
Operation and maintenance	685,005
Depreciation	651,970
Total operating expenses	<u>1,865,935</u>
Net income from operations	<u>334,008</u>
NONOPERATING REVENUES (EXPENSES)	
Insurance reimbursements	191,446
Intergovernmental grants	35,737
Interest income	17,333
Rental income	3,000
Interest expense	(73,195)
Total nonoperating revenues (expenses)	<u>174,321</u>
CAPITAL CONTRIBUTIONS:	
State grant revenue	162,042
Income before transfers	<u>670,371</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	<u>286</u>
Change in net position	670,657
Net position, beginning of year	<u>13,272,142</u>
Net position, end of year	<u><u>\$ 13,942,799</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,041,076
Cash paid to suppliers	(689,182)
Cash paid to employees and related benefits	(520,592)
Net cash provided by operating activities	<u>831,302</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Insurance proceeds received	191,446
Grant revenue received	35,737
Cash provided by noncapital financing activities	<u>227,183</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(702,156)
Capital contributions received	116,452
Debt principal paid	(363,354)
Debt interest paid	(75,618)
Net cash used for capital and related financing activities	<u>(1,024,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Amounts received from other funds	286
Investment income received	26,287
Payments on notes receivable received	553
Net cash provided by investing activities	<u>27,126</u>
Net increase in cash and cash equivalents	60,935
Cash and cash equivalents, beginning of year	<u>3,339,987</u>
Cash and cash equivalents, end of year	<u>\$ 3,400,922</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 2,408,264
Restricted cash and cash equivalents	<u>992,658</u>
Cash and cash equivalents, end of year	<u>\$ 3,400,922</u>
RECONCILIATION OF NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net income from operations	\$ 334,008
Adjustments to reconcile net income from operations to cash provided by operating activities:	
Depreciation	651,970
Sewer connection fee credits	(132,160)
(Increase) decrease in assets:	
Accounts receivable, net	(29,707)
Prepaid expenses	1,570
(Decrease) increase in liabilities:	
Accounts payable	(5,747)
Accrued expenses	(2,778)
Compensated absences	(8,274)
Net pension liability	15,290
Deferred inflows (outflows) related to pension plan	4,130
Net cash provided by operating activities	<u>\$ 828,302</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Sewer connection fee credits applied against notes payable	\$ (132,160)
Contributed assets	\$ (35,474)

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

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The City participates in a Joint Exercise of Powers Agreement with the County of Placer establishing the Sierra Valley Energy Authority (the Authority). This agreement was amended in February 2017 to include the unincorporated areas of Placer County and five cities in Placer County. The name was changed to Pioneer Community Energy (Pioneer) on July 17, 2017. Pioneer was established to provide assistance with the development, financing and implementation of public and private sector energy and resource development and conservation programs. The City has not had any financial activity related to the Authority during the year ended June 30, 2021.

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

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

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

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

The City reports the following major governmental funds:

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



CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

*GOVERNMENTAL FUNDS*

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

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

*PROPRIETARY FUNDS*

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position or fund balance by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position or fund balance that is applicable to a future reporting period. These amounts

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 2) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 3) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 4) reporting by public entity and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. This Statement is applicable for item 4 above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

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, 2021 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 4,538,937	\$ 2,408,264	\$ 6,947,201
Restricted cash and investments		992,658	992,658
	<u>\$ 4,538,937</u>	<u>\$ 3,400,922</u>	<u>\$ 7,939,859</u>

As of June 30, 2021, the City’s cash and investments consisted of the following:

Cash on hand	\$ 300
Deposits in financial institutions	207,159
Investments	
California Local Agency Investment Fund	<u>7,732,400</u>
Total cash and investments	<u>\$ 7,939,859</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, 2021

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City’s investment in LAIF has an average maturity of 291 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, 2021, the carrying amount of the City’s deposits was \$207,159 and the balance in financial institutions was \$240,003. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and if it had exceeded the FDIC insurance during the year that portion was covered by the pledging financial institution with assets held in a common pool for the City and other governmental agencies.

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

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 \$193,321,015,759, which is managed by the State Treasurer. Of that amount, 2.31% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2021 were as follows:

<u>Due to Other Funds</u>	<u>Due from Other Funds General Fund</u>
Capital Projects Fund	<u>\$ 174,590</u>

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

Transfers during the year ended June 30, 2021 were as follows:

<u>Transfers out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Transportation and Road</u>	<u>Enterprise Sewer</u>	
Major Governmental Funds:					
General		\$ 11,018	\$ 63,966	\$ 286	\$ 75,270
Nonmajor Governmental Funds:					
CDBG	\$ 3,612				3,612
Gas Tax			37,721		37,721
Road Maintenance		204,707			204,707
Mitigation Funds	5,333	2,890			8,223
	<u>\$ 8,945</u>	<u>\$ 218,615</u>	<u>\$ 101,687</u>	<u>\$ 286</u>	<u>\$ 329,533</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, 2021

NOTE D – CAPITAL ASSETS

Governmental capital assets activity for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 1,354,891	\$ 24,196			\$ 1,379,087
Easements		68,310			68,310
Construction in progress	164,083	271,813		\$ (328,083)	107,813
Total capital assets, not being depreciated	1,518,974	364,319		(328,083)	1,555,210
Capital assets, being depreciated:					
Buildings and improvements	9,815,973	323,045		328,083	10,467,101
Vehicles	662,760	2			662,762
Machinery and equipment	461,439	21,504	\$ (12,432)		470,511
Furniture and fixtures	15,926				15,926
Total capital assets, being depreciated	10,956,098	344,551	(12,432)	328,083	11,616,300
Less accumulated depreciation for:					
Buildings and improvements	(1,771,617)	(270,457)			(2,042,074)
Vehicles	(488,170)	(29,456)			(517,626)
Machinery and equipment	(400,456)	(26,708)	12,432		(414,732)
Furniture and fixtures	(9,660)	(1,789)			(11,449)
Total accumulated depreciation	(2,669,903)	(328,410)	12,432		(2,985,881)
Capital assets being depreciated, net	8,286,195	16,141		328,083	8,630,419
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 9,805,169	\$ 380,460	\$ -	\$ -	\$ 10,185,629

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

General governmental	\$ 18,235
Public safety	25,005
Public works	198,682
Culture and recreation	18,228
Community development	68,260
Total governmental activities depreciation expense	\$ 328,410

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE D – CAPITAL ASSETS (Continued)

Business-type capital assets activities for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 134,700				\$ 134,700
Construction in progress	362,494	\$ 662,156		\$ (924,164)	100,486
Total capital assets, not being depreciated	<u>497,194</u>	<u>662,156</u>		<u>(924,164)</u>	<u>235,186</u>
Capital assets, being depreciated:					
Buildings and improvements	24,870,158	35,474		924,164	25,829,796
Vehicles	44,053				44,053
Machinery and equipment	683,471	40,000			723,471
Total capital assets, being depreciated	<u>25,597,682</u>	<u>75,474</u>		<u>924,164</u>	<u>26,597,320</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,662,247)	(609,570)			(8,271,817)
Vehicles	(15,090)	(8,810)			(23,900)
Machinery and equipment	(570,425)	(33,590)			(604,015)
Total accumulated depreciation	<u>(8,247,762)</u>	<u>(651,970)</u>			<u>(8,899,732)</u>
Capital assets being depreciated, net	<u>17,349,920</u>	<u>(576,496)</u>		<u>924,164</u>	<u>17,697,588</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 17,847,114</u>	<u>\$ 85,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,932,774</u>

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

Sewer	<u>\$ 651,970</u>
Total business-type activities depreciation expense	<u>\$ 651,970</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
<b>Governmental Activities:</b>					
Postclosure landfill costs	\$ 418,777		\$ (19,904)	\$ 398,873	
Compensated absences	19,986	\$ 9,923	(17,897)	12,012	\$ 6,006
Net pension liability	54,939	13,506		68,445	
Governmental activities long-term liabilities	<u>\$ 493,702</u>	<u>\$ 23,429</u>	<u>\$ (37,801)</u>	<u>\$ 479,330</u>	<u>\$ 6,006</u>
<b>Business-Type Activities:</b>					
State loan - restructured	\$ 7,561,765		\$ (363,354)	\$ 7,198,411	\$ 366,990
Note Payable	236,789		(132,160)	104,629	104,629
Total bonds, loans, settlements payable	7,798,554		(495,514)	7,303,040	471,619
Compensated absences	31,554	\$ 26,421	(34,695)	23,280	11,640
Net pension liability	62,203	15,290		77,493	
Business-type activities long-term liabilities	<u>\$ 7,892,311</u>	<u>\$ 41,711</u>	<u>\$ (530,209)</u>	<u>\$ 7,403,813</u>	<u>\$ 483,259</u>

Long-term debt of the City’s governmental activities consisted of the following as of June 30, 2021:

**Postclosure Landfill Costs:** State and Federal laws and regulations require the City to perform certain maintenance and monitoring functions on its landfill for 30 years after closure. The City has recorded a liability for landfill closure in the General Fund in accordance with GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Costs*. The City hired a private consultant to perform an analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City’s landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by the consultant’s analysis. The consultant’s analysis is an estimate only and is subject to yearly changes due to inflation or deflation, technology, or applicable laws and regulations. The City is currently estimating that 100% of the landfill is used and there is no remaining life. As of June 30, 2021, the remaining closure and postclosure maintenance costs to be recognized over the next 17 years is \$398,873.

Long-term debt of the City’s business-type activities consisted of the following as of June 30, 2021:

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

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE E – LONG-TERM LIABILITIES (Continued)

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

Principal and interest payments on debt are due as follows:

June 30	State Loan - Restructured		Total
	Principal	Interest	
2022	\$ 366,990	\$ 71,984	\$ 438,974
2023	370,660	68,314	438,974
2024	374,366	64,608	438,974
2025	378,110	60,864	438,974
2026	381,891	57,083	438,974
2027-2031	1,967,508	227,361	2,194,869
2032-2036	2,067,871	126,998	2,194,869
2037-2039	1,291,015	25,906	1,316,921
Totals	<u>\$ 7,198,411</u>	<u>\$ 703,118</u>	<u>\$ 7,901,529</u>

Pledged Revenues: The City has pledged future Sewer Fund revenues, net of specified operating expenses, to repay its state loan from the SWRCB issued in June 2012 with total proceeds of \$9,506,600. Proceeds from the loan were used to refinance a previous SWRCB loan used to make improvements on the City’s wastewater treatment plant. The loan is payable solely from sewer customer net revenues and is payable through October 2038. Total principal and interest remaining to be paid on the loan was \$7,901,529 at June 30, 2021. Total cash basis principal and interest payments on the loan during the year ended June 30, 2021 were \$438,974 and net revenues were \$1,006,311, respectively.

NOTE F – NET POSITION/FUND BALANCE

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

	Governmental Activities	Business-Type Activities
Mitigation projects	\$ 664,437	
Landfill	414,342	
Street projects	138,230	
Fire Department	93,157	
Recycling	22,840	
Economic development	20,674	
CDBG	4,250	
Debt service reserve		\$ 438,974
Capital improvements	158,175	351,119
Replacement of short-lived assets		202,565
	<u>\$ 1,516,105</u>	<u>\$ 992,658</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE F – NET POSITION/FUND BALANCE (Continued)

In addition to these restricted amounts, the City Council had designated \$350,000 from the operating reserve and \$300,000 for capital projects in business-type activities at June 30, 2021.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Long-term receivables	\$ 36,809		\$ 20,674	\$ 57,483
Prepaid expenses	3,000			3,000
Total Nonspendable	<u>39,809</u>		<u>20,674</u>	<u>60,483</u>
Restricted for:				
Landfill closure	813,215			813,215
Street projects			138,230	138,230
Mitigation projects			664,437	664,437
Recycling			22,840	22,840
Fire Department			93,157	93,157
Total Restricted	<u>813,215</u>		<u>918,664</u>	<u>1,731,879</u>
Committed for:				
Operating Reserve	485,000			485,000
Pension Reserve	95,000			95,000
Capital Reserve	250,000			250,000
Total committed	<u>830,000</u>			<u>830,000</u>
Unassigned	<u>2,205,346</u>	\$ (7,089)		2,198,257
Total Unassigned	<u>2,205,346</u>	<u>(7,089)</u>		<u>2,198,257</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,888,370</u>	<u>\$ (7,089)</u>	<u>\$ 939,338</u>	<u>\$ 4,820,619</u>

The City Council has designated \$485,000 of General Fund committed fund balance as an operating reserve to protect against revenue shortfalls and unpredicted one-time expenditures.

NOTE G – PENSION PLAN

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

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE G – PENSION PLAN (Continued)

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

The Plan’s provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	Miscellaneous	PEPRA
	Miscellaneous Rate Plan (Prior to January 1, 2013)	Miscellaneous Rate Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	9.281%	7.732%

In addition to the contribution rates above, the City was also required to make payments of \$10,404 toward its unfunded actuarial liability during the year ended June 30, 2021. The Miscellaneous Rate Plan is closed to new members that are not already CalPERS eligible participants.

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

For the year ended June 30, 2021, the employer contribution made to the Plan was \$59,733 for the year ended June 30, 2021.

Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of \$145,938.

The City’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s proportion of the net pension

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE G – PENSION PLAN (Continued)

liability was based on a projection of the City’s long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2020 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2020	0.00293%
Proportion - June 30, 2021	<u>0.00346%</u>
Change - Increase (Decrease)	0.00053%

For the year ended June 30, 2021, the City recognized a pension expense of \$96,306. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan combined from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 59,733	
Changes in assumptions		\$ (1,041)
Net differences between projected and actual earnings on plan investments	4,335	
Difference between actual and allocated contributions	29,621	
Difference between expected and actual experience	7,521	
Adjustment due to differences in proportions	<u>26,122</u>	
Total	<u>\$ 127,332</u>	<u>\$ (1,041)</u>

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

Fiscal Year Ended <u>June 30</u>	
2022	\$ 30,499
2023	22,297
2024	11,682
2025	<u>2,080</u>
	<u>\$ 66,558</u>

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE G – PENSION PLAN (Continued)

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (a)
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies depending on entry age and service
Mortality (1)	Derived using CalPERS Membership Data

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

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

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

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

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



CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE G – PENSION PLAN (Continued)

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

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

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

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

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

1% Decrease	6.15%
Net Pension Liability	\$ 292,728
Current Discount Rate	7.15%
Net Pension Liability	\$ 145,938
1% Increase	8.15%
Net Pension Liability	\$ 24,649

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

NOTE H – INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE) with other northern California cities. SCORE is a joint powers authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers’ compensation benefits for their employees and to provide liability insurance. SCORE provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs SCORE. The City of

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE H – INSURANCE (Continued)

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.

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

Coverage	SCORE	Excess	Banking Layer/ Deductible
Liability	\$ 500,000	\$ 39,500,000	\$ 25,000
Employers liability	1,000,000		
Property	500,000,000		5,000
Boiler and machinery	100,000,000		10,000
Mobile equipment	7,000,000		10,000
Workers Compensation liability	250,000	4,750,000	50,000

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

NOTE I – COMMITMENTS AND CONTINGENCIES

Contract Commitments: The City had the following contract commitments at June 30, 2021:

	Remaining Contract Amount
Road improvement costs	\$ 104,000
General plan and housing element update	132,553
	<u>\$ 236,553</u>

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

CITY OF COLFAX, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE I – COMMITMENTS AND CONTINGENCIES (Continued)

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

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

In October 2020, the City entered into an agreement with a hotel developer requiring the City to reimburse road improvement costs. The City paid \$126,307 to the developer in December 2021.

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

NOTE J – SUBSEQUENT EVENTS

In June of 2021 the City entered into an agreement with a California Department of Forestry and Fire Protection (CalFIRE) for fire protection services totaling \$231,817. The cooperative agreement will require the City to pay an annual service charge of \$75,000 for the first year, increasing by 3% to \$77,250 for the second year and an additional 3% to \$79,567.50 for the third year. In addition, the City will transfer all of its fire apparatus to the County who will assume responsibility for maintaining and replacing it. The City will retain responsibility to maintain and repair its fire station buildings and the grounds surrounding them.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF COLFAX

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis) (See Note A)	
<b>REVENUES:</b>				
Taxes	\$ 1,592,000	\$ 1,727,000	\$ 1,902,610	\$ 175,610
Licenses, fees and permits	118,500	144,700	195,202	50,502
Intergovernmental revenues	162,000	225,000	256,385	31,385
Charges for services	148,550	145,550	158,542	12,992
Fines, forfeitures and penalties	2,500	500	1,580	1,080
Use of money and property	115,560	101,000	103,186	2,186
Other revenue	1,000	15,800	21,636	5,836
Total revenues	<u>2,140,110</u>	<u>2,359,550</u>	<u>2,639,141</u>	<u>279,591</u>
<b>EXPENDITURES</b>				
Current:				
General government	818,993	970,897	941,822	29,075
Public safety	844,915	783,844	765,877	17,967
Public works	177,003	154,058	168,473	(14,415)
Engineering services	49,400	111,000	117,278	(6,278)
Culture and recreation	138,822	133,719	107,427	26,292
Capital outlay	80,000	80,000	20,381	59,619
Total expenditures	<u>2,109,133</u>	<u>2,233,518</u>	<u>2,121,258</u>	<u>112,260</u>
Excess (deficiency) of revenues over expenditures	30,977	126,032	517,883	391,851
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			8,945	8,945
Transfers out	(171,565)	(171,565)	(75,270)	96,295
Total other financing sources (uses)	<u>(171,565)</u>	<u>(171,565)</u>	<u>(66,325)</u>	<u>105,240</u>
Net change in fund balance	(140,588)	(45,533)	451,558	497,091
Fund balance, beginning of year	<u>3,436,812</u>	<u>3,436,812</u>	<u>3,436,812</u>	
Fund balance, end of year	<u>\$ 3,296,224</u>	<u>\$ 3,391,279</u>	<u>\$ 3,888,370</u>	<u>\$ 497,091</u>

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

CITY OF COLFAX

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00346%	0.00293%	0.00245%	0.00246%	0.00202%	0.00169%	0.00231%
Proportionate share of the net pension liability	\$ 145,938	\$ 117,142	\$ 92,380	\$ 97,040	\$ 70,057	\$ 46,274	\$ 57,010
Covered payroll - measurement period	\$ 727,475	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481	\$ 353,250
Proportionate share of the net pension liability as a percentage of covered payroll	20.06%	18.33%	15.02%	16.30%	15.35%	12.59%	16.14%
Plan fiduciary net position as a percentage of the total pension liability	86.77%	86.84%	88.14%	84.22%	83.56%	78.40%	79.82%
Notes to Schedule:							
Reporting valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Change in benefit terms: None

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

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution - employer fiscal year (actuarially determined)	\$ 59,733	\$ 63,773	\$ 52,523	\$ 44,554	\$ 48,319	\$ 33,408	\$ 30,589
Contributions in relation to the actuarially determined contributions	(59,733)	(63,773)	(52,523)	(44,554)	(48,319)	(33,408)	(30,589)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 591,701	\$ 727,475	\$ 639,107	\$ 615,095	\$ 595,177	\$ 456,524	\$ 367,481
Contributions as a percentage of covered payroll	10.10%	8.77%	8.22%	7.24%	8.12%	7.32%	8.32%
Notes to schedule:							
Contribution valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

Amortization cost method				Entry age normal cost method			
Amortized method				Level percentage of payroll, closed			
Remaining amortization period				Varies, but not more than 30 years			
Asset valuation method				Market Value			
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases				Varies by Entry Age and Service			
Investment rate of return and discount rate	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50-67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.						
Mortality	Most recent CalPERS Experience Study						

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



**COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENT**

CITY OF COLFAX

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue			
	CDBG	Transportation & Road Fund	Gas Tax	Road Maintenance SB1/RSTBG
<b>ASSETS:</b>				
Cash and investments		\$ 15,736	\$ 1,254	\$ 118,605
Due from other governmental agencies				7,270
Interest receivable				90
Notes receivable	\$ 20,674			
<b>Total assets</b>	<b>\$ 20,674</b>	<b>\$ 15,736</b>	<b>\$ 1,254</b>	<b>\$ 125,965</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable		\$ 1,303	\$ 1,254	
Accrued expenses		2,168		
<b>Total liabilities</b>		<b>3,471</b>	<b>1,254</b>	
<b>FUND BALANCES:</b>				
Nonspendable	\$ 20,674			
Restricted		12,265		\$ 125,965
<b>Total fund balances</b>	<b>20,674</b>	<b>12,265</b>		<b>125,965</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,674</b>	<b>\$ 15,736</b>	<b>\$ 1,254</b>	<b>\$ 125,965</b>

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

Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	
\$ 663,927	\$ 19,064	\$ 3,759	\$ 93,085	\$ 915,430
				7,270
510	15	2	72	689
				20,674
<u>\$ 664,437</u>	<u>\$ 19,079</u>	<u>\$ 3,761</u>	<u>\$ 93,157</u>	<u>\$ 944,063</u>
				\$ 2,557
				2,168
				4,725
				20,674
<u>\$ 664,437</u>	<u>\$ 19,079</u>	<u>\$ 3,761</u>	<u>\$ 93,157</u>	<u>918,664</u>
<u>664,437</u>	<u>19,079</u>	<u>3,761</u>	<u>93,157</u>	<u>939,338</u>
<u>\$ 664,437</u>	<u>\$ 19,079</u>	<u>\$ 3,761</u>	<u>\$ 93,157</u>	<u>\$ 944,063</u>

CITY OF COLFAX

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

For the Year Ended June 30, 2021

	Special Revenue			
	Supplemental Law Enforcement	CDBG	Transportation & Road Fund	Gas Tax
REVENUES:				
Taxes				\$ 52,830
Licenses, fees and permits			\$ 90	
Intergovernmental revenues	\$ 156,110		102,184	
Use of money and property		\$ 608		
Total revenues	<u>156,110</u>	<u>608</u>	<u>102,274</u>	<u>52,830</u>
EXPENDITURES:				
Current:				
Public safety	156,110			
Public works			165,474	15,109
Capital outlay			30,169	
Total expenditures	<u>156,110</u>		<u>195,643</u>	<u>15,109</u>
Excess (deficiency) of revenues over (under) expenditures		<u>608</u>	<u>(93,369)</u>	<u>37,721</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			101,687	
Transfers out		(3,612)		(37,721)
Total other financing sources (uses)		<u>(3,612)</u>	<u>101,687</u>	<u>(37,721)</u>
Net change in fund balances		(3,004)	8,318	-
Fund balances, beginning of year		<u>23,678</u>	<u>3,947</u>	
Fund balances, end of year	<u>\$ -</u>	<u>\$ 20,674</u>	<u>\$ 12,265</u>	<u>\$ -</u>

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

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
Road Maintenance SB1/RSTBG	Mitigation Funds	Beverage Recycling	Oil Grant	Fire Capital	
					\$ 52,830
	\$ 215,750				215,840
\$ 39,895				\$ 4,046	302,235
1,195	2,961	\$ 103	\$ 20	491	5,378
41,090	218,711	103	20	4,537	576,283
				1,642	157,752
	24,196				180,583
	24,196			1,642	54,365
					392,700
41,090	194,515	103	20	2,895	183,583
					101,687
(204,707)	(8,223)				(254,263)
(204,707)	(8,223)				(152,576)
(163,617)	186,292	103	20	2,895	31,007
289,582	478,145	18,976	3,741	90,262	908,331
\$ 125,965	\$ 664,437	\$ 19,079	\$ 3,761	\$ 93,157	\$ 939,338

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## COMPLIANCE REPORT

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

City Council  
City of Colfax, California  
Colfax, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Colfax, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

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

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

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

To the City Council  
City of Colfax, California

Compliance and Other Matters

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

Purpose of this Report

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

*Richardson & Company, LLP*

December 20, 2021