

Town of Fairfax

Fairfax, California

***Basic Financial Statements and
Independent Auditor's Report***

***For the year ended June 30, 2019
Prepared by: Finance Department***

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Town of Fairfax
Basic Financial Statements
For the Year ended June 30, 2019
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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

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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, 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.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2019:

Governmental Accounting Standards Board Statement 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct placements*. See Note 5 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification of our opinion.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maze & Associates

Pleasant Hill, California
May 26, 2020

**Town of Fairfax
Management's Discussion and Analysis
June 30, 2019**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2019. 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 \$14,814,813, liabilities of \$15,681,084 and net assets of \$545,080 at June 30, 2019. This compares with assets of \$14,442,018, liabilities of \$17,749,082 and net assets of \$(1,105,771) at June 30, 2018.
- 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 an increase in net assets of \$1,650,851 for the fiscal year ended June 30, 2019 as compared to a decrease in net assets of \$1,665,655 for the fiscal year ended June 30, 2018. Revenues for fiscal 2019 decreased by \$378,099 from the prior year primarily due to decreased revenues from charges for services offset by increased revenues from taxes. Expenses for the same period decreased by \$2,546,054, mainly as a result of decreased expenditures in general government and public works, and increased expenditures for public safety.
- The Town's long-term debt (including current portion & unamortized premium) totaled \$8,063,919 as of June 30, 2019, 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. Additionally, the Town has accrued \$179,583 of current claims payable for uninsured claims.

FUND HIGHLIGHTS

At the close of fiscal year 2018, the Town's governmental funds reported a combined ending fund balance of \$5,059,277, a decrease of \$786,229 from the June 30, 2018 ending fund balance of \$5,845,506. 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 2018-2019, the Town accomplished the following key projects and tasks:

- Completed reconstruction of the Parkade (downtown parking lot) , including ADA improvements such as curb ramps, landscaping/irrigation, bus shelters, and storm water treatment areas.
- Implemented fire prevention program, including risk reduction activities, property inspections, creation of FireWise neighborhoods, additional Chipper Days, use of goats for vegetation, management, emergency preparedness, and community outreach/education.
- Continued to maintain healthy General Fund reserves and the fiscal soundness of the Town including establishing a Section 115 trust with PARS to pre-fund unfunded pension liabilities.
- Approved shared services agreement for Marin County Fire to act as the Fire Chief for the Ross Valley Fire Department
- Approved final parcel map for Victory Village, a 54 unit (includes the manager's unit) 100% affordable senior housing apartment project.
- The Town Council adopted 14 ordinances and over 30 resolutions covering a broad range of issues including ADU's, 5G, commercial cannabis, and renter protection regulations.

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 20 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
- Town Facility 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 J Municipal Services Fund
- Measure A/AA Transportation Fund
- Measure A – Parks Fund

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

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
	2019	2018	
Cash and investments	\$ 4,903,486	\$ 5,639,453	-13.1%
Capital assets, net	9,186,861	8,147,211	12.8%
Other assets	724,466	655,354	10.5%
Total assets	14,814,813	14,442,018	2.6%
Deferred outflow of resources	3,925,756	5,327,135	-26.3%
Current liabilities	1,740,073	2,480,806	-29.9%
Non-current liabilities	13,941,011	15,268,276	-8.7%
Total liabilities	15,681,084	17,749,082	-11.7%
Deferred inflow of resources	2,514,405	3,125,842	-19.6%
Invested in capital assets, net	4,333,942	2,741,598	58.1%
Restricted	1,362,705	1,309,526	4.1%
Unrestricted	(5,151,567)	(5,156,895)	-0.1%
Net assets	\$ 545,080	\$ (1,105,771)	-149.3%

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$4,333,942 at the end of fiscal year 2019 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 \$1,362,705 at the end of fiscal 2019 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
	2019	2018	
Revenues:			
Program revenues:			
Charges for services	\$ 1,231,181	\$ 1,659,244	-25.8%
Operating grants & contributions	686,921	917,456	-25.1%
General revenues:			
Taxes	9,151,456	8,823,818	3.7%
Intergovernmental			0.0%
Use of Money & Property	30,196	53,894	-44.0%
Miscellaneous	635,902	659,343	-3.6%
Transfers	-	-	
Total revenues	11,735,656	12,113,755	-3.1%
Expenses:			
General government	2,436,668	3,937,193	-38.1%
Public safety	5,855,600	5,367,859	9.1%
Public works	115,947	1,775,623	-93.5%
Planning & Building	707,817	676,534	4.6%
Parks and recreation	595,290	513,582	15.9%
Debt Service	373,483	360,068	3.7%
Total expenses	10,084,805	12,630,859	-20.2%
Change in net assets	1,650,851	(517,104)	-419.2%
Net assets - beginning of year	(1,105,771)	(588,667)	87.8%
Net assets - end of year	\$ 545,080	\$ (1,105,771)	-149.3%

Net assets increased \$1,650,851 during the fiscal year ended June 30, 2019. Total revenues for fiscal year 2019 were \$11,735,656 as compared to \$12,113,755 for fiscal year 2018.

The \$378,099 (-3.1)% decrease in revenues the fiscal year ended June 30, 2019 is attributed to a 25.6% decrease in program revenues; decreased interest earnings from declining interest rates and decreases in invested funds, offset by a 3.7% increase in taxes received consistent with the Bay Area CIP.

Total expenses for the year ended June 30, 2019 were \$10,084,805 compared with \$12,630,859 for the same period in 2018. The \$2,546,054 decrease in expenses primarily reflects decreased expenses for general government & public works, offset by increased pension & OPEB costs, and by modest increases in public safety, planning and parks & recreation costs, and interest on long term debt.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

The general fund is the chief operating fund of the Town of Fairfax. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$4,349,804.

General Fund revenue during the FY 2018-19 year totaled \$9,077,288 which was less than the final budgeted amount by \$89,611 or 1.0%. This revenue decrease primarily relates to the Town's projection of permits & licenses, and service charges which were higher than actual receipts.

General Fund expenditures for FY 2018-19 totaled \$9,746,691, and were lower than the final budgeted amount by \$274,453 or 2.7%. This is in part due to delaying certain expenditures, such as hiring a part-time Public Works Director and saving in budgeted contract services.

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 \$466,472.

Grant Capital Projects Fund revenue during the FY 2018-19 year totaled \$370,769 which was less than the final budgeted amount by \$918,936. This revenue decrease primarily relates to the Town's projection of the timing of projects which may be delayed to future fiscal periods. Revenues are primarily on a reimbursement basis. Since expenditures were less than budgeted, reimbursements were necessarily lower.

Grant Capital Projects Fund expenditures for FY 2017-18 totaled \$788,702, and were lower than the final budgeted amount by \$810,015. This is in part due to extending the timing of many road & bridge projects; and delaying certain expenditures, such as hiring a part-time Public Works Director.

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 \$(525,436).

Storm Capital Projects Fund revenue during the FY 2018-19 year totaled \$0 which was less than the final budgeted amount by \$631,177. This revenue decrease primarily relates to the Town's projection of the timing of projects which may be delayed to future fiscal periods. Grant Capital Projects Fund expenditures for FY 2018-19 totaled \$84,593, and were lower than the final budgeted amount by \$260,407. This is in part due to extending the timing of repairs for storm projects. Expenses not reimbursed will be covered by transfers from the General Fund.

Town Capital Projects Fund

The Town Capital Projects fund is the for capital project funded by the Town of Fairfax, Measure J and Measure A. At the end of the current fiscal year, the fund deficit was \$(767,666).

The Town Capital Projects Fund revenue during the FY 2018-19 year totaled \$365,000 which was less than the final budgeted amount by \$262,000. This revenue decrease primarily relates to the Town's projection of the timing of projects which may be delayed to future fiscal periods. Grant Capital Projects Fund expenditures for FY 2018-19 totaled \$1,000,909, and were lower than the final budgeted amount by \$556,989. This is in part 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

Prior to COVID-19, Fairfax was continuing to share in the strong economic growth of the Bay Area. High property values and robust real estate sales have resulted in higher-than-projected property tax revenues. Sales tax revenues have been continued to rise and are projected to have modest increases. Add-on district taxes are projected to increase with sales tax collection on internet sales and vehicle purchases. In November 2019, the citizens voted to renew the Special Municipal Tax (Measure J) for 11 years, a parcel tax which provides funding for 24/7 staffing of the police and fire departments, matching funds for Capital Improvement projects and public works safety improvements, funding for youth & senior programs, and expanding pedestrian trails.

Payroll costs will increase 3% or so over each of the next three years with the implantation of new MOUs effective July 1, 2018. The Town will face challenges with increasing pension costs due in part to actions taken at state level to decrease the discount rate on projected CalPERS earnings and unaccrued liability charges to member agencies. The Town is eliminating many of the other post-employment benefits (OPEB) for new employees which will lower future costs for retiree health care.

Due to the uncertainty of the fiscal impact COVID-19 will have on the local economy, it is difficult to estimate the long-term effects on the Town's financial resources. In the short term, we estimate that sales tax revenue will drop by upwards of 25% in FY19-20 and FY20-21, when compared to FY18-19 budget projections.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, 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

BASIC FINANCIAL STATEMENTS

TOWN OF FAIRFAX
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental-Type Activities
ASSETS	
Cash and investments (Note 2)	\$3,937,730
Restricted cash and investments (Note 2)	965,756
Accounts receivable	616,158
Interest receivable	29,436
Taxes receivable	78,872
Capital assets:	
Land and construction in progress (Note 4)	3,710,561
Depreciable capital assets, net of accumulated depreciation (Note 4)	5,476,300
Total Assets	<u>14,814,813</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 6)	3,555,355
Related to OPEB (Note 8)	370,401
Total Deferred Outflows of Resources	<u>3,925,756</u>
LIABILITIES	
Accounts payable	307,926
Accrued payroll	198,254
Deposits	62,495
Interest payable	59,673
Compensated absences payable (Note 1G):	
Due within one year	36,321
Due in more than one year	417,688
Claims payable (Note 9):	
Due within one year	179,583
Long-term debt (Note 5):	
Due within one year	895,821
Due in more than one year	7,168,098
Net pension liability (Note 6):	
Due in more than one year	4,913,073
Net OPEB liability (Note 8):	
Due in more than one year	1,442,152
Total Liabilities	<u>15,681,084</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 6)	2,436,328
Related to OPEB (Note 8)	78,077
Total Deferred Inflows of Resources	<u>2,514,405</u>
NET POSITION (Note 1K):	
Net investment in capital assets	<u>4,333,942</u>
Restricted for:	
Special projects	548,500
Debt service	814,205
Total Restricted Net Position	<u>1,362,705</u>
Unrestricted	<u>(5,151,567)</u>
Total Net Position	<u><u>\$545,080</u></u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$2,436,668	\$474,611	\$7,139	(\$1,954,918)
Public safety	5,855,600	231,140	155,402	(5,469,058)
Public works	115,947	1,489	136,676	405,908
Planning and building	707,817	471,125		(236,692)
Parks and recreation	595,290	52,816		(538,460)
Interest and fiscal charges	373,483			(373,483)
Total Governmental Activities	<u>\$10,084,805</u>	<u>\$1,231,181</u>	<u>\$299,217</u>	<u>\$387,704</u>
General revenues:				
Property taxes				6,243,854
Utility user tax				354,210
Sales taxes				1,625,526
Other taxes				927,866
Investment earnings				30,196
Miscellaneous				<u>635,902</u>
Total General Revenues				<u>9,817,554</u>
Change in Net Position				1,650,851
Net Position-Beginning				<u>(1,105,771)</u>
Net Position-Ending				<u>\$545,080</u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2019

	General Fund	Grants Capital Projects Fund	Storm Capital Projects Fund	Town Capital Projects Fund
ASSETS				
Cash and investments (Note 2)	\$2,929,614	\$299,705		
Restricted cash and investments (Note 2)	154,127			
Receivables (net of allowances):				
Accounts	354,955	214,308		
Taxes	78,872			
Interest	29,436			
Due from other funds (Note 3)	1,232,502			
Total Assets	<u>\$4,779,506</u>	<u>\$514,013</u>		
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$168,953	\$47,541	\$4,900	\$66,498
Accrued payroll	198,254			
Deposits payable	62,495			
Due to other funds (Note 3)			520,536	701,168
Total Liabilities	<u>429,702</u>	<u>47,541</u>	<u>525,436</u>	<u>767,666</u>
Fund Balances (Note 1L):				
Restricted				
Committed		466,472		
Unassigned	4,349,804		(525,436)	(767,666)
Total Fund Balances	<u>4,349,804</u>	<u>466,472</u>	<u>(525,436)</u>	<u>(767,666)</u>
Total Liabilities and Fund Balances	<u>\$4,779,506</u>	<u>\$514,013</u>		

See accompanying notes to financial statements

Non-Major Governmental Funds	Total
\$708,411	\$3,937,730
811,629	965,756
46,895	616,158
	78,872
	29,436
	1,232,502
<u>\$1,566,935</u>	<u>\$6,860,454</u>

\$20,034	\$307,926
	198,254
	62,495
10,798	1,232,502
<u>30,832</u>	<u>1,801,177</u>

1,553,780	1,553,780
	466,472
(17,677)	3,039,025
<u>1,536,103</u>	<u>5,059,277</u>
<u>\$1,566,935</u>	<u>\$6,860,454</u>

TOWN OF FAIRFAX
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEETS
with the
STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances reported on the governmental funds balance sheet	\$5,059,277
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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.	9,186,861
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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:

Long-term debt	(8,063,919)
Interest payable	(59,673)
Claims payable	(179,583)
Net OPEB liability and OPEB-related deferred outflows and inflows of resources	(1,149,828)
Net pension liabilities and pension-related deferred outflows and inflows of resources	(3,794,046)
Compensated absences	(454,009)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$545,080</u></u>
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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, 2019

	General Fund	Grants Capital Projects Fund	Storm Capital Projects Fund	Town Capital Projects Fund
REVENUES				
Property taxes	\$4,975,320			
Special assessments	407,853			
Sales taxes	1,470,808			
Permits licenses and fees	539,407			
Fines, forfeitures and penalties	134,113			
From other agencies	848,923	\$370,769		
Franchise fees	373,447			
Services charges	131,398			
Use of money and property	53,472			
Other revenue	142,547			
Total Revenues	9,077,288	370,769		
EXPENDITURES				
Current:				
General government	1,883,247			
Public safety	5,803,709			
Public works	635,710			
Planning and building	675,165			
Parks and recreation	522,806			
Capital outlay	11,474	611,514	\$84,593.00	\$1,000,909
Debt service:				
Principal	160,694			
Interest and fiscal charges	53,886			
Total Expenditures	9,746,691	611,514	84,593	1,000,909
REVENUES OVER (UNDER) EXPENDITURES	(669,403)	(240,745)	(84,593)	(1,000,909)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3)	825,000	134,000		359,000
Transfers out (Note 3)	(2,745)	(335,000)		
Total Other Financing Sources (Uses)	822,255	(201,000)		359,000
Net change in fund balance	152,852	(441,745)	(84,593)	(641,909)
FUND BALANCE (DEFICIT)				
Beginning of the year	4,196,952	908,217	(440,843)	(125,757)
End of the year	<u>\$4,349,804</u>	<u>\$466,472</u>	<u>(\$525,436)</u>	<u>(\$767,666)</u>

See accompanying notes to financial statements

Non-major Governmental Funds	Total
\$461,870	\$5,437,190
	407,853
	1,470,808
	539,407
	134,113
1,313,851	2,533,543
	373,447
45,036	176,434
	53,472
466,842	609,389
2,287,599	11,735,656
	1,883,247
	5,803,709
	635,710
	675,165
58,580	581,386
20,662	1,729,152
674,000	834,694
324,936	378,822
1,078,178	12,521,885
1,209,421	(786,229)
2,745	1,320,745
(983,000)	(1,320,745)
(980,255)	
229,166	(786,229)
1,306,937	5,845,506
\$1,536,103	\$5,059,277

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, 2019

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	(\$786,229)
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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	1,625,338
(Capitalized expenditures is the net of total capital outlay of \$1,729,152 and non-capitalized capital outlay expenditures of \$103,814)	
Depreciation expense is deducted from the fund balance	(585,688)

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	834,694
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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	(61,194)
Net OPEB liability	199,007
Claims payable	920,791
Interest payable	5,339
Collective net pension liability	<u>(501,207)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$1,650,851</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, 2019

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 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 2017 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, 2019

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 two 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 inter fund 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, 2019

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 market 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	25-65 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 were 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, 2019

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. 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, 2019:

	Governmental Activities
Beginning Balance	\$392,815
Additions	83,757
Payments	<u>(22,563)</u>
Ending Balance	<u>\$454,009</u>
Current Portion	<u>\$36,321</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:

	Secured	Unsecured
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.

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.”

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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

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.

Detailed classifications of the Town's Fund Balances, as of June 30, 2019, 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					\$739,575	\$739,575
Debt service					814,205	814,205
Total Restricted Fund Balances					<u>1,553,780</u>	<u>1,553,780</u>
Committed for:						
Special projects		\$466,472				466,472
Total Committed Fund Balances		<u>466,472</u>				<u>466,472</u>
Unassigned:						
General Fund	\$4,349,804					4,349,804
Non-major funds			(\$525,436)	(\$767,666)	(17,677)	(1,310,779)
Total Unassigned Fund Balances	<u>4,349,804</u>		<u>(525,436)</u>	<u>(767,666)</u>	<u>(17,677)</u>	<u>3,039,025</u>
Total Fund Balances	<u>\$4,349,804</u>	<u>\$466,472</u>	<u>(\$525,436)</u>	<u>(\$767,666)</u>	<u>\$1,536,103</u>	<u>\$5,059,277</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).

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

The following funds had fund balance deficits at June 30, 2019: Fairfax Festival Special Revenue Fund, Storm Capital Projects Fund, and Town Capital Projects Fund in the amounts of \$17,677, \$525,436 and \$767,666, 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.

N. New GASB Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements that were effective in fiscal year 2018-19:

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This statement had no impact on the Town's financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one of more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the Town's fiscal year ending June 30, 2019. See Note 5 for relevant disclosures.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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 position or fund balance 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 position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Fund Reorganization

Measure A/AA transportation funds are generated from a 20-year ½ cent sales tax passed in November 2004, and 2018. On the other hands, Measure A funds are generated from a ¼ cent sales tax passed in November 2012 to care for Marin's existing parks and open spaces, support regional community parks projects and programs, and further farmland preservation. While separately reported in the Town's general ledger, the activities related to the Measure A/AA transportation funds and Measure A funds were in previous years reported under the Measure A Fund in the Town's Basic Financial Statement. In fiscal year 2018-19, the Town determined that it is more appropriate to separately present these activities in its Basic Financial Statements. As a result, the activities of the Measure A/AA transportation Funds are now reported in the Measure A/AA -- Transportation Fund while the activities of the Measure A funds are reported in the Measure A – Parks Fund.

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, 2019:

	Governmental Activities
Cash and investments	\$3,937,730
Restricted cash and investments	965,756
Grand Total	<u>\$4,903,486</u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS (Continued)

A. Summary of Cash and Investments (Continued)

Cash and investments were categorized as follows at June 30, 2019:

	Credit Quality Ratings	Fair Value	Days to Maturity
Town Treasury Deposits:			
Deposits	Not Rated	\$252,330	N/A
Petty cash	Not Rated	300	N/A
Total Town Treasury Deposits		<u>252,630</u>	
Town Treasury Investments:			
Local Agency Investment Fund	Not Rated	4,496,729	N/A
PARS Trust - Mutual Funds	Not Rated	154,127	N/A
Total Treasury Investments		<u>4,650,856</u>	
Total Cash and Investments		<u>\$4,903,486</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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS (Continued)

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
- 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, 2019, the average life on investment funds invested by LAIF was 173 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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS (Continued)

E. Fair Value Hierarchy (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2019:

Investment Type	Amortized Cost	Exempt	Total
California Local Agency Investment Fund		\$4,496,729	\$4,496,729
PARS Trust - Mutual Funds	\$154,127		154,127
Total Investments	<u>\$154,127</u>	<u>\$4,496,729</u>	4,650,856
Cash in banks and on hand			<u>252,630</u>
Total Cash and investments			<u><u>\$4,903,486</u></u>

Section 115 Pension Trust with Public Agency Retirement Services (PARS) investment is measured at Amortized Cost and therefore, is exempt from being classified under GASB 72.

The California Local Agency Investment Fund (LAIF) is valued at amortized cost and therefore, is exempt from being classified under GASB 72.

3. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers during the fiscal year ended June 30, 2019, were comprised of the following:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	Non-Major Governmental Funds	\$825,000
Grants Capital Projects Fund	Non-Major Governmental Funds	134,000
Town Capital Projects Fund	Grants Capital Projects Funds	335,000
	Non-Major Governmental Funds	24,000
Non-Major Governmental Funds	General Fund	<u>2,745</u>
Total Interfund Transfers		<u><u>\$1,320,745</u></u>

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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

3. INTERFUND TRANSACTIONS (Continued)

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, 2019 interfund balances were as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Storm Capital Projects Fund	\$520,536
	Town Capital Projects Fund	701,168
	Non-Major Governmental Funds	<u>10,798</u>
Total Due From Other Funds		<u><u>\$1,232,502</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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.

A. Government-Wide Financial Statements

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

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$255,988			\$255,988
Construction in progress	1,931,254	\$1,570,043	(\$46,724)	3,454,573
Total capital assets not being depreciated	2,187,242	1,570,043	(46,724)	3,710,561
Capital assets being depreciated:				
Buildings	423,974			423,974
Other improvements	2,309,098			2,309,098
Vehicles	762,138	47,607		809,745
Machinery and equipment	411,568	7,688		419,256
Infrastructure	11,859,031		46,724	11,905,755
Total capital assets being depreciated	15,765,809	55,295	46,724	15,867,828
Less accumulated depreciation for:				
Buildings	(298,286)	(3,070)		(301,356)
Other improvements	(1,024,695)	(111,855)		(1,136,550)
Vehicles	(559,132)	(57,554)		(616,686)
Machinery and equipment	(329,644)	(13,555)		(343,199)
Infrastructure	(7,594,083)	(399,654)		(7,993,737)
Total accumulated depreciation	(9,805,840)	(585,688)		(10,391,528)
Net capital assets being depreciated	5,959,969	(530,393)	46,724	5,476,300
Governmental activity capital assets, net	\$8,147,211	\$1,039,650		\$9,186,861

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2018

4. CAPITAL ASSETS (Continued)

A. Government-Wide Financial Statements (Continued)

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2019, were as follows:

	Depreciation Expense
General Government	\$128,713
Public Safety	59,985
Public Works	396,991
Total Governmental Activities	\$585,688

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2019:

Governmental Activity Debt:	Original Issue Amount	Balance June 30, 2018	Retirements	Balance June 30, 2019	Amount Due within One Year	Due in More than One Year
<i>Authority Debt:</i>						
2008 General Obligation Revenue Bonds						
1.50-4.70% due 8/1/2025	\$2,231,000	\$1,417,000	(\$132,000)	\$1,285,000	\$145,000	\$1,140,000
Revenue Bonds, Series 2012						
2.00-3.00%, due 8/21/2027	2,880,000	2,151,500	(155,000)	1,996,500	170,000	1,826,500
<i>Direct Borrowing:</i>						
2017 PERS Refinancing Lease Agreement						
5.400%, due 6/15/2037	3,860,000	3,493,000	(282,000)	3,211,000	312,000	2,899,000
<i>Town Debt:</i>						
General Obligation Refunding Bonds						
Series 2016 2.10%, due 8/1/2027	1,239,000	1,141,000	(105,000)	1,036,000	107,000	929,000
<i>Direct Borrowing:</i>						
Capital Leases:						
Solar Panel Lease	249,000	83,000	(16,600)	66,400	16,600	49,800
PNC Equipment Lease	180,934	113,113	(44,094)	69,019	45,221	23,798
Notes:						
Capital Improvement Notes	500,000	500,000	(100,000)	400,000	100,000	300,000
Total Government Activity Debt - Net		\$8,898,613	(\$834,694)	\$8,063,919	\$895,821	\$7,168,098

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, 2019

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 Merin 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. There were no such events occurred during the fiscal year ending June 30, 2019.

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, 2019

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 Merin 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. There were no such events occurred during the fiscal year ending June 30, 2019.

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 net carrying amount of the old debt exceeded the requisition price by \$16,000. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The Town advance refunded the 2006 General Obligation Bonds to reduce its total debt service payments over 11 years by \$316,667 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$269,846.

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 Merin 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. There were no such events occurred during the fiscal year ending June 30, 2019.

2017 PERS Refinancing Lease Agreement

In 2017, the Town entered into a lease agreement with the Fairfax Financing Authority, in the amount of \$3,860,000, to finance a one-time payment to CalPERS for the Town's unfunded side fund obligations and pre 2013 Unfunded Accrued Liability. The agreement was assigned to Capital One Public Funding-LLC. on January 9, 2017. The agreement carries an interest rate of 5.400%. Principal and interest payments are payable semi-annually on December 15 and June 15 over 21 years, commencing June 15, 2017.

Capital Leases

The Town had entered into several capital leases as of June 30, 2019. Under these lease agreements, ownerships of the assets are passed to the Town at the end of the leases. Since these leases are in essence financing arrangements, the costs of the acquiring the assets and the amounts of the leases have been included in the Town's financial statements.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. LONG-TERM DEBT (Continued)

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 3.500% to 4.000%. Principal and interest payments are payable annually on February 1 over five years, commencing February 1, 2019.

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	
2020	\$422,000	\$115,270	\$473,821	\$177,798	\$1,188,889
2021	447,000	97,689	443,398	163,429	1,151,516
2022	472,000	78,743	182,600	153,309	886,652
2023	501,000	59,477	192,600	153,724	906,801
2024	531,000	62,301	87,000	131,355	811,656
2025 - 2029	1,944,500	91,590	622,000	570,861	3,228,951
2030 - 2034			1,028,000	356,481	1,384,481
2035 - 2039			717,000	61,911	778,911
	<u>\$4,317,500</u>	<u>\$505,070</u>	<u>\$3,746,419</u>	<u>\$1,768,868</u>	<u>\$10,337,857</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, 2019

6. EMPLOYEE RETIREMENT PLAN

A. General Information about the Pension Plan (Continued)

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA
	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 - 62
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%	6.500%
Required employer contribution rates	10.832%	9.635%	7.266%

	Classic Tier I	Classic Tier II	PEPRA
	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%	12.750%
Required employer contribution rates	21.206%	19.353%	12.965%

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 \$213,938 in fiscal year 2019.

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, 2019, the contributions to the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$287,457	\$283,781	\$571,238

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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, 2019, 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	\$1,892,771
Safety	3,020,302
Total Net Pension Liability	<u><u>\$4,913,073</u></u>

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Town's proportion of the net pension liability 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 for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.08002%
Proportion - June 30, 2018	0.05022%
Change - Increase (Decrease)	<u><u>-0.02980%</u></u>
	<u>Safety</u>
Proportion - June 30, 2017	0.09188%
Proportion - June 30, 2018	0.05147%
Change - Increase (Decrease)	<u><u>-0.04041%</u></u>
	<u>Total</u>
Proportion - June 30, 2017	0.17190%
Proportion - June 30, 2018	0.10170%
Change - Increase (Decrease)	<u><u>-0.07020%</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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, 2019, the Town recognized pension expense of \$1,072,445. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$287,457	
Differences between actual and expected experience	72,622	(\$24,713)
Changes in assumptions	215,782	(52,884)
Differences between actual contributions and proportionate share of contributions	608,581	(189,694)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	217,249	(635,915)
Net differences between projected and actual earnings on plan investments	9,357	
Total	<u>\$1,411,048</u>	<u>(\$903,206)</u>

Safety:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$283,781	
Differences between actual and expected experience	64,896	(\$246)
Changes in assumptions	296,344	(39,982)
Differences between actual contributions and proportionate share of contributions	1,161,624	(344,348)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	317,213	(1,148,546)
Net differences between projected and actual earnings on plan investments	20,449	
Total	<u>\$2,144,307</u>	<u>(\$1,533,122)</u>
Combined Total	<u><u>\$3,555,355</u></u>	<u><u>(\$2,436,328)</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. EMPLOYEE RETIREMENT PLAN (Continued)

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

\$571,238 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<u>Miscellaneous:</u>	<u>Safety:</u>	<u>Total:</u>
Year Ended June 30	Annual Amortization	Annual Amortization	Annual Amortization
2020	\$186,472	\$282,027	\$468,499
2021	102,115	152,503	254,618
2022	(51,177)	(86,206)	(137,383)
2022	(17,025)	(20,920)	(37,945)

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions for all rate plans:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.15% (2)
	Derived using CalPers Membership
Mortality	Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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 20 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the CalPERS December 2017 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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 each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each 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, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. 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 for each Plan.

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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. EMPLOYEE RETIREMENT PLAN (Continued)

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

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:

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$3,693,490	\$5,834,048	\$9,527,538
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$1,892,771	\$3,020,302	\$4,913,073
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$406,307	\$714,941	\$1,121,248

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

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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. DEFINED CONTRIBUTION RETIREMENT PLAN (Continued)

During the year, the Town and employees each contributed \$4,812 and \$8,602 respectively. The total covered payroll of employees participating in the plan for the year ended June 30, 2019, was \$128,315. The total payroll for the year was \$3,318,171.

8. OTHER POST-EMPLOYMENT BENEFITS

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 7/1/2013 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 7/1/2018 and continue with each pay period based on the employee's regular rate of pay at that time. Miscellaneous employees hired after 7/1/2013 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 \$133 per month from July to December 2018 and \$136 from January to June 2019. 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, 2019, the Town's contributions to the Plan were \$194,535.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	28
Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	15
Total	49

A. Net OPEB Liability

Actuarial Methods and Assumptions – The Town's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions: (a) 7.28% investment return; (b)

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. Net OPEB Liability (Continued)

2.750% projected annual salary increase; and (c) health care cost trend rate increases between 3.84% - 7% 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 twenty four year amortization period.

The underlying mortality assumptions were based on the CalPERS 1997-2015 Experience Study and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a June 30, 2017 actuarial experience study for the period July 1, 2016 through June 30, 2017.

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	57%	8.71%
Fixed Income	27%	5.40%
TIPS	5%	5.25%
Commodities	3%	7.95%
REITs	8%	10.88%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 7.28%. 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, 2019

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Changes in Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$2,301,663	\$776,907	\$1,524,756
Changes Recognized for the Measurement Period:			
Service Cost	66,761		66,761
Interest on the total OPEB liability	165,840		165,840
Differences between expected and actual experience			
Changes of assumptions	(45,050)		(45,050)
Contributions:			
Employer - Town's Contribution		184,900	(184,900)
Employer - Implicit Subsidy		25,787	(25,787)
Net investment income		59,886	(59,886)
Benefit payments, including refunds of employee contributions	(64,900)	(64,900)	
Implicit rate subsidy fulfilled	(25,787)	(25,787)	
Administrative expenses		(418)	418
Net changes	96,864	179,468	(82,604)
Balance at June 30, 2018	\$2,398,527	\$956,375	\$1,442,152

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. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$25,787.

C. 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 (6.28%) or 1-percentage-point higher (8.28%) than the current discount rate:

Net OPEB Liability		
Discount Rate -1 %	Discount Rate	Discount Rate +1 %
6.28%	7.28%	8.28%
\$1,761,415	\$1,442,152	\$1,177,982

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates (Continued)

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 (2.84% to 5.5%) or 1-percentage-point higher (4.84% to 7.5%) than the current healthcare cost trend rates:

Net OPEB Liability		
Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
5.50% Decreasing to 2.84%	6.50% Decreasing to 3.84%	7.50% Decreasing to 4.84%
\$1,159,938	\$1,442,152	\$1,784,504

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

For the year ended June 30, 2019, the Town recognized negative \$199,007 of OPEB expense. At June 30, 2019, 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	\$175,866	
Changes of assumptions		(\$70,902)
Net differences between projected and actual earnings on OPEB plan investments		(7,175)
Contributions Subsequent to the Measurement Date	194,535	
Total	\$370,401	(\$78,077)

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
2020	\$35,441
2021	35,441
2022	35,446
2023	(8,539)
Total	\$97,789

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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.

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	
	2019	2018
Balance at beginning of year	\$1,100,374	\$353,726
Change in liability for prior fiscal year		
claims and claims incurred but not reported	(694,010)	801,094
Claims paid	(226,781)	(54,446)
Balance at end of year	<u>\$179,583</u>	<u>\$1,100,374</u>
Due in one year	<u>\$179,583</u>	<u>\$1,100,374</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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

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 Department (RVFD) 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 Sleepy Hollow Fire Protection District 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 RVFD may be found at www.rossvalleyfire.org.

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 Telecommunications Agency (Agency)*

The Agency was established to regulate the rates for cable television service and equipment and to advise the participants of their license authority. The Governing Board of the Marin Telecommunications Agency consists of one member from each of the eleven participating agencies. Financial statements of the Agency can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

D. *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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. 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.

F. 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.

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.

12. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on Town and the duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY,
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, 2019

Miscellaneous

6/30/2017	6/30/2018
0.05890%	0.05022%
\$2,045,987	\$1,892,771
\$1,307,451	\$1,422,171
156.49%	133.09%
84.04%	85.78%

6/30/2017	6/30/2018
0.00632%	0.05147%
\$3,272,224	\$3,020,302
\$1,102,979	\$1,153,546
296.67%	261.83%
83.16%	85.20%

6/30/2017	6/30/2018
0.06521%	0.10170%
\$5,318,211	\$4,913,073
\$2,410,430	\$2,575,717
220.63%	190.75%
83.51%	85.43%

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

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

	Miscellaneous		
	2015	2016	2017
For the Year Ended June 30			
Actuarially determined contribution	\$206,873	\$286,615	\$127,013
Contributions in relation to the actuarially determined contributions	(206,873)	(286,615)	(127,013)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$1,241,911	\$1,287,995	\$1,307,451
Contributions as a percentage of covered payroll	16.66%	22.25%	9.71%
	Safety		
	2015	2016	2017
For the Year Ended June 30			
Actuarially determined contribution	\$379,846	\$544,416	\$174,929
Contributions in relation to the actuarially determined contributions	(379,846)	(544,416)	(174,929)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$1,014,302	\$1,112,774	\$1,102,979
Contributions as a percentage of covered payroll	37.45%	48.92%	15.86%
	Combined Total		
	2015	2016	2017
For the Year Ended June 30			
Actuarially determined contribution	\$586,719	\$831,031	\$301,942
Contributions in relation to the actuarially determined contributions	(586,719)	(831,031)	(301,942)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$2,256,213	\$2,400,769	\$2,410,430
Contributions as a percentage of covered payroll	26.00%	34.62%	12.53%

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

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

Miscellaneous

2018	2019
\$183,010	\$287,457
(183,010)	(287,457)
<u>\$0</u>	<u>\$0</u>
<u>\$1,422,171</u>	<u>\$1,731,683</u>
12.87%	16.60%

Safety

2018	2019
\$266,312	\$283,781
(266,312)	(283,781)
<u>\$0</u>	<u>\$0</u>
<u>\$1,153,546</u>	<u>\$1,169,226</u>
23.09%	24.27%

Combined Total

2018	2019
\$449,322	\$571,238
(449,322)	(571,238)
<u>\$0</u>	<u>\$0</u>
<u>\$2,575,717</u>	<u>\$2,900,909</u>
17.44%	19.69%

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

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	2017	2018
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	396,476	96,864
Total OPEB liability - beginning	1,905,187	2,301,663
Total OPEB liability - ending (a)	\$2,301,663	\$2,398,527
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	182,431	179,468
Plan fiduciary net position - beginning	594,476	776,907
Plan fiduciary net position - ending (b)	\$776,907	\$956,375
Net OPEB liability - ending (a)-(b)	\$1,524,756	\$1,442,152
Plan fiduciary net position as a percentage of the total OPEB liability	33.75%	39.87%
Covered-employee payroll	\$1,983,474	\$2,038,020
Net OPEB liability as a percentage of covered-employee payroll	76.87%	70.76%

* Fiscal year 2018 was the first year of implementation.

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS
AGENT MULTIPLE EMPLOYER OPEB PLAN

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019
Actuarially determined contribution	\$65,854	\$195,302
Contributions in relation to the actuarially determined contribution	165,562	194,535
Contribution deficiency (excess)	(\$99,708)	\$767
Covered-employee payroll	\$1,983,474	\$2,038,020
Contributions as a percentage of covered-employee payroll	8.35%	9.55%

Methods and assumptions used to determine contribution rates:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Period	20 years
Actuarial Assumptions:	Closed period, level percent of pay
Discount Rate	7.28%
Inflation	2.50%
Assumed Payroll Growth	2.750%
Healthcare Trend Rates	7%, trending down to 3.84%
Rate of Return on Assets	7.280%
Mortality Rate	CalPERS rates
Retirement rates	CalPERS rates

* Fiscal year 2018 was the first year of implementation.

TOWN OF FAIRFAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$4,265,964	\$4,942,550	\$4,975,320	\$32,770
Special assessments	360,000	394,000	407,853	13,853
Sales tax	1,437,594	1,437,594	1,470,808	33,214
Permits licenses and fees	260,130	689,500	539,407	(150,093)
Fines, forfeitures and penalties	124,000	124,000	134,113	10,113
From other agencies	48,812	830,825	848,923	18,098
Motor vehicle in-lieu fees		3,500		(3,500)
Franchise fees	392,000	392,000	373,447	(18,553)
Services charges	152,800	151,500	131,398	(20,102)
Use of money and property		66,300	53,472	(12,828)
Other revenue		135,130	142,547	7,417
Total Revenues	<u>7,041,300</u>	<u>9,166,899</u>	<u>9,077,288</u>	<u>(89,611)</u>
EXPENDITURES				
Current:				
General government	2,054,558	1,951,057	1,883,247	67,810
Public safety	5,780,028	5,780,028	5,803,709	(23,681)
Public works and facilities	774,593	774,593	635,710	138,883
Planning and building	773,500	773,501	675,165	98,336
Parks and recreation	556,777	556,776	522,806	33,970
Capital outlay		18,000	11,474	6,526
Debt service:				
Principal		167,189	160,694	6,495
Interest and fiscal charges			53,886	(53,886)
Total Expenditures	<u>9,939,456</u>	<u>10,021,144</u>	<u>9,746,691</u>	<u>274,453</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,898,156)</u>	<u>(854,245)</u>	<u>(669,403)</u>	<u>184,842</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,962,100	3,467,100	825,000	(2,642,100)
Transfers (out)	<u>(536,000)</u>	<u>(2,646,000)</u>	<u>(2,745)</u>	<u>2,643,255</u>
Total other financing sources (uses)	<u>2,426,100</u>	<u>821,100</u>	<u>822,255</u>	<u>1,155</u>
Net change in fund balance	<u>(\$472,056)</u>	<u>(\$33,145)</u>	<u>152,852</u>	<u>\$185,997</u>
FUND BALANCE				
Beginning of year			<u>4,196,952</u>	
End of year			<u>\$4,349,804</u>	

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2019

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>Excess of Budget</u>
General Fund	
Public Safety	\$23,681
Interest and Fiscal Charges	53,886
Fairfax Festival Special Revenue Fund	
Parks and Recreation	24,834
2012 Series Debt Service Fund	
Interest and Fiscal Charges	6,300
2017 Lease Financing Debt Service Fund	
Interest and Fiscal Charges	184,842

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SUPPLEMENTARY INFORMATION

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2019

	SPECIAL REVENUE FUNDS				
	Special Police	Fairfax Festival	Measure J	Gas Tax	Open Space
ASSETS					
Cash and investments	\$55,402	\$6,115	\$64,226	\$64,394	\$35,838
Restricted cash and investments					
Accounts receivable		5,708	7,053		1,635
Total Assets	<u>\$55,402</u>	<u>\$11,823</u>	<u>\$71,279</u>	<u>\$64,394</u>	<u>\$37,473</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$18,702			
Due to other funds		10,798			
Total Liabilities		<u>29,500</u>			
Fund balances:					
Restricted	\$55,402		\$71,279	\$64,394	\$37,473
Unassigned		(17,677)			
Total Fund Balances (Deficits)	<u>55,402</u>	<u>(17,677)</u>	<u>71,279</u>	<u>64,394</u>	<u>37,473</u>
Total Liabilities and Fund Balances	<u>\$55,402</u>	<u>\$11,823</u>	<u>\$71,279</u>	<u>\$64,394</u>	<u>\$37,473</u>

SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				
Measure A Parks	Measure A/AA Transportation	2008 Series Debt Service	2012 Series Debt Service	2016 Series Debt Service	2017 Lease Financing Debt Service Fund	Total
\$319,018	\$163,418					\$708,411
		\$349,438	\$323,990	\$136,907	\$1,294	811,629
	29,923			2,576		46,895
<u>\$319,018</u>	<u>\$193,341</u>	<u>\$349,438</u>	<u>\$323,990</u>	<u>\$139,483</u>	<u>\$1,294</u>	<u>\$1,566,935</u>
	\$1,332					\$20,034
						10,798
	1,332					30,832
\$319,018	192,009	\$349,438	\$323,990	\$139,483	\$1,294	1,553,780
						(17,677)
<u>319,018</u>	<u>192,009</u>	<u>349,438</u>	<u>323,990</u>	<u>139,483</u>	<u>1,294</u>	<u>1,536,103</u>
<u>\$319,018</u>	<u>\$193,341</u>	<u>\$349,438</u>	<u>\$323,990</u>	<u>\$139,483</u>	<u>\$1,294</u>	<u>\$1,566,935</u>

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS				
	Special Police	Fairfax Festival	Measure J	Gas Tax	Open Space
REVENUES					
Property taxes					
From other agencies	\$155,402		\$706,989	\$291,394	\$4,014
Service charges		\$45,036			
Other revenue					
Total Revenues	<u>155,402</u>	<u>45,036</u>	<u>706,989</u>	<u>291,394</u>	<u>4,014</u>
EXPENDITURES					
Current:					
Parks and recreation		55,834			2,746
Capital outlay					
Debt service:					
Principal					
Interest					
Total Expenditures		<u>55,834</u>			<u>2,746</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>155,402</u>	<u>(10,798)</u>	<u>706,989</u>	<u>291,394</u>	<u>1,268</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					2,745
Transfers (out)	<u>(100,000)</u>		<u>(640,000)</u>	<u>(227,000)</u>	
Total Other Financing Sources (Uses)	<u>(100,000)</u>		<u>(640,000)</u>	<u>(227,000)</u>	<u>2,745</u>
NET CHANGE IN FUND BALANCES	55,402	(10,798)	66,989	64,394	4,013
FUND BALANCE (DEFICIT)					
Beginning of the year		(6,879)	4,290		33,460
End of the year	<u>\$55,402</u>	<u>(\$17,677)</u>	<u>\$71,279</u>	<u>\$64,394</u>	<u>\$37,473</u>

SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				Total Nonmajor Governmental Funds
Measure A Parks	Measure A/AA Transportation	2008 Series Debt Service	2012 Series Debt Service	2016 Series Debt Service	2017 Lease Financing Debt Service Fund	
		\$167,367	\$180,860	\$113,643		\$461,870
\$91,360	\$62,170	1,212	1,310			1,313,851
					\$466,842	45,036
						466,842
91,360	62,170	168,579	182,170	113,643	466,842	2,287,599
						58,580
	20,662					20,662
		132,000	155,000	105,000	282,000	674,000
		60,937	54,498	24,659	184,842	324,936
	20,662	192,937	209,498	129,659	466,842	1,078,178
91,360	41,508	(24,358)	(27,328)	(16,016)		1,209,421
(16,000)						2,745
						(983,000)
(16,000)						(980,255)
75,360	41,508	(24,358)	(27,328)	(16,016)		229,166
243,658	150,501	373,796	351,318	155,499	1,294	1,306,937
\$319,018	\$192,009	\$349,438	\$323,990	\$139,483	\$1,294	\$1,536,103

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, 2019

	SPECIAL POLICE			FAIRFAX FESTIVAL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
From other agencies	\$100,000	\$155,402	\$55,402			
Service charges				\$36,000	\$45,036	\$9,036
Other revenue						
Total Revenues	<u>100,000</u>	<u>155,402</u>	<u>55,402</u>	<u>36,000</u>	<u>45,036</u>	<u>9,036</u>
EXPENDITURES						
Current:						
Parks and recreation				31,000	55,834	(24,834)
Debt service:						
Principal						
Interest and fiscal charges						
Capital outlay						
Total Expenditures				<u>31,000</u>	<u>55,834</u>	<u>(24,834)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>100,000</u>	<u>155,402</u>	<u>55,402</u>	<u>5,000</u>	<u>(10,798)</u>	<u>(15,798)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)						
Transfers (out)	<u>(100,000)</u>	<u>(100,000)</u>		<u>(5,000)</u>		<u>5,000</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>		<u>(5,000)</u>		<u>5,000</u>
NET CHANGE IN FUND BALANCES	<u><u> </u></u>	<u>55,402</u>	<u>\$55,402</u>	<u><u> </u></u>	<u>(10,798)</u>	<u>(\$10,798)</u>
FUND BALANCE (DEFICIT)						
Beginning of the year					<u>(6,879)</u>	
End of the year		<u>\$55,402</u>			<u>(\$17,677)</u>	

MEASURE J			GAS TAX			OPEN SPACE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$713,600	\$706,989	(\$6,611)	\$325,672	\$291,394	(\$34,278)	\$2,000	\$4,014	\$2,014
<u>713,600</u>	<u>706,989</u>	<u>(6,611)</u>	<u>325,672</u>	<u>291,394</u>	<u>(34,278)</u>	<u>2,000</u>	<u>4,014</u>	<u>2,014</u>
						4,000	2,746	1,254
						<u>4,000</u>	<u>2,746</u>	<u>1,254</u>
<u>713,600</u>	<u>706,989</u>	<u>(6,611)</u>	<u>325,672</u>	<u>291,394</u>	<u>(34,278)</u>	<u>(2,000)</u>	<u>1,268</u>	<u>3,268</u>
<u>(722,100)</u>	<u>(640,000)</u>	<u>82,100</u>	<u>(333,000)</u>	<u>(227,000)</u>	<u>106,000</u>	<u>4,000</u>	<u>2,745</u>	<u>(1,255)</u>
<u>(722,100)</u>	<u>(640,000)</u>	<u>82,100</u>	<u>(333,000)</u>	<u>(227,000)</u>	<u>106,000</u>	<u>4,000</u>	<u>2,745</u>	<u>(1,255)</u>
<u>(\$8,500)</u>	66,989	<u>\$75,489</u>	<u>(\$7,328)</u>	64,394	<u>\$71,722</u>	<u>\$2,000</u>	4,013	<u>\$2,013</u>
	<u>4,290</u>						<u>33,460</u>	
	<u>\$71,279</u>			<u>\$64,394</u>			<u>\$37,473</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, 2019

	Measure A Parks			Measure A/AA Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
From other agencies		\$91,360	\$91,360	\$61,436	\$62,170	\$734
Service charges						
Other revenue						
Total Revenues		<u>91,360</u>	<u>91,360</u>	<u>61,436</u>	<u>62,170</u>	<u>734</u>
EXPENDITURES						
Current:						
Parks and Recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Capital outlay				161,000	20,662	140,338
Total Expenditures				<u>161,000</u>	<u>20,662</u>	<u>140,338</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>91,360</u>	<u>91,360</u>	<u>(99,564)</u>	<u>41,508</u>	<u>141,072</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)						
Transfers (out)	<u>(\$91,360)</u>	<u>(16,000)</u>	<u>75,360</u>			
Total other financing sources (uses)	<u>(91,360)</u>	<u>(16,000)</u>	<u>75,360</u>			
NET CHANGE IN FUND BALANCES	<u><u>(\$91,360)</u></u>	<u>75,360</u>	<u><u>\$166,720</u></u>	<u><u>(\$99,564)</u></u>	<u>41,508</u>	<u><u>\$141,072</u></u>
FUND BALANCE (DEFICIT)						
Beginning of the year		<u>243,658</u>			<u>150,501</u>	
End of the year		<u><u>\$319,018</u></u>			<u><u>\$192,009</u></u>	

2008 Series Debt Service			2012 Series Debt Service			2016 Debt Service		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$234,913	\$167,367	(\$67,546)	\$245,773	\$180,860	(\$64,913)	\$22,814	\$113,643	\$90,829
1,633	1,212	(421)	1,708	1,310	(398)	159		(159)
<u>236,546</u>	<u>168,579</u>	<u>(67,967)</u>	<u>247,482</u>	<u>182,170</u>	<u>(65,312)</u>	<u>22,972</u>	<u>113,643</u>	<u>90,671</u>
132,000	132,000		148,700	155,000	(6,300)	105,000	105,000	
61,104	60,937	167	59,143	54,498	4,645	29,159	24,659	4,500
<u>193,104</u>	<u>192,937</u>	<u>167</u>	<u>207,843</u>	<u>209,498</u>	<u>(1,655)</u>	<u>134,159</u>	<u>129,659</u>	<u>4,500</u>
<u>43,442</u>	<u>(24,358)</u>	<u>(67,800)</u>	<u>39,639</u>	<u>(27,328)</u>	<u>(66,967)</u>	<u>(111,187)</u>	<u>(16,016)</u>	<u>95,171</u>
<u>\$43,442</u>	<u>(24,358)</u>	<u>(\$67,800)</u>	<u>\$39,639</u>	<u>(27,328)</u>	<u>(\$66,967)</u>	<u>(\$111,187)</u>	<u>(16,016)</u>	<u>\$95,171</u>
	<u>373,796</u>			<u>351,318</u>			<u>155,499</u>	
	<u>\$349,438</u>			<u>\$323,990</u>			<u>\$139,483</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, 2019

	<u>2017 Lease Financing Debt Service Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes			
From other agencies			
Service charges			
Other revenue	<u>\$452,909</u>	<u>\$466,842</u>	<u>\$13,933</u>
Total Revenues	<u>452,909</u>	<u>466,842</u>	<u>13,933</u>
EXPENDITURES			
Current:			
Parks and Recreation			
Debt service:			
Principal	466,842	282,000	184,842
Interest and fiscal charges		184,842	(184,842)
Capital outlay			
Total Expenditures	<u>466,842</u>	<u>466,842</u>	
REVENUES OVER (UNDER) EXPENDITURES	<u>(13,933)</u>		<u>13,933</u>
OTHER FINANCING SOURCES (USES)			
Transfers (in)			
Transfers (out)			
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	<u><u>(\$13,933)</u></u>		<u><u>\$13,933</u></u>
FUND BALANCE (DEFICIT)			
Beginning of the year		<u>1,294</u>	
End of the year		<u><u>\$1,294</u></u>	