

Town of Fairfax

Fairfax, California

*Basic Financial Statements and
Independent Auditor's Report*

*For the Year Ended June 30, 2023
Prepared by: Finance Department*

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Town of Fairfax
Basic Financial Statements
For the Year Ended June 30, 2023
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council
of the Town of Fairfax
Fairfax, California

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairfax (Town), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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



Pleasant Hill, California
April 18, 2024

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**Town of Fairfax
Management's Discussion and Analysis
June 30, 2023**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2023. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

GOVERNMENT-WIDE HIGHLIGHTS

- The Government-Wide Statement of Net Assets appears as the first statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. The statement shows the Town's assets to be \$18,036,089, liabilities of \$15,920,959 and net assets of \$57,574 at June 30, 2023. This compares with assets of \$23,505,908, liabilities of \$14,313,940 and net assets of \$5,769,823 at June 30, 2022.
- The Government-Wide Statement of Activities and Changes in Net Assets appears as the second statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. This statement shows a decrease in net assets of \$5,712,249 for the fiscal year ended June 30, 2023 as compared to an increase in net assets of \$4,221,138 for the fiscal year ended June 30, 2022. Revenues for fiscal 2023 increased by \$263,549 from the prior year primarily due to increased revenues from charges for services, property and sales taxes, and investment earnings, offset by decreased revenues from operating grants. Expenses for the same period decreased by \$10,196,936 due to increased expenditures in general government (primarily from increased retirement expenses passed through from PERS investment activity, and public works, offset by decreases in public safety, planning & building, parks and recreation, and debt service interest. All Town debt is at fixed rates and is unaffected by increasing interest rates.
- The Town's long-term debt (including current portion & unamortized premium) totaled \$12,330,390 as of June 30, 2023, which includes the outstanding balance on the Measure K bonds and the lease financing debt from refinancing the Town's Unaccrued Actuarial Liability (UAL) on pensions for Miscellaneous and Safety employees.

FUND HIGHLIGHTS

At the close of fiscal year 2023, the Town's governmental funds reported a combined ending fund balance of \$6,479,301, an decrease of \$1,049,983 from the June 30, 2022 ending fund balance of \$7,529,284. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.

TOWN'S HIGHLIGHTS

During 2022-2023, the Town accomplished the following key projects and tasks:

- Controlled costs, spending less than budgeted, and received more than expected revenues. (Please note that an extraordinary -6.1% investment loss by CalPERS in FY 2021-22 resulted in a net position decrease to the Town in FY 2022-23, which does not represent cash paid out, and is expected to rebound based on a positive rate of return for CalPERS seen in FY 2022-23).
- Hired Deputy Clerk, Planning and Building Services Director, Housing Specialist Planner, Public Works Maintenance Worker, and increased hours of a Current Planner, filled Police positions of Lieutenant and Detective.
- Completed a 5-year pavement plan, and worked with Marin County to seek funds for upper Bolinas Rd
- Utilized above target reserve funds to complete major road repairs on Scenic Rd and Porteous Rd, and slurry seal on Center Rd from Pastori Rd to town limits
- Proactively replaced a failing retaining wall on Canyon Rd
- Assessed condition and shaved most sidewalks in town for enhanced walkability and increasing grant program for residents needing larger repair to their sidewalks
- Implemented Climate Action Plan, including Fleet Electrification Policy, Building Reach Codes, and AB 1383 implementation.
- Adopted 15 ordinances and 85 resolutions compared to 12 ordinances and 77 resolutions the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or declining.

The Statement of Activities and Changes in Net Assets presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities are divided into two categories: governmental funds and business-type funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The Town maintains 22 individual governmental funds. In the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances, information is presented as Major Fund and Non-major Governmental Funds. The Major Fund includes the following funds of the General Fund:

- General Fund
- Dry Period Financing Fund
- Equipment Replacement Fund.
- Building and Planning Fund
- Building Improvement Fund
- Retirement Fund
- Office Equipment Replacement Fund

The balance of the funds is represented in the Non-major Governmental Funds, and is further broken down into three categories here: Special Revenue, Capital Projects, and Debt Service.

Special Revenue funds generally account for revenues derived from specific sources. These funds are required by statute or ordinance to finance particular functions or activities of government. They include the following funds:

- Gas Tax Fund
- Special Police Fund
- Open Space Fund
- Fairfax Festival Fund
- Measure F Municipal Services Fund
- Measure A/AA Transportation Fund
- Measure A – Parks Fund
- Federal Stimulus Funds (ARPA)

Capital Projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities, infrastructure, and equipment other than those financed by proprietary funds. They include the following funds:

- Grants Fund
- Town Fund
- Storm Projects Fund

Non-major Governmental Funds: Debt Service. The Measure K Debt Service funds are used to account for principal and interest payments on the Town's Measure K bond debts:

- Measure K Debt Service Series 2008 Fund
- Measure K Debt Service Series 2012 Fund
- Measure K Debt Service Series 2016 Fund
- Lease Agreement (CalPERS Refinance)

Agency Funds

Agency funds are used to account for assets held by the Town in a fiduciary capacity or as an agent for individuals, governmental entities, and others. There are no current Agency Funds.

Business-type Funds

The Town maintains no business-type funds, or Enterprise funds, which are often used for utility services such as water & sewer, and transportation services, such as ports & airports.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the Town's budgetary comparison schedules and PERS schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*. Please note that the Town does not conduct any business-type activities and therefore, all financial analysis schedules only show governmental activities.

Net Assets

Net assets for the Town are summarized below and an analysis follows:

	Governmental Activities		Percentage Change
	2023	2022	
Cash and investments	\$ 8,059,149	\$ 8,254,488	-2.4%
Capital assets, net	9,281,814	9,063,977	2.4%
Other assets	695,126	6,187,443	-88.8%
Total assets	18,036,089	23,505,908	-23.3%
Deferred outflow of resources	3,868,133	5,856,726	-34.0%
Current liabilities	3,590,569	2,635,159	36.3%
Non-current liabilities	12,330,390	11,678,781	5.6%
Total liabilities	15,920,959	14,313,940	11.2%
Deferred inflow of resources	5,925,689	9,278,871	-36.1%
Invested in capital assets, net	6,806,314	5,970,877	14.0%
Restricted	1,132,128	1,047,267	8.1%
Unrestricted	(7,880,868)	(1,248,321)	531.3%
	-	-	
Net assets	\$ 57,574	\$ 5,769,823	-99.0%

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$6,806,314 at the end of fiscal year 2023 represents the cost of these assets less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$1,132,128 at the end of fiscal 2023 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets is available to finance day-to-day operations without constraints.

Changes in Net Assets

Changes in net assets for the Town are summarized below and an analysis follows:

	Governmental Activities		Percentage Change
	2023	2022	
Revenues:			
Program revenues:			
Charges for services	\$ 1,588,355	\$ 1,508,313	5.3%
Operating grants & contributions	1,033,648	1,403,777	-26.4%
General revenues:			
Taxes	11,348,996	11,005,566	3.1%
Intergovernmental			0.0%
Use of Money & Property	161,521	34,410	369.4%
Miscellaneous	748,068	664,973	12.5%
Transfers	-	-	
Total revenues	14,880,588	14,617,039	1.8%
Expenses:			
General government	9,456,460	794,935	1089.6%
Public safety	6,827,502	6,075,546	12.4%
Public works	1,483,886	1,276,895	16.2%
Planning & Building	1,494,588	1,027,895	45.4%
Parks and recreation	712,694	760,040	-6.2%
Debt Service	617,707	460,590	34.1%
Total expenses	20,592,837	10,395,901	98.1%
Change in net assets	(5,712,249)	4,221,138	-235.3%
Net assets - beginning of year	5,769,823	1,548,685	272.6%
Net assets - end of year	\$ 57,574	\$ 5,769,823	-99.0%

Net assets decreased \$5,712,249 during the fiscal year ended June 30, 2023. Total revenues for fiscal year 2023 were \$14,880,588 as compared to \$14,617,039 for fiscal year 2022.

The \$263,549 (1.8%) increase in revenues the fiscal year ended June 30, 2023 is attributed to a 3.1% increase in tax receipts, and a 369.4% increase in investment earnings; increased miscellaneous revenues and charges for services. Operating grants & contributions decreased slightly.

Total expenses for the year ended June 30, 2023 were \$20,592,837 compared with \$10,395,901 for the same period in 2022. The increase of \$10,196,936 in expenses primarily from the \$5,838,970 increase in pension expense (see note 6B in Notes to the Financial Statements) from disappointing returns in PERS investments which are passed through to employers. All department expenses increased (except for Parks & Recreation) due to inflation, the addition of personnel and salary increases. The interest on long term debt increased by 34.1%.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

The general fund is the chief operating fund of the Town of Fairfax. At June 30, 2023, the unassigned fund balance of the general fund was \$6,447,967.

General Fund revenue during the FY 2022-23 year totaled \$11,777,409 which was more than the final budgeted amount by \$683,823 or 6.2%. This revenue increase primarily relates to the Town's projection of sales & property taxes, assessments, franchise fees and revenue from other agencies which were lower than actual receipts.

General Fund expenditures for FY 2022-23 totaled \$12,765,599 and were lower than the final budgeted amount by \$1,016,682 or 7.4%. This is in part due to delaying certain expenditures, such as hiring several director positions and savings in budgeted contract services, and capital outlay.

Federal Stimulus Fund

The Federal Stimulus Fund is the largest special revenue fund for the Town of Fairfax. There were no fund receipts during the FY 2022-23 and no expenditures.

Prior year receipts were classified as a "deferred, or unearned revenue" (a liability account) for the amounts in excess of current expenditures. The current balance of unearned revenues is \$1,766,049. At the end of the current fiscal year, the fund balance was \$ 0 due to the deferral of the greater portion of the receipts until such time as they are committed.

The Town is planning to use these ARPA funds for storm water improvements, in keeping with the Federal designation that the funds may be used for improvement to Water. Design of the projects have begun, and implementation and expenditure is planned for FY 2024-25.

Grants Capital Projects Fund

The Grants Capital Projects fund is the main capital project fund for the Town of Fairfax. At the end of the current fiscal year, the committed fund balance was \$78,201.

Grant Capital Projects Fund revenue during the FY 2022-23 year totaled \$500,710 which was under the final budgeted amount of \$3,470,978 by \$2,970,268. This revenue decrease primarily relates to the Town's projection of the timing of projects which were delayed to future fiscal periods. Revenues are received primarily on a reimbursement basis.

Grant Capital Projects Fund expenditures for FY 2021-22 totaled \$1,586,676, and were lower than the final budgeted amount of \$4,74,743 by \$3,157,067. This is in part due to extending the timing of road & bridge projects.

Storm Capital Projects Fund

The Storm Capital Projects Fund is for the storm recovery capital projects partially or fully funded by federal and state grants. At the end of the current fiscal year, the fund deficit was (\$902,310), down \$2,731 from the prior year.

Storm Capital Projects Fund had no revenue during the FY 2022-23 year which was equal to the final budgeted amount of \$-0-. Anticipated revenues are primarily from federal and state agencies which are subject to a long collection process.

Expenditures for FY 2022-23 totaled \$175,621 and were higher than the final budgeted amount of \$170,000 by \$5,621. Expenses not reimbursed are covered by transfers from the General Fund. In FY 2022-23 the General Funds transferred in \$178,352

Town Capital Projects Fund

The Town Capital Projects fund is for capital projects funded by the Town of Fairfax, Measure F and Measure A. At the end of the current fiscal year, the fund deficit was (\$247,453) compared with the prior year deficit of (\$227,461).

The Town Capital Projects Fund had no revenue during the FY 2022-23 year. This revenue decrease from budget primarily is from the Town's projection of the timing of projects which were delayed to future fiscal periods. Measure A Transportation funds designated for reimbursement of related expenses have not been transferred. Grant Capital Projects Fund expenditures for FY 2022-23 totaled \$112,777 due to extending the timing of projects. Expenses not reimbursed will be covered by transfers from the General Fund.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Several factors influence our current economic outlook. General Fund Revenues exceeded the budget by \$683,800 (6.2%). The Town's Sales Tax rebounded to pre-pandemic levels, with a notable 11.4% increase compared to FY 2022. Rising goods and labor expenses have pushed up business prices, potentially leading to stagnant sales compared to previous years. The Federal Reserve has kept interest rates steady for a fifth consecutive meeting in March 2024 as they monitor the market. They anticipate that economic growth will be much higher this year than previously estimated, but it is far too early to determine whether inflation has stalled moving forward. Fairfax, along with neighboring cities, has witnessed consistent increases in real estate property values over the past decade. Property Tax revenue remained resilient during the pandemic. However, a sharp rise in mortgage rates has dampened median home values and property sales, slowing the ascent of assessed property valuations. Consequently, while Property Tax revenue is forecasted to rise in the next fiscal year, the growth rate is expected to taper compared to previous years. Overall, next year revenues are expected to be strong for the Town.

The Town will face challenges with increasing pension costs due in part to anticipated actions at the state level to decrease the discount rate on projected CalPERS earnings and unaccrued liability charges to member agencies. The Town has buffered itself from this impact by financing a large portion of its unaccrued liability (UAL) previously. However, the CalPERS return on investment in FY 2021-22 of -6.1% has significantly decreased the Town's net position in FY 2022-23. Positive CalPERS returns in FY 2022-23 are expected to help rebound the Town's net position. The Town has eliminated or reduced many of the other post-employment benefits (OPEB) for new employees (hired after July 1, 2013) which will lower future costs for retiree health care.

The General Fund budget for 2023-2024 projects a 4.0% increase in revenues due to higher sales tax projections and an increase in interest earnings. General Fund expenditures are projected to increase 6.6% primarily in Planning and Building (+16.1%) due to hiring a new Planning and Building Services director and continuing expenses for the Housing Element Update. Police Services will increase approximately 9.8% primarily in personnel costs which include increased pension costs.

The Town has budgeted \$4.12 million in its 2023-24 capital improvement program, Capital expenditures include significant increases in road repairs and bridge replacements. Though the majority of the projects will be grant funded, the General Fund will use \$1.42 million of its reserves for the expenditures which will bring its reserve level from an estimated 45% to around 26% which is above the desired level set by the Town Council

The impacts of inflation and lingering COVID-19 impacts on the local economy make it difficult to estimate the true long term fiscal impact on our financial resources. Such factors as the diminishing availability and increasing cost of labor and services provide a challenge to the Town for the upcoming year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, creditors and government regulators with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

Finance Director
Town of Fairfax
142 Bolinas Road
Fairfax, CA 94930
(415) 458-2350

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BASIC FINANCIAL STATEMENTS

TOWN OF FAIRFAX
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental-Type Activities
ASSETS	
Cash and investments (Note 2)	\$7,342,442
Restricted cash and investments (Note 2)	716,707
Accounts receivable	557,135
Taxes receivable	77,855
Interest receivable	60,136
Capital assets:	
Land and construction in progress (Note 4)	4,298,402
Depreciable capital assets, net of accumulated depreciation (Note 4)	4,983,412
Total Assets	18,036,089
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 6)	3,346,122
Related to OPEB (Note 8)	522,011
Total Deferred Outflows of Resources	3,868,133
LIABILITIES	
Accounts payable	360,162
Accrued payroll	92,344
Deposits payable	56,419
Interest payable	148,534
Unearned revenue	1,766,049
Compensated absences payable (Note 1G):	
Due within one year	116,951
Due in more than one year	357,133
Claims payable (Note 9):	
Due within one year	144,110
Long-term debt (Note 5):	
Due within one year	906,000
Due in more than one year	10,229,500
Net pension liability (Note 6)	1,337,745
Net OPEB liability (Note 8):	
Due in more than one year	406,012
Total Liabilities	15,920,959
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 6)	4,933,004
Related to OPEB (Note 8)	992,685
Total Deferred Inflows of Resources	5,925,689
NET POSITION (Note 1L):	
Net investment in capital assets	6,806,314
Restricted for:	
Special projects	579,675
Debt service	552,453
Total Restricted Net Position	1,132,128
Unrestricted	(7,880,868)
Total Net Position	\$57,574

See accompanying notes to financial statements

TOWN OF FAIRFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$9,677,404	\$604,914	\$33	(\$9,072,457)
Public safety	6,827,502	161,396	365,456	(6,300,650)
Public works	1,483,886	1,011	135,208	\$529,545 (818,122)
Planning and building	1,494,588	689,466		(805,122)
Parks and recreation	712,694	131,568		3,405 (577,721)
Interest and fiscal charges	396,763			(396,763)
Total Governmental Activities	<u>\$20,592,837</u>	<u>\$1,588,355</u>	<u>\$500,697</u>	<u>\$532,950</u> (17,970,835)
General revenues:				
Property taxes				7,758,012
Utility user tax				453,165
Sales taxes				2,018,621
Other taxes				1,119,198
Investment earnings				161,521
Miscellaneous				748,069
Total General Revenues				<u>12,258,586</u>
Change in Net Position				(5,712,249)
Net Position-Beginning				<u>5,769,823</u>
Net Position-Ending				<u>\$57,574</u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	General Fund	Federal Stimulus Special Revenue Fund	Grants Capital Projects Fund	Storm Capital Projects Fund
ASSETS				
Cash and investments (Note 2)	\$5,032,365	\$1,766,049		
Restricted cash and investments (Note 2)	167,500			
Receivables (net of allowances):				
Accounts	497,879			
Taxes	77,855			
Interest	60,136			
Due from other funds (Note 3)	982,394		\$963,410	
Total Assets	\$6,818,129	\$1,766,049	\$963,410	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$221,399		\$118,285	\$6,151
Accrued payroll	92,344			
Deposits payable	56,419			
Unearned revenue		\$1,766,049		
Due to other funds (Note 3)			766,924	896,159
Total Liabilities	370,162	1,766,049	885,209	902,310
Fund Balances (Note 1L):				
Restricted	167,500			
Committed			78,201	
Unassigned	6,280,467			(902,310)
Total Fund Balances (Deficits)	6,447,967		78,201	(902,310)
Total Liabilities and Fund Balances	\$6,818,129	\$1,766,049	\$963,410	

See accompanying notes to financial statements

Town Capital Projects Fund	Non-Major Governmental Funds	Total
	\$544,028	\$7,342,442
	549,207	716,707
	59,256	557,135
		77,855
		60,136
		1,945,804
	<u>\$1,152,491</u>	<u>\$10,700,079</u>
\$12,310	\$2,017	\$360,162
		92,344
		56,419
		1,766,049
235,143	47,578	1,945,804
<u>247,453</u>	<u>49,595</u>	<u>4,220,778</u>
	1,136,285	1,303,785
		78,201
(247,453)	(33,389)	5,097,315
<u>(247,453)</u>	<u>1,102,896</u>	<u>6,479,301</u>
	<u>\$1,152,491</u>	<u>\$10,700,079</u>

TOWN OF FAIRFAX
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEETS
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2023

Total fund balances reported on the governmental funds balance sheet \$6,479,301

Amounts reported for Governmental Activities in the Statement of Net Position
 are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 9,281,814

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the Funds:

Interest payable	(148,534)
Compensated absences	(474,084)
Claims payable	(144,110)
Long-term debt	(11,135,500)
Net pension asset and pension-related deferred outflows and inflows of resources	(2,924,627)
Net OPEB liability and OPEB-related deferred outflows and inflows of resources	<u>(876,686)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$57,574

See accompanying notes to financial statements

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TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Federal Stimulus Special Revenue Fund	Grants Capital Projects Fund	Storm Capital Projects Fund
REVENUES				
Property taxes	\$6,231,110			
Special assessments	506,709			
Sales taxes	2,018,621			
Permits, licenses and fees	781,952			
Fines, forfeitures and penalties	40,817			
From other agencies	1,259,332		\$500,710	
Franchise fees	472,843			
Services charges	161,175			
Use of money and property	185,365			
Other revenue	119,485			
Total Revenues	11,777,409		500,710	
EXPENDITURES				
Current:				
General government	2,266,191			
Public safety	6,729,225			
Public works	1,219,415			
Planning and building	1,481,113			
Parks and recreation	624,329			
Capital outlay	310,596		1,586,676	\$175,621
Debt service:				
Principal	116,600			
Interest and fiscal charges	18,130			
Total Expenditures	12,765,599		1,586,676	175,621
REVENUES OVER (UNDER) EXPENDITURES	(988,190)		(1,085,966)	(175,621)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3)	995,000		247,502	178,352
Transfers (out) (Note 3)	(260,112)			
Total Other Financing Sources (Uses)	734,888		247,502	178,352
Net change in fund balance	(253,302)		(838,464)	2,731
FUND BALANCE (DEFICIT)				
Beginning of the year	6,701,269		916,665	(905,041)
End of the year	\$6,447,967		\$78,201	(\$902,310)

See accompanying notes to financial statements

Town Capital Projects Fund	Non-Major Governmental Funds	Total
	\$533,382	\$6,764,492
		506,709
		2,018,621
		781,952
		40,817
	1,366,544	3,126,586
		472,843
	77,621	238,796
		185,365
	624,922	744,407
	<u>2,602,469</u>	<u>14,880,588</u>
		2,266,191
		6,729,225
		1,219,415
		1,481,113
\$112,777	80,541	704,870
		2,185,670
	821,000	937,600
	388,357	406,487
<u>112,777</u>	<u>1,289,898</u>	<u>15,930,571</u>
<u>(112,777)</u>	<u>1,312,571</u>	<u>(1,049,983)</u>
101,137	3,571	1,525,562
(8,352)	(1,257,098)	(1,525,562)
<u>92,785</u>	<u>(1,253,527)</u>	
(19,992)	59,044	(1,049,983)
<u>(227,461)</u>	<u>1,043,852</u>	<u>7,529,284</u>
<u>(\$247,453)</u>	<u>\$1,102,896</u>	<u>\$6,479,301</u>

TOWN OF FAIRFAX
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,049,983)

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capitalized expenditures are therefore added back to fund balance	698,683
(Capitalized expenditures is the net of total capital outlay of \$1,964,726 and non-capitalized capital outlay expenditures of \$1,266,043)	
Depreciation expense is deducted from the fund balance	(480,846)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	937,600
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(115,206)
Net OPEB liability and OPEB-related deferred outflows and inflows of resources	191,236
Claims payable	(64,487)
Interest payable	9,724
Collective net pension liability and pension-related deferred outflows and inflows of resources	<u>(5,838,970)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>(\$5,712,249)</u></u>
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See accompanying notes to financial statements

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Fairfax (Town), California, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

A. Financial Reporting Entity

The Town was incorporated in 1931 and is situated near the cities of San Anselmo and San Rafael in the North Bay of the San Francisco Bay Area. The Town operates under the Council-Manager form of government, incorporated under general law in 1931 and provides the following services: public safety (police), planning and building, public works and streets, park services, and general administration services.

The Town is governed by a five-member council elected by Town residents. The Town is legally separate and fiscally independent, which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the Town, as the primary government.

Blended Component Unit – The Fairfax Financing Authority

The Fairfax Financing Authority (Authority) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the Town. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the Town and has the same governing body as the Town, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the 2008, 2012, 2016, and 2020 Lease Financing Series Debt Service Funds.

B. Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government – Wide Financial Statements

The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of the governmental activities for the Town, the primary government, accompanied by a total column.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, including capital assets and related current year infrastructure asset additions and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Accounting and Measurement Focus (Continued)

Certain types of transactions are reported as program revenues for the Town and are presented in the following categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The Town has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus. Accordingly, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, generally are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, charges for services, federal and state grants, sales tax, and interest. Expenditures are recognized in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

C. Recognition of Interest Liability

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities.

In the fund financial statements, interest payable on long-term debt is recognized as the liability is incurred.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Town’s policy is to apply restricted net position first.

E. Cash, Cash Equivalents and Investments

The Town pools cash and investments from all sources, for the purpose of increasing income through investment activities. Interest income on investments is allocated on the basis of average month-end cash and investment balances in each fund. Cash and cash equivalents represent cash and investments and restricted cash and investments with an original maturity term of three months or less.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	25-50 years
Improvements other than buildings	20 years
Vehicles	6-15 years
Machinery and equipment	5-20 years
Infrastructure	20-65 years

Assets are grouped by asset type into one of the following accounts – land, other improvements, infrastructure (e.g. roads, bridges, sidewalks, and similar items), buildings (and improvements), machinery and equipment, vehicles, and construction in progress.

The Town defines infrastructure as the basic physical assets that allow the Town to function. The assets include streets and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems are not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

G. Compensated Absences

Government-Wide Financial Statements

For governmental activities, compensated absences are recorded as incurred and the related expenses and liabilities are recorded in the Government-Wide Financial Statements.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the Town’s policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences (Continued)

Compensated absences include vacation and sick leave. It is the policy of the Town to pay 100% of the accumulated vacation leave when an employee retires or terminates employment. The Town recognizes the liability for its compensated absences in the governmental activities, which is liquidated by the General Fund. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2023:

	<u>Governmental Activities</u>
Beginning Balance	\$358,878
Additions	119,830
Payments	<u>(4,624)</u>
Ending Balance	<u>\$474,084</u>
Current Portion	<u>\$116,951</u>

H. Property Tax Levy Collection and Maximum Rates

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

Marin County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Tax Levy Collection and Maximum Rates (Continued)

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the “alternate method of property tax distribution,” known as the Teeter Plan, by the Town and the County of Marin. The Teeter Plan authorizes the auditor-controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits tax monies to the Town in four installments, as follows:

55% remitted on December 15
40% remitted on April 15
4.5% remitted on June 30
0.5% remitted on July 30

I. Post Employment Benefits Other than Pensions

The Town provides post-retirement health care benefits to management and miscellaneous employees starting at 10 years of service and increasing the contribution with years of service as required by current association and management agreements for employees hired after June 30, 2013. The post-retirement health benefits are either eliminated or reduced by 50%. The Town makes premium payments on a “pay-as-you-go” basis.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Town management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as 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. Accordingly, actual results could differ from those estimates.

K. Net Position

Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Town to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are Restricted, Committed or Assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Town Council which may be altered only by formal action of the Town Council. The Town Council can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the Town's intent to be used for a specific purpose, but are neither Restricted nor Committed. Intent is expressed by the Town Council or its designee and may be changed at the discretion of the Town Council or its designee. This category includes nonspendables, when it is the Town's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been Restricted or Committed.

Unassigned fund balance represents residual amounts that have not been Restricted, Committed, or Assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

Detailed classifications of the Town’s Fund Balances, as of June 30, 2023, are below:

Fund Balance Classifications	General Fund	Grants Capital Projects Fund	Storm Capital Projects Fund	Town Capital Projects Fund	Non-Major Governmental Funds	Total
Restricted for:						
Special projects					\$583,832	\$583,832
Debt service					552,453	552,453
PARS trust - retirement benefits	\$167,500					167,500
Total Restricted Fund Balances	<u>167,500</u>				<u>1,136,285</u>	<u>1,303,785</u>
Committed for:						
Special projects		\$78,201				78,201
Total Committed Fund Balances		<u>78,201</u>				<u>78,201</u>
Unassigned:						
General Fund	6,280,467					6,280,467
Other major funds			(\$902,310)	(\$247,453)		(1,149,763)
Non-major funds					(33,389)	(33,389)
Total Unassigned Fund Balances	<u>6,280,467</u>		<u>(\$902,310)</u>	<u>(\$247,453)</u>	<u>(33,389)</u>	<u>5,097,315</u>
Total Fund Balances (Deficits)	<u>\$6,447,967</u>	<u>\$78,201</u>	<u>(\$902,310)</u>	<u>(\$247,453)</u>	<u>\$1,102,896</u>	<u>\$6,479,301</u>

General Fund Reserve Policy

The Town’s General Fund Reserve Policy requires the Town to strive to maintain a goal of 20% of projected General Fund expenditures for each fiscal year and an additional 5% for emergency situations (excluding debt service, fund transfers, and encumbered funds).

The following funds had fund balance deficits at June 30, 2023: Storm Capital Projects Fund, Town Capital Projects Fund, and Fairfax Festival Special Revenue Fund in the amounts of \$(902,310), \$(247,453) and \$(33,389), respectively.

M. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New GASB Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements were effective in fiscal year 2022-23:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with such arrangements. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this Statement were implemented during fiscal year 2023. The implementation had no material effect on the Town’s financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements for a variety of topics. The provisions of this Statement were implemented during fiscal year 2023. The implementation of this Statement had no material effect on the Town’s financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The provisions of this Statement were implemented during fiscal year 2023. The implementation of this Statement had no material effect on the Town’s financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The provisions of this Statement were implemented during fiscal year 2023. The implementation of this Statement had no material effect on the Town’s financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The provisions of this Statement were implemented during fiscal year 2023. The implementation of this Statement had no material effect on the Town’s financial statements.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Leases and Subscriptions Accounting

A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying 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.

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party’s (a SBITA vendor’s) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Town will record material leases under GASB 87 and material subscriptions under GASB 96, as required.

2. CASH AND INVESTMENTS

The Town maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Town invests to enhance interest earnings. The pooled interest earned is allocated to the funds monthly, based on average daily cash and investment balances in these funds.

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2023:

	Governmental Activities
	<hr/>
Cash and investments	\$7,342,442
Restricted cash and investments	<u>716,707</u>
Grand Total	<u><u>\$8,059,149</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

2. CASH AND INVESTMENTS (Continued)

A. Summary of Cash and Investments (Continued)

Cash and investments were categorized as follows at June 30, 2023:

	Credit Quality Ratings	Fair Value	Days to Maturity
Town Treasury Deposits:			
Deposits	Not Rated	\$320,793	N/A
Petty cash	Not Rated	300	N/A
Total Town Treasury Deposits		<u>321,093</u>	
Town Treasury Investments:			
Local Agency Investment Fund	Not Rated	7,570,556	N/A
PARS Trust - Mutual Funds	Not Rated	167,500	N/A
Total Treasury Investments		<u>7,738,056</u>	
Total Cash and Investments		<u>\$8,059,149</u>	

B. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the Town’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Town’s name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the Town’s cash deposits. California law also allows institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the Town’s total cash deposits. The Town may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Town, however, has not waived the collateralization requirements.

The Town follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a monthly basis to the various funds based on average daily cash and investment balances.

C. Investments

The Town is authorized by State statutes and in accordance with the Town’s Investment Policy (Policy) to invest in the following:

- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value
- Bankers' acceptances

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

2. CASH AND INVESTMENTS (Continued)

C. Investments (Continued)

- Commercial paper, rated in the highest tier by a nationally recognized rating agency
- Investment-grade obligations of state, local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities

In addition, investments of debt proceeds held by bond trustees are governed by the provisions of the debt agreements of the Town rather than the general provisions of the Town’s Investment Policy.

D. Investments in Local Agency Investment Funds

The Town is a voluntary participant in LAIF that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town’s investment in this pool as reported in the accompanying financial statements is based upon the Entity’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 is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. At June 30, 2023, the average life on investment funds invested by LAIF was 260 days.

E. Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2023:

<u>Investment Type</u>	<u>Exempt</u>	<u>Total</u>
California Local Agency Investment Fund	\$7,570,556	\$7,570,556
PARS Trust - Mutual Funds	167,500	167,500
Total Investments	<u>\$7,738,056</u>	<u>7,738,056</u>
Cash in banks and on hand		321,093
Total Cash and investments		<u>\$8,059,149</u>

Section 115 Pension Trust with Public Agency Retirement Services (PARS) and the California Local Agency Investment Fund (LAIF) investments are measured at amortized cost and, therefore, are exempt from being classified under GASB 72.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

3. INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers during the fiscal year ended June 30, 2023, were comprised of the following:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	Non-Major Governmental Funds	\$995,000
Grants Capital Projects Fund	Non-Major Governmental Funds	247,502
Storm Capital Projects Fund	General Fund	170,000
	Town Capital Projects Fund	8,352
Town Capital Projects Fund	General Fund	86,541
	Non-Major Governmental Funds	14,596
Non-Major Governmental Funds	General Fund	3,571
Total Interfund Transfers		\$1,525,562

Transfers to the General Fund were for administrative costs and claims liabilities. Transfers to all other funds were for administrative costs, capital projects and special projects.

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2023, interfund balances were as follows:

Due from Other Funds	Due to Other Funds	Amount
General Fund	Town Capital Projects Fund	\$200,042
	Grants Capital Projects Fund	766,924
	Non-Major Governmental Funds	15,428
Grants Capital Projects Fund	Storm Capital Projects Fund	896,159
	Town Capital Projects Fund	35,101
	Non-Major Governmental Funds	32,150
Total Due From Other Funds		\$1,945,804

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

4. CAPITAL ASSETS

The Town has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The Town has elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

Infrastructure includes roads, bridges, curbs, sidewalks, drainage systems, street and traffic lights, park improvements and other improvements.

The following is a summary of capital assets for governmental activities:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$255,988			\$255,988
Construction in progress	3,533,791	\$508,623		4,042,414
Total capital assets not being depreciated	<u>3,789,779</u>	<u>508,623</u>		<u>4,298,402</u>
Capital assets being depreciated:				
Buildings	423,974			423,974
Other improvements	2,309,098			2,309,098
Vehicles	736,963	129,146	(\$41,812)	824,297
Machinery and equipment	439,057	60,914	(12,763)	487,208
Infrastructure	13,372,397			13,372,397
Total capital assets being depreciated	<u>17,281,489</u>	<u>190,060</u>	<u>(54,575)</u>	<u>17,416,974</u>
Less accumulated depreciation for:				
Buildings	(310,911)	(3,070)		(313,981)
Other improvements	(1,469,483)	(107,590)		(1,577,073)
Vehicles	(594,762)	(47,003)	41,812	(599,953)
Machinery and equipment	(381,863)	(10,413)	12,763	(379,513)
Infrastructure	(9,250,272)	(312,770)		(9,563,042)
Total accumulated depreciation	<u>(12,007,291)</u>	<u>(480,846)</u>	<u>54,575</u>	<u>(12,433,562)</u>
Net capital assets being depreciated	<u>5,274,198</u>	<u>(290,786)</u>		<u>4,983,412</u>
Governmental activity capital assets, net	<u>\$9,063,977</u>	<u>\$217,837</u>		<u>\$9,281,814</u>

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

4. CAPITAL ASSETS (Continued)

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2023, were as follows:

	<u>Depreciation Expense</u>
General Government	\$185,654
Public Safety	51,349
Public Works	<u>243,843</u>
Total Governmental Activities	<u><u>\$480,846</u></u>

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2023:

Governmental Activity Debt:	<u>Original Issue Amount</u>	<u>Balance June 30, 2022</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Amount Due within One Year</u>	<u>Due in More than One Year</u>
<i>Authority Debt:</i>						
2008 General Obligation Revenue Bonds						
1.50-4.70%, due 8/1/2025	\$2,231,000	\$820,000	(\$180,000)	\$640,000	\$198,000	\$442,000
Revenue Bonds, Series 2012						
2.00-3.00%, due 8/1/2027	2,880,000	1,446,500	(210,000)	1,236,500	220,000	1,016,500
<i>Direct Borrowings:</i>						
2020 PERS Refinancing Lease Agreement						
3.45%, due 8/1/2036	9,402,000	8,980,000	(320,000)	8,660,000	375,000	8,285,000
<i>Town Debt:</i>						
General Obligation Refunding Bonds						
Series 2016 2.10%, due 8/1/2027	1,239,000	710,000	(111,000)	599,000	113,000	486,000
<i>Direct Borrowings:</i>						
<i>Capital Leases:</i>						
Solar Panel Lease	249,000	16,600	(16,600)			
<i>Notes:</i>						
Capital Improvement Notes	500,000	<u>100,000</u>	<u>(100,000)</u>			
Total Government Activity Debt - Net		<u>\$12,073,100</u>	<u>(\$937,600)</u>	<u>\$11,135,500</u>	<u>\$906,000</u>	<u>\$10,229,500</u>

2008 General Obligation Revenue Bonds

2008 General Obligation Revenue Bonds in the principal amount of \$2,231,000 were issued on August 21, 2008, by the Fairfax Financing Authority to provide funds to acquire the 2008 General Obligation Refunding Bonds (2008 Town Bonds) concurrently issued by the Town. Proceeds from these 2008 Town Bonds were used to refund the 2000 General Obligations Bonds as well as to fund certain capital projects within the Town. The 2008 Town Bonds are general obligations of the Town repayable from ad valorem property taxes levied by the County. Annual principal and interest payments on the 2008 Town Bonds are expected to require less than 10 percent of property tax revenues. 2008 Town Bonds debt service remittances by the Town are pledged for and used by the Authority to make debt service payments on the 2008 General Obligation Revenue Bonds to third party bond holders.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

5. LONG-TERM DEBT (Continued)

The substance of these two bond issues is that the Town and Authority are obligated to repay debt service from property tax collections. Under generally accepted accounting principles, the activities of the Town and Authority have been consolidated together (termed “blended”) and transactions and balances of the 2008 Town Bonds have been eliminated for financial reporting purposes.

2008 Revenue Bond principal payments are payable on August 1 of each year and interest payments are payable semi-annually on February 1 and August 1. 2008 Revenue Bonds maturing on or after August 1, 2017, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. 2008 Revenue Bonds maturing on August 1, 2026, are subject to early redemption without premium on or after August 1, 2025, from the mandatory sinking fund redemptions. Term 2008 Revenue Bonds maturing August 1, 2031, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2028.

The 2008 General Obligation Revenue Bonds are general obligations of the Town and Authority, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2023.

Revenue Bonds, Series 2012

Revenue Bonds, Series 2012 in the principal amount of \$2,880,000 were issued on March 1, 2012, by the Fairfax Financing Authority to provide funds to acquire the 2012 General Obligation Refunding Bonds (2012 Town Bonds) concurrently issued by the Town. Proceeds from these 2012 Town Bonds were used to repay the 2002 General Obligations Bonds as well as to fund certain capital projects within the Town. The 2012 Town Bonds are general obligations of the Town repayable from ad valorem property taxes levied by the County and debt service remittances by the Town are pledged for and used by the Authority to make debt service payments on the Revenue Bonds, Series 2012 to third party bond holders.

The substance of these two bond issues is that the Town and Authority are obligated to repay debt service from property tax collections. Under generally accepted accounting principles, the activities of the Town and Authority have been consolidated together (termed “blended”) and transactions and balances of the 2012 Town Bonds have been eliminated for financial reporting purposes.

Revenue Bond principal payments are payable on August 1 of each year and interest payments are payable bi-annually on February 1 and August 1. Revenue Bonds maturing on or after August 1, 2021, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. Revenue Bonds maturing on August 1, 2022, are subject to early redemption without premium on or after August 1, 2021, from the mandatory sinking fund redemptions.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

5. LONG-TERM DEBT (Continued)

The Revenue Bonds, Series 2012 are general obligations of the Town and Authority, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2023.

2020 PERS Refinancing Lease Agreement – Direct Borrowing

On September 29, 2020, the Town entered into a lease agreement with the Fairfax Financing Authority, in the amount of \$9,402,000, to finance all or a portion of the existing Unfunded Actuarially Accrued Liability of the Town to CalPERS and refinance the Town's obligations under a 2017 Lease Agreement. The agreement was assigned to Capital One Public Funding LLC on September 29, 2020. The agreement carries an interest rate of 3.45%. Principal and interest rates are payable semi-annually on February 1 and June 30, commencing February 1, 2021. The refinancing resulted in a net present value savings over the life of the lease in the amount of \$2,257,124. As a result, the 2017 PERS Refinancing Lease Agreement is considered defeased and the liability for that lease has been removed from the Town's Statement of Net Position.

2016 General Obligation Refunding Bonds

In 2016, the Town issued \$1,239,000 in General Obligation Refunding Bonds with an interest rate 2.10%. The proceeds were used to advance refund \$1,330,000 of the Town's outstanding 2006 General Obligation Bonds. The net proceeds, together with an additional \$110,263, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2006 General Obligation Bonds are considered defeased and the liability for those bonds has been removed from the Town's Statement of Net Position.

The Refunding Bonds, Series 2016, are general obligations of the Town, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2023.

Capital Lease

The Town has entered into a capital lease as of June 30, 2023. Under the lease agreement, ownership of the assets are passed to the Town at the end of the lease. Since the lease is in essence a financing arrangement, the cost of acquiring the asset and the amount of the lease has been included in the Town's financial statements.

Capital Improvement Notes

On February 13, 2018, the Town entered into five promissory notes with the County of Marin, in the total amount of \$500,000, to finance infrastructure projects associated with the Town's Capital Improvement Program. The promissory notes carry various interest rates from 3.50% to 4.00%. Principal and interest payments are payable annually on February 1 over five years, commencing February 1, 2019.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

5. LONG-TERM DEBT (Continued)

Debt Service Requirements

The Town’s annual debt service requirements through maturity are as follows:

For The Year Ending June 30	Other Long-Term Debt		Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2024	\$531,000	\$62,301	\$375,000	\$293,198	\$1,261,499
2025	564,000	45,616	435,000	279,311	1,323,927
2026	597,000	27,521	472,000	263,770	1,360,291
2027	381,000	13,755	515,000	246,848	1,156,603
2028	402,500	4,698	557,000	228,459	1,192,657
2029 - 2033			3,466,000	811,959	4,277,959
2034 - 2038			2,840,000	189,076	3,029,076
	<u>\$2,475,500</u>	<u>\$153,891</u>	<u>\$8,660,000</u>	<u>\$2,312,621</u>	<u>\$13,602,012</u>

6. EMPLOYEE RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent, probationary and part-time employees are eligible to participate in the Town’s Safety (police and fire) and Miscellaneous (all other) Employee Pension Rate Plans. The Town’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The Town sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

A. General Information about the Pension Plan (Continued)

The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	7.250%
Required employer contribution rates	12.400%	11.060%	7.760%
	Safety		
	<u>Classic Tier I</u>	<u>Classic Tier II</u>	<u>PEPRA</u>
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%	2.0% - 2.7%
Required employee contribution rates	9%	9%	13.750%
Required employer contribution rates	24.360%	22.480%	13.660%

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town’s required contribution for the unfunded liability and side fund was \$42,766 in fiscal year 2023.

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 Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$227,840	\$248,567	\$476,407

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

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

As of June 30, 2023, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$531,839
Safety	805,906
Total Net Pension Liability	<u><u>\$1,337,745</u></u>

The Town’s net pension asset for the Plan is measured as the proportionate share of the net pension asset. The net pension asset of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town’s proportionate share of the net pension liability (asset) for the Plan as of June 30, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	-0.11510%
Proportion - June 30, 2022	0.01137%
Change - Increase (Decrease)	<u>0.12647%</u>
	<u>Safety</u>
Proportion - June 30, 2021	-0.09553%
Proportion - June 30, 2022	0.01173%
Change - Increase (Decrease)	<u>0.10726%</u>
	<u>Total</u>
Proportion - June 30, 2021	-0.21063%
Proportion - June 30, 2022	0.02309%
Change - Increase (Decrease)	<u>0.23372%</u>

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2023, the Town recognized pension expense of \$5,838,970. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$227,840	
Differences between actual and expected experience	10,680	(\$7,153)
Change in assumptions	54,498	
Differences between actual contributions and proportionate share of contributions	977,107	(509,680)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	38,167	(1,607,922)
Net differences between projected and actual earnings on plan investments	97,419	
Total	<u>\$1,405,711</u>	<u>(\$2,124,755)</u>

Safety:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$248,567	
Differences between actual and expected experience	33,354	(\$8,752)
Change in assumptions	81,260	
Differences between actual contributions and proportionate share of contributions	1,387,510	(1,100,097)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	62,456	(1,699,400)
Net differences between projected and actual earnings on plan investments	127,264	
Total	<u>\$1,940,411</u>	<u>(\$2,808,249)</u>
Combined Total	<u>\$3,346,122</u>	<u>(\$4,933,004)</u>

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$476,407 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	<u>Miscellaneous:</u>	<u>Safety:</u>	<u>Total:</u>
	Annual Amortization	Annual Amortization	Annual Amortization
2024	(\$336,230)	(\$462,760)	(\$798,990)
2025	(359,847)	(428,884)	(788,731)
2026	(310,392)	(302,394)	(612,786)
2027	59,585	77,633	137,218
Total	<u>(\$946,884)</u>	<u>(\$1,116,405)</u>	<u>(\$2,063,289)</u>

Actuarial Assumptions – For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions for all rate plans:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	6.9% (2)
Mortality	Derived using CalPers Membership Data for all Funds (3)
Post Retirement Benefit Increase	The lesser of Contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes generational mortality improvements using Society of Actuaries Scale 80% of Scale MP 2020. For more details on this table, please refer to the CalPERS November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

All underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period of 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rates of return by asset class.

Asset Class(a)	Assumed Asset Allocation	Real Return 1,2
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

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

(2) Figures are based on the 2021 Asset Liability Management study.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

6. EMPLOYEE RETIREMENT PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

In July 2022, CalPERS reported a preliminary (6.1%) net loss return on investments for fiscal year 2021-22. This compares to a preliminary 21.3% net return on investment for the prior year.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions are reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

In July 2018, the Town established a Section 115 Pension Trust with Public Agency Retirement Services (PARS). PARS, the trust administrator, partners with U.S. Bank and HighMark Capital Management to provide trustee and investment advisory services, respectively. This trust was established to set aside moneys to meet the Town’s future pension contributions or unfunded liabilities. Financial statements of PARS may be obtained from PARS, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town’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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$2,745,313	\$4,190,756	\$6,936,069
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$531,839	\$805,906	\$1,337,745
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	(\$1,289,301)	(\$1,960,444)	(\$3,249,745)

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

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The Town contributes to VantageTrust, which administers a defined contribution retirement plan. A deferred compensation retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined instead of specifying the amount of benefits the individual is to receive. The benefits a participant will receive depend on the amount contributed to the participant's account, and the returns earned on investments on those contributions. The Plan's trust administrator is The International City Management Association Retirement Corporation (ICMA-RC), 777 North Capitol Street, N.E., Suite 600, Washington, D.C., 20002-4240.

As established by the plan, all eligible part-time, seasonal, and temporary employees of the Town become participants in the plan effective July 1, 2014 or upon starting date as an employee.

As determined by the plan, 3.75% of gross earnings to the plan. The Town contributes an additional 3.75% of the employee's gross earnings. Contributions made by an employee and the employer vest immediately. No forfeitures were noted during the current period.

During the year, the Town and employees each contributed \$0 and \$326,412 respectively. The total covered payroll of employees participating in the plan for the year ended June 30, 2023 was \$3,139,931. The total payroll for the year was \$3,322,514.

8. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Funding Policy

The Town provides full health insurance benefits to Miscellaneous employees who retire with at least 25 years of service (20 years in Management). The Town will pay up to the one-party Kaiser basic rate for retirees. For those with 10 or more years of service, there are partial benefits. For Public Safety Employees hired on or after July 1, 2013 the Town will contribute 1% of the employee's regular rate of pay into a Retirement Health Savings plan (RHS). Contributions to the RHS began on July 1, 2018 and continue with each pay period based on the employee's regular rate of pay at that time. Miscellaneous employees hired after July 1, 2013 are no longer eligible for retiree benefits. For retirees not eligible for the premium-based benefit, the Town will pay the CalPERS minimum employer contribution towards premiums, which is \$149 per month from July to December 2022 and \$151 from January to June 2023. The cost of the benefits provided by the Plan is currently being paid along with the annual required contribution. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated.

The Town participates in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of Town Council. This Trust is not considered a component unit by the Town and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

The Town's Policy is to fund these benefits by accumulating assets with CERBT discussed above pursuant to Council Resolution 09-48. For the year ended June 30, 2023, the Town's contributions to the Plan were \$200,000.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. Plan Description and Funding Policy (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active employees	36
Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	14
Total	61

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Town’s net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions: (a) 6.00% investment return; (b) 2.80% projected annual salary increase; and (c) health care cost trend rate increases between 1.80% - 9.50% in future years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least once every three years as results are compared to past expectations and new estimates are made about the future. The Town’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed nineteen-year amortization period.

The underlying mortality assumptions were based on the CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021 for Public Agency Miscellaneous and Police members.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49%	4.50%
Fixed Income	23%	1.40%
Global Real Estate (REITs)	20%	3.70%
Treasury Inflation-Protected Securities (TIPS)	5%	0.50%
Commodities	3%	1.10%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability is shown in the following table:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2021 (Measurement Date)	\$1,891,834	\$1,622,241	\$269,593
Changes Recognized for the Measurement Period:			
Service Cost	75,700		75,700
Interest on the total OPEB liability	124,471		124,471
Differences between expected and actual experience	(94,468)		(94,468)
Changes of assumptions	100,150		100,150
Contributions:			
Employer - Town's Contribution		306,885	(306,885)
Net investment income		(237,014)	237,014
Benefit payments, including refunds of employee contributions	(106,885)	(106,885)	
Administrative expenses		(437)	437
Net changes	98,968	(37,451)	136,419
Balance at June 30, 2022 (Measurement Date)	\$1,990,802	\$1,584,790	\$406,012

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report that may be obtained from CalPERS.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate:

Net OPEB Liability		
Discount Rate -1%	Discount Rate	Discount Rate +1%
5.00%	6.00%	7.00%
\$634,949	\$406,012	\$213,926

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.30% to 4.50%, decreasing to an ultimate rate of 3.04%) or 1-percentage-point higher (6.30% to 6.50%, decreasing to an ultimate rate of 5.04%) than the current healthcare cost trend rates (5.30% to 5.50%, decreasing to an ultimate rate of 4.04%):

Net OPEB Liability		
Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$171,903	\$406,012	\$692,453

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Town recognized \$(191,236) of OPEB expense. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$6,587	(\$529,201)
Changes of assumptions	274,150	(463,484)
Net differences between projected and actual earnings on OPEB plan investments	127,840	
Contributions Subsequent to the Measurement Date	113,434	
Total	\$522,011	(\$992,685)

\$113,434 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reduction in the net OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2024	(\$158,044)
2025	(160,485)
2026	(135,287)
2027	(131,239)
2028	947
Total	(\$584,108)

9. RISK MANAGEMENT

A. Risk Pool

The Town is a participant in the Bay Cities Joint Powers Insurance Authority (BCJPIA), which covers general liability claims in an amount up to \$1,000,000. The Town has a deductible or uninsured liability of up to \$50,000 per claim. Once the Town’s deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit. Other coverage includes excess insurance for claims over \$1,000,000.

The Town also participates in the BCJPIA for worker’s compensation insurance. BCJPIA participates in the Local Agency Worker’s Compensation Excess Insurance Joint Powers Authority’s (LAWCX) risk pool which in turn purchases coverage above \$1,000,000. The Town has a deductible or uninsured liability of up to \$150,000 per claim. BCJPIA pool covers claims from \$150,000 to \$1,000,000. Claims from \$1,000,000 up to statutory are covered by LAWCX. Once the Town’s deductible is met, then BCJPIA Plan becomes responsible for payment of all claims up to the limit. Settled claims have not exceeded insurance coverage in any of the past three fiscal years by any significant amount.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

9. RISK MANAGEMENT (Continued)

A. Risk Pool (Continued)

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. The Town’s contributions to each risk pool equal the ratio of the Town’s payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

B. Liability for Uninsured Claims

Municipalities are required to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. The Town’s liability for uninsured claims based on claims experience was computed as follows:

	June 30	
	2023	2022
Balance at beginning of year	\$79,623	\$83,637
Change in liability for prior fiscal year claims and claims incurred but not reported	119,510	14,569
Claims paid	(55,023)	(18,583)
Balance at end of year	<u>\$144,110</u>	<u>\$79,623</u>
Due in one year	<u>\$144,110</u>	<u>\$79,623</u>

During the past three years there have been no significant reductions in any of the Town’s Insurance coverage and no settlement amounts have exceeded insurance coverage.

10. JOINTLY GOVERNED ORGANIZATIONS

The Town participates in several active jointly governed organizations through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements (JPA), including selection of management and approval of operating budgets, independent of any influence by each member beyond representation on each Board. Obligations and liabilities of these jointly governed organizations are not the Town’s responsibility, and the Town does not have an equity interest in the assets of each jointly governed organization except upon dissolution.

A. Ross Valley Fire Service

The Ross Valley Fire Service (Fire Service) was established under a 1982 Joint Exercise of Powers Agreement between the Town of Fairfax, the Town of San Anselmo, the Town of Ross and the County of Marin (for Sleepy Hollow) for the purpose of providing fire protection, emergency medical, and related services within the covered area. Members of the Fire Service pay their pro rata share of the total annual contributions. Financial statements for the Fire Service may be found at www.rossvalleyfire.org.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Ross Valley Paramedic Authority (Authority)

The Authority is a joint powers agreement formed on December 14, 1982, by the Town of Fairfax, Town of Corte Madera, Kentfield Fire Protection District, Town of Larkspur, County of Marin, Town of Ross, Town of San Anselmo, and Sleepy Hollow Fire Protection District for the purpose of providing paramedic services. The Authority is controlled by an eight member board consisting of a member from each entity. Services are provided by the County of Marin Fire Department to the Authority. The Authority's operations are financed by its members, through property taxes on each residential unit and commercial property. The books and records are maintained by the Town of Larkspur. Financial statements for the Ross Valley Paramedic Authority may be found at www.rossvalleypa.org.

C. Marin General Services Authority (MGSA)

The MGSA was established on April 26, 2005, to replace the Marin Street Light Acquisition Authority. All the original members of the Marin Street Light Acquisition Authority are eligible for membership. The Authority is established to finance, implement, and manage various municipal services with the member agencies including taxicab regulation and information management services. All assets and funds of the Marin Street Light Acquisition Authority were transferred to the MGSA. The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by a request to the Marin General Services Authority at Marin County Auditor-Controller, County of Marin, 3501 Civic Center Drive, Room 225, San Rafael, CA 94903.

D. Marin Emergency Radio Authority (MERA)

The Town is a member of MERA, along with the County of Marin and twenty-four local government agencies. The purpose of MERA is to plan, finance, implement, own, and operate a multi-jurisdictional and countywide public safety and emergency radio system. To finance this system, in 1999 MERA issued approximately \$27 million in revenue bonds. Audited financial statements may be obtained by a request to the Marin Emergency Radio Authority at Marin County Auditor-Controller, County of Marin, 3501 Civic Drive, Room 225, San Rafael, CA 94903.

E. Marin County Major Crimes Task Force

The Marin County Major Crimes Task Force, established in 1977, is a specialized undercover law enforcement unit focused on drug related and major criminal activity throughout the County of Marin. The Task Force Oversight Committee is comprised of member cities and the Marin County Sheriff.

F. Marin Clean Energy (MCE)

The Town is a member of Marin Clean Energy (MCE), a California Joint Powers Authority established on December 19, 2008, along with the Counties of Marin, Contra Costa, Napa and Solano and twenty-nine local government agencies. MCE is separate from and derives no financial support from the Town. MCE's mission is to confront the climate crisis by eliminating fossil fuel greenhouse gas emissions, producing renewable energy, and creating equitable community. Audited financial statements can be obtained at 1125 Tamalpais Avenue, San Rafael, CA 94901.

Town of Fairfax
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

G. Transportation Authority of Marin (TAM)

The Town is a member of the Transportation Authority of Marin (TAM), established on March 2, 2004, along with the County of Marin and sixteen local government agencies pursuant to Section 180050 of the California Public Utilities Code (“PUC”). TAM’s responsibilities include the development and administration of the Measure A ½-Cent Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004, the Measure AA ½-Cent Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2018 and extended the revenue under Measure A for 30 years, and the Measure B \$10 VRF (Vehicle Registration Fee) Expenditure Plan, approved by Marin voters in November 2010. TAM also serves as the Congestion Management Authority (CMA) for Marin County, providing countywide planning and programming for transportation related needs. As both the sales tax authority and the CMA for Marin County, TAM plays a leading role in planning, financing, and implementation of transportation projects and programs in Marin County. Audited financial statements can be obtained at 900 Fifth Avenue, Suite 100, San Rafael, CA 94901.

H. Marin Wildfire Prevention Authority (MWPA)

The Town is a member of Marin Wildfire Prevention Authority (MWPA), a California Joint Powers Authority established on March 2020, along with the County of Marin and seventeen local government agencies. In March 2020, most of Marin County residents voted to pass a special tax – Measure C ballot that is applied to all parcels of real property located in Marin County Within the defined boundary of the member entities, to fund proactive, state-of-the-art wildfire prevention and preparedness efforts. Revenues raised from the Measure C tax are used solely to plan, finance, implement, manage, own, and operate a multijurisdictional agency to prevent and mitigate wildfires in Marin County. Audited financial statements can be obtained at 28 Liberty Ship Way, Suite 2800, Sausalito, CA 94965.

11. COMMITMENTS AND CONTINGENCIES

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

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REQUIRED SUPPLEMENTARY INFORMATION

**Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
A Cost Sharing-Employer Defined Pension Plan
Last 10 Years***

	Miscellaneous		
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability (Asset)	0.07748%	0.09126%	0.09001%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$1,914,846	\$2,503,788	\$3,126,781
Plan's Covered Payroll	\$1,247,851	\$1,241,911	\$1,287,995
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	153.45%	201.61%	242.76%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.08%	76.61%	72.56%
	Safety		
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability (Asset)	0.11099%	0.10852%	0.01031%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$4,163,196	\$4,471,432	\$5,341,602
Plan's Covered Payroll	\$809,319	\$1,014,302	\$1,112,774
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	514.41%	440.84%	480.03%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.14%	73.40%	72.69%
	Combined Total		
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability (Asset)	0.18847%	0.19978%	0.10032%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$6,078,042	\$6,975,220	\$8,468,383
Plan's Covered Payroll	\$2,057,170	\$2,256,213	\$2,400,769
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	295.46%	309.16%	352.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.75%	74.65%	74.06%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation.

**Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023**

Miscellaneous					
6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
0.05890%	0.05022%	0.05510%	0.06003%	-0.11510%	0.01137%
\$2,045,987	\$1,892,771	\$2,206,385	\$2,532,177	(\$2,185,481)	\$531,839
\$1,307,451	\$1,422,171	\$1,731,683	\$1,795,191	\$1,713,955	\$2,014,672
156.49%	133.09%	127.41%	141.05%	-127.51%	26.40%
84.04%	85.78%	84.16%	77.71%	110.51%	127.90%
Safety					
6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
0.00632%	0.05147%	0.05555%	0.06113%	-0.00096%	0.01173%
\$3,272,224	\$3,020,302	\$3,467,642	\$4,072,550	(\$3,352,678)	\$805,906
\$1,102,979	\$1,153,546	\$1,169,226	\$1,319,468	\$1,071,305	\$1,130,078
296.67%	261.83%	296.58%	308.65%	-312.95%	71.31%
83.16%	85.20%	83.64%	73.12%	115.46%	132.41%
Combined Total					
6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
0.06521%	0.10170%	0.11065%	0.12116%	-0.11605%	0.02309%
\$5,318,211	\$4,913,073	\$5,674,027	\$6,604,727	(\$5,538,159)	\$1,337,745
\$2,410,430	\$2,575,717	\$2,900,909	\$3,114,659	\$2,785,260	\$3,144,750
220.63%	190.75%	195.59%	212.05%	-198.84%	42.54%
83.51%	85.43%	83.85%	75.10%	113.27%	130.42%

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS
A Cost Sharing-Employer Defined Pension Plan
Last 10 Years*

	Miscellaneous		
For the Fiscal Year Ended June 30,	2015	2016	2017
Actuarially determined contribution	\$206,873	\$286,615	\$127,013
Contributions in relation to the actuarially determined contributions	(206,873)	(286,615)	(1,692,298)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$1,565,285)</u>
Covered payroll	<u>\$1,241,911</u>	<u>\$1,287,995</u>	<u>\$1,307,451</u>
Contributions as a percentage of covered payroll	16.66%	22.25%	129.43%
	Safety		
For the Fiscal Year Ended June 30,	2015	2016	2017
Actuarially determined contribution	\$379,846	\$544,416	\$174,929
Contributions in relation to the actuarially determined contributions	(379,846)	(544,416)	(2,966,287)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$2,791,358)</u>
Covered payroll	<u>\$1,014,302</u>	<u>\$1,112,774</u>	<u>\$1,102,979</u>
Contributions as a percentage of covered payroll	37.45%	48.92%	268.93%
	Combined Total		
For the Fiscal Year Ended June 30,	2015	2016	2017
Actuarially determined contribution	\$586,719	\$831,031	\$301,942
Contributions in relation to the actuarially determined contributions	(586,719)	(831,031)	(4,658,585)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$4,356,643)</u>
Covered payroll	<u>\$2,256,213</u>	<u>\$2,400,769</u>	<u>\$2,410,430</u>
Contributions as a percentage of covered payroll	26.00%	34.62%	193.27%

*Fiscal year 2015 was the 1st year of implementation.

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

Miscellaneous

2018	2019	2020	2021	2022	2023
\$183,010	\$287,457	\$281,856	\$2,811,976	\$187,860	\$227,840
(183,010)	(287,457)	(281,856)	(2,811,976)	(187,860)	(227,840)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$1,422,171</u>	<u>\$1,731,683</u>	<u>\$1,795,191</u>	<u>\$1,713,955</u>	<u>\$2,014,672</u>	<u>\$2,165,697</u>
12.87%	16.60%	15.70%	164.06%	9.32%	10.52%

Safety

2018	2019	2020	2021	2022	2023
\$266,312	\$283,781	\$414,027	\$4,423,693	\$220,732	\$248,567
(266,312)	(283,781)	(414,027)	(4,423,693)	(220,732)	(248,567)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$1,153,546</u>	<u>\$1,169,226</u>	<u>\$1,319,468</u>	<u>\$1,071,305</u>	<u>\$1,130,078</u>	<u>\$1,156,817</u>
23.09%	24.27%	31.38%	412.93%	19.53%	21.49%

Combined Total

2018	2019	2020	2021	2022	2023
\$449,322	\$571,238	\$695,883	\$7,235,669	\$408,592	\$476,407
(449,322)	(571,238)	(695,883)	(7,235,669)	(408,592)	(476,407)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$2,575,717</u>	<u>\$2,900,909</u>	<u>\$3,114,659</u>	<u>\$2,785,260</u>	<u>\$3,144,750</u>	<u>\$3,322,514</u>
17.44%	19.69%	22.34%	259.78%	12.99%	14.34%

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Schedule of Changes in Net OPEB Liability

Last 10 fiscal years*

Other Post-Employment Benefits (OPEB) - Agent Multiple Employer Plan

Measurement Date	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$70,686	\$66,761
Interest	136,346	165,840
Changes of assumptions	(58,106)	(45,050)
Differences between expected and actual experience	293,112	
Benefit payments	(40,109)	(64,900)
Implicit Rate Subsidy Fulfilled	(5,453)	(25,787)
Net change in total OPEB liability	<u>396,476</u>	<u>96,864</u>
Total OPEB liability - beginning	<u>1,905,187</u>	<u>2,301,663</u>
Total OPEB liability - ending (a)	<u><u>\$2,301,663</u></u>	<u><u>\$2,398,527</u></u>
OPEB fiduciary net position		
Net investment income	\$62,741	\$59,886
Contributions - Employer - Town's Contribution	160,109	184,900
Contributions - Employer - Implicit Subsidy	5,453	25,787
Administrative expense	(310)	(418)
Benefit payments	(40,109)	(64,900)
Implicit Rate Subsidy Fulfilled	(5,453)	(25,787)
Net change in plan fiduciary net position	<u>182,431</u>	<u>179,468</u>
Plan fiduciary net position - beginning	<u>594,476</u>	<u>776,907</u>
Plan fiduciary net position - ending (b)	<u><u>\$776,907</u></u>	<u><u>\$956,375</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$1,524,756</u></u>	<u><u>\$1,442,152</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	33.75%	39.87%
Covered-employee payroll	<u><u>\$1,983,474</u></u>	<u><u>\$2,038,020</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>76.87%</u></u>	<u><u>70.76%</u></u>

* Fiscal year 2018 was the first year of implementation.

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

2019	2020	2021	2022
\$69,283	\$209,347	\$217,386	\$75,700
176,301	99,805	122,717	124,471
32,801	12,962	(552,481)	(94,468)
(238,657)	353,019	(695,226)	100,150
(55,133)	(85,929)	(101,216)	(106,885)
(37,062)	(34,610)		
(52,467)	554,594	(1,008,820)	98,968
2,398,527	2,346,060	2,900,654	1,891,834
<u>\$2,346,060</u>	<u>\$2,900,654</u>	<u>\$1,891,834</u>	<u>\$1,990,802</u>
\$62,528	\$39,531	\$345,040	(\$237,014)
155,133	85,929	221,216	306,885
37,062	34,610		
(208)	(547)	(478)	(437)
(55,133)	(34,610)	(101,216)	(106,885)
(37,062)	(85,929)		
162,320	38,984	464,562	(37,451)
956,375	1,118,695	1,157,679	1,622,241
<u>\$1,118,695</u>	<u>\$1,157,679</u>	<u>\$1,622,241</u>	<u>\$1,584,790</u>
<u>\$1,227,365</u>	<u>\$1,742,975</u>	<u>\$269,593</u>	<u>\$406,012</u>
47.68%	39.91%	85.75%	79.61%
<u>\$2,518,122</u>	<u>\$2,924,356</u>	<u>\$2,595,720</u>	<u>\$3,418,905</u>
<u>48.74%</u>	<u>59.60%</u>	<u>10.39%</u>	<u>11.88%</u>

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS
AGENT MULTIPLE EMPLOYER OPEB PLAN

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019	2020
Actuarially determined contribution	\$65,854	\$195,302	\$126,146
Contributions in relation to the actuarially determined contribution	<u>165,562</u>	<u>194,535</u>	<u>94,752</u>
Contribution deficiency (excess)	<u>(\$99,708)</u>	<u>\$767</u>	<u>\$31,394</u>
Covered-employee payroll	<u>\$1,983,474</u>	<u>\$2,038,020</u>	<u>\$2,518,122</u>
Contributions as a percentage of covered-employee payroll	8.35%	9.55%	3.76%

Methods and assumptions used to determine contribution rates:

Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Period	19 years
Actuarial Assumptions:	Closed period, level percent of pay
Discount Rate	6.00%
Inflation	2.30%
Assumed Payroll Growth	2.800%
Healthcare Trend Rates	5.50% (non-Medicare), trending down to 5.30% (Medicare)
Rate of Return on Assets	6.00%
Mortality Rate	CalPERS rates
Retirement rates	CalPERS rates

* Fiscal year 2018 was the first year of implementation.

Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023

<u>2021</u>	<u>2022</u>	<u>2023</u>
\$300,289	\$100,296	\$107,930
<u>242,513</u>	<u>306,885</u>	<u>113,434</u>
<u>\$57,776</u>	<u>(\$206,589)</u>	<u>(\$5,504)</u>
<u>\$2,924,356</u>	<u>\$3,418,905</u>	<u>\$2,899,863</u>
8.29%	8.98%	3.91%

TOWN OF FAIRFAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$5,282,338	\$6,172,638	\$6,231,110	\$58,472
Special assessments	380,000	416,200	506,709	90,509
Sales tax	1,806,420	1,806,420	2,018,621	212,201
Permits licenses and fees	120,000	665,500	781,952	116,452
Fines, forfeitures and penalties	130,000	130,000	40,817	(89,183)
From other agencies	77,000	1,091,700	1,259,332	167,632
Franchise fees	480,000	480,000	472,843	(7,157)
Services charges	200,528	202,320	161,175	(41,145)
Use of money and property	21,300	33,600	185,365	151,765
Other revenue	14,300	95,208	119,485	24,277
Total Revenues	8,511,886	11,093,586	11,777,409	683,823
EXPENDITURES				
Current:				
General government	3,029,093	2,910,965	2,266,191	644,774
Public safety	6,600,262	6,725,324	6,729,225	(3,901)
Public works and facilities	1,037,376	1,185,894	1,219,415	(33,521)
Planning and building	1,126,927	1,766,927	1,481,113	285,814
Parks and recreation	612,442	612,441	624,329	(11,888)
Capital outlay	382,600	446,000	310,596	135,404
Debt service:				
Principal	280,000	116,600	116,600	
Interest and fiscal charges	18,130	18,130	18,130	
Total Expenditures	13,086,830	13,782,281	12,765,599	1,016,682
REVENUES OVER (UNDER) EXPENDITURES	(4,574,944)	(2,688,695)	(988,190)	1,700,505
OTHER FINANCING SOURCES (USES)				
Transfers in	4,009,213	3,605,000	995,000	(2,610,000)
Transfers (out)	(1,353,213)	(2,944,000)	(260,112)	2,683,888
Total Other Financing Sources (Uses)	2,656,000	661,000	734,888	73,888
Net change in fund balance	(\$1,918,944)	(\$2,027,695)	(253,302)	\$1,774,393
FUND BALANCE				
Beginning of year			6,701,269	
End of year			\$6,447,967	

TOWN OF FAIRFAX
 FEDERAL STIMULUS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
From other agencies	\$899,711	\$899,711		(\$899,711)
Total Revenues	<u>899,711</u>	<u>899,711</u>		<u>(899,711)</u>
EXPENDITURES				
Capital outlay	1,700,000	1,700,000		1,700,000
Total Expenditures	<u>1,700,000</u>	<u>1,700,000</u>		<u>1,700,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(800,289)</u>	<u>(800,289)</u>		<u>800,289</u>
Net change in fund balance	<u>(\$800,289)</u>	<u>(\$800,289)</u>		<u>\$800,289</u>
FUND BALANCE				
Beginning of year				
End of year				

**Town of Fairfax
Required Supplementary Information
For the Year Ended June 30, 2023**

1. BUDGETARY PRINCIPLES

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Town Manager submits to the Town Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year’s budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a Town Council meeting July – September.
- Department Heads are responsible for ensuring department expenditures stay within the department's budgeted appropriation. Approval from the Town Manager is required to move funds between personnel and operating expense sections of each department budget. Any increase to the total departmental/fund appropriation will require prior approval by the Town Council.
- Formal budgeting is employed as a management control device during the year for the general, certain special revenue and debt service funds.
- Budgets for the general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except Special Police Special Revenue Fund.
- Budgets for capital projects funds are adopted on a project-life basis.

Budgeted amounts are as originally adopted or as amended by the Town Council. Budget amendments were not material in relation to the original appropriations.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations, but had adequate resources to cover the excess:

	<u>Expenditures in Excess of Budget</u>
General Fund:	
Public safety	\$3,901
Public works and facilities	33,521
Parks and Recreation	11,888
2016 Series Debt Service Fund - debt service	21,679

SUPPLEMENTARY INFORMATION

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Special Police	Fairfax Festival	Measure F	Gas Tax	Open Space
ASSETS					
Cash and investments	\$4,157		\$49,907	\$190,361	\$58,178
Restricted cash and investments					
Accounts receivable		\$16,206	3,755		
Total Assets	\$4,157	\$16,206	\$53,662	\$190,361	\$58,178
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$2,017			
Due to other funds		47,578			
Total Liabilities		49,595			
Fund balances:					
Restricted	\$4,157		\$53,662	\$190,361	\$58,178
Unassigned		(33,389)			
Total Fund Balances (Deficits)	4,157	(33,389)	53,662	190,361	58,178
Total Liabilities and Fund Balances	\$4,157	\$16,206	\$53,662	\$190,361	\$58,178

SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS					
Measure A/AA Transportation	Measure A Parks	2008 Series Debt Service	2012 Series Debt Service	2016 Series Debt Service	2020 Lease Financing Debt Service	Total	
\$150,642	\$90,783					\$544,028	
	36,049	\$255,072	\$218,502	\$71,224	\$4,409	549,207	
				3,246		59,256	
<u>\$150,642</u>	<u>\$126,832</u>	<u>\$255,072</u>	<u>\$218,502</u>	<u>\$74,470</u>	<u>\$4,409</u>	<u>\$1,152,491</u>	
						\$2,017	
						47,578	
						49,595	
<u>\$150,642</u>	<u>\$126,832</u>	<u>\$255,072</u>	<u>\$218,502</u>	<u>\$74,470</u>	<u>\$4,409</u>	1,136,285	
						(33,389)	
<u>150,642</u>	<u>126,832</u>	<u>255,072</u>	<u>218,502</u>	<u>74,470</u>	<u>4,409</u>	1,102,896	
<u>\$150,642</u>	<u>\$126,832</u>	<u>\$255,072</u>	<u>\$218,502</u>	<u>\$74,470</u>	<u>\$4,409</u>	<u>\$1,152,491</u>	

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Special Police	Fairfax Festival	Measure F	Gas Tax	Open Space
REVENUES					
Property taxes					
From other agencies	\$173,532		\$745,749	\$361,483	\$3,405
Service charges		\$77,621			
Other revenue					
Total Revenues	<u>173,532</u>	<u>77,621</u>	<u>745,749</u>	<u>361,483</u>	<u>3,405</u>
EXPENDITURES					
Current:					
Parks and recreation		76,970			3,571
Debt service:					
Principal					
Interest					
Total Expenditures		<u>76,970</u>			<u>3,571</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>173,532</u>	<u>651</u>	<u>745,749</u>	<u>361,483</u>	<u>(166)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					3,571
Transfers (out)	(200,000)		(699,353)	(184,039)	
Total Other Financing Sources (Uses)	<u>(200,000)</u>		<u>(699,353)</u>	<u>(184,039)</u>	<u>3,571</u>
NET CHANGE IN FUND BALANCES	(26,468)	651	46,396	177,444	3,405
FUND BALANCE (DEFICIT)					
Beginning of the year	<u>30,625</u>	<u>(34,040)</u>	<u>7,266</u>	<u>12,917</u>	<u>54,773</u>
End of the year	<u><u>\$4,157</u></u>	<u><u>(\$33,389)</u></u>	<u><u>\$53,662</u></u>	<u><u>\$190,361</u></u>	<u><u>\$58,178</u></u>

SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				Total Nonmajor Governmental Funds
Measure A/AA Transportation	Measure A Parks	2008 Series Debt Service	2012 Series Debt Service	2016 Series Debt Service	2020 Lease Financing Debt Service	
		\$177,699	\$215,717	\$139,966		\$533,382
	\$80,146	1,007	1,222			1,366,544
					\$624,922	77,621
						624,922
	80,146	178,706	216,939	139,966	624,922	2,602,469
						80,541
		180,000	210,000	111,000	320,000	821,000
		14,996	26,714	41,724	304,923	388,357
		194,996	236,714	152,724	624,923	1,289,898
	80,146	(16,290)	(19,775)	(12,758)	(1)	1,312,571
						3,571
(\$153,706)	(20,000)					(1,257,098)
(153,706)	(20,000)					(1,253,527)
(153,706)	60,146	(16,290)	(19,775)	(12,758)	(1)	59,044
304,348	66,686	271,362	238,277	87,228	4,410	1,043,852
\$150,642	\$126,832	\$255,072	\$218,502	\$74,470	\$4,409	\$1,102,896

TOWN OF FAIRFAX
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Special Police			Measure F		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
From other agencies	\$170,000	\$173,532	\$3,532	\$744,000	\$745,749	\$1,749
Service charges						
Total Revenues	<u>170,000</u>	<u>173,532</u>	<u>3,532</u>	<u>744,000</u>	<u>745,749</u>	<u>1,749</u>
EXPENDITURES						
Current:						
Parks and recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures						
REVENUES OVER (UNDER) EXPENDITURES	<u>170,000</u>	<u>173,532</u>	<u>3,532</u>	<u>744,000</u>	<u>745,749</u>	<u>1,749</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(200,000)	(200,000)		(730,000)	(699,353)	30,647
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>		<u>(730,000)</u>	<u>(699,353)</u>	<u>30,647</u>
NET CHANGE IN FUND BALANCES	<u>(\$30,000)</u>	<u>(26,468)</u>	<u>\$3,532</u>	<u>\$14,000</u>	<u>46,396</u>	<u>\$32,396</u>
FUND BALANCE (DEFICIT)						
Beginning of the year		<u>30,625</u>			<u>7,266</u>	
End of the year		<u>\$4,157</u>			<u>\$53,662</u>	

Gas Tax			Open Space			Measure A/AA Transportation		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$396,191	\$361,483	(\$34,708)	\$2,000	\$3,405	\$1,405			
<u>396,191</u>	<u>361,483</u>	<u>(34,708)</u>	<u>2,000</u>	<u>3,405</u>	<u>1,405</u>			
			4,000	3,571	429			
			<u>4,000</u>	<u>3,571</u>	<u>429</u>			
<u>396,191</u>	<u>361,483</u>	<u>(34,708)</u>	<u>(2,000)</u>	<u>(166)</u>	<u>1,834</u>			
<u>(435,000)</u>	<u>(184,039)</u>	<u>250,961</u>	<u>4,000</u>	<u>3,571</u>	<u>(429)</u>	<u>(\$294,240)</u>	<u>(\$153,706)</u>	<u>\$140,534</u>
<u>(435,000)</u>	<u>(184,039)</u>	<u>250,961</u>	<u>4,000</u>	<u>3,571</u>	<u>(429)</u>	<u>(294,240)</u>	<u>(153,706)</u>	<u>140,534</u>
<u>(\$38,809)</u>	<u>177,444</u>	<u>\$216,253</u>	<u>\$2,000</u>	<u>3,405</u>	<u>\$1,405</u>	<u>(\$294,240)</u>	<u>(153,706)</u>	<u>\$140,534</u>
	<u>12,917</u>			<u>54,773</u>			<u>304,348</u>	
	<u>\$190,361</u>			<u>\$58,178</u>			<u>\$150,642</u>	

(Continued)

TOWN OF FAIRFAX
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Measure A Parks			2008 Series Debt Service		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes				\$153,593	\$177,699	\$24,106
From other agencies	\$26,655	\$80,146	\$53,491	970	1,007	37
Service charges						
Total Revenues	<u>26,655</u>	<u>80,146</u>	<u>53,491</u>	<u>154,563</u>	<u>178,706</u>	<u>24,143</u>
EXPENDITURES						
Current:						
Parks and Recreation						
Debt service:						
Principal				171,800	180,000	(8,200)
Interest and fiscal charges				41,411	14,996	26,415
Total Expenditures	<u></u>	<u></u>	<u></u>	<u>213,211</u>	<u>194,996</u>	<u>18,215</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>26,655</u>	<u>80,146</u>	<u>53,491</u>	<u>(58,648)</u>	<u>(16,290)</u>	<u>42,358</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)						
Transfers (out)	(39,973)	(20,000)	19,973			
Total other financing sources (uses)	<u>(39,973)</u>	<u>(20,000)</u>	<u>19,973</u>	<u></u>	<u></u>	<u></u>
NET CHANGE IN FUND BALANCES	<u>(\$13,318)</u>	<u>60,146</u>	<u>\$73,464</u>	<u>(\$58,648)</u>	<u>(16,290)</u>	<u>\$42,358</u>
FUND BALANCE (DEFICIT)						
Beginning of the year		66,686			271,362	
End of the year		<u>\$126,832</u>			<u>\$255,072</u>	

2012 Series Debt Service			2016 Series Debt Service			2020 Lease Financing Debt Service		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$257,102	\$215,717	(\$41,385)	\$127,577	\$139,966	\$12,389	\$625,101	\$624,922	(\$179)
1,624	1,222	(402)	806		(806)			
<u>258,726</u>	<u>216,939</u>	<u>(41,787)</u>	<u>128,383</u>	<u>139,966</u>	<u>11,583</u>	<u>625,101</u>	<u>624,922</u>	<u>(179)</u>
198,100	210,000	(11,900)	111,000	111,000		625,101	320,000	305,101
38,614	26,714	11,900	20,045	41,724	(21,679)		304,923	(304,923)
<u>236,714</u>	<u>236,714</u>		<u>131,045</u>	<u>152,724</u>	<u>(21,679)</u>	<u>625,101</u>	<u>624,923</u>	<u>178</u>
<u>22,012</u>	<u>(19,775)</u>	<u>(41,787)</u>	<u>(2,662)</u>	<u>(12,758)</u>	<u>(10,096)</u>		<u>(1)</u>	<u>(1)</u>
<u>\$22,012</u>	<u>(19,775)</u>	<u>(\$41,787)</u>	<u>(\$2,662)</u>	<u>(12,758)</u>	<u>(\$10,096)</u>		<u>(1)</u>	<u>(\$1)</u>
	<u>238,277</u>			<u>87,228</u>			<u>4,410</u>	
	<u>\$218,502</u>			<u>\$74,470</u>			<u>\$4,409</u>	

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