



SPECIAL FAIRFAX TOWN COUNCIL MEETING STAFF REPORT

MEETING DATE: May 8, 2024
PREPARED FOR: Mayor and Town Council
PREPARED BY: Heather Abrams, Town Manager and Michael Vivrette, Finance Director
SUBJECT: Receive Fiscal Year 2022-23 Audit Report

RECOMMENDATION

Receive Independent Auditor's Report for Fiscal Year 2022-23.

DISCUSSION

The Town auditors, Maze and Associates, have issued the Audited Financial Statements for the Town consisting of the Basic Financial Statements and Independent Auditor's Report for June 30, 2023. Maze and Associates is an independent audit firm that is highly qualified and provides financial audit services to many jurisdictions within Marin and the Bay Area. A representative from Maze and Associates will present at the Council meeting and answer questions regarding the Financial Statements, the audit, or other concerns.

FISCAL IMPACT

The audit serves to give an independent professional opinion to fairness of the Town's financial statements at June 30, 2023. They have issued a "clean" opinion that the financial statements are free from material misstatement; there were no issues and this is the highest level of assurance that an auditor can provide.

Key information from the FY 2022-2023 Financial Audit:

- Clean audit, no issues, highest level of assurance
- Increased revenues compared to budget
- Decreased expenses compared to budget
- OPEB and pension liability increased; it goes up and down annually based on the market returns and actuarials, which impacts net position but does not represent annual expenses paid
- While pension and OPEB liabilities fluctuate each year, the Town has taken many steps to manage these liabilities, including modifying pension plans, eliminating new OPEB benefits, refinancing previous liabilities, and establishing CERBT and PARS investment accounts to prepare for future payments
- Town maintains prudent reserves of 25% to 40%

Focusing on the Current Audit Year

In Fiscal 2022-23, the General Fund balance decreased by \$253,302 due to a planned spend-down of above target reserves in order to fund road repairs. All other fund balances decreased by a net total of \$796,681 due to capital improvement expenditures in alignment with the plans to invest in road repairs. General Fund revenues were higher than budgeted by \$683,823 (6.2%) primarily from better than projected sales tax receipts. General Fund expenses were under budget by \$1,016,682 (7.4%). Financial activity for FY22-23 has been factored into the fund balance carry forward in the current year's budget.

Estimating for the Future - Other Post Employment Benefits (OPEB) and Pensions

During the period, the Town's total liability for other post-employment benefits (OPEB) as measured by Government Accounting Standards Board ruling (GASB 75) increased by \$98,968 to \$1,990,802 (5.2%). The net liability for OPEB increased by \$136,419 to \$406,012 (33.6%) due to changes in assumptions and service cost during the period, plan contributions and investment income, offset by measures the Town has taken over the past years in negotiating employment MOU's to significantly reduce or eliminate OPEB benefits for employees hired after July 1, 2013.

There was a significant decrease in net position (\$5,712,249) due to CalPERS negative net rate of return (-6.1%) in the GASB required reporting period; however, CalPERS net rate of return is positive (+5.8%) in the upcoming year, thus we must expect this effect to bounce up and down each year. In the past 12 years, the Town's Pension and OPEB liabilities increased four times and decreased six times. Last year, there was a net activity gain of \$4,221,138. This CalPERS impact is reflected in the Net Position-Ending and Statement of Activities, but this is not a current expense and is likely to change from year to year.

ATTACHMENT

Audit Report