



# TOWN OF FAIRFAX

## STAFF REPORT

### September 7, 2022

**TO:** Mayor and Town Council

**FROM:** Michael Vivrette, Finance Director

**SUBJECT:** Receive Independent Auditor's Report for Fiscal Year 2020-21

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#### **RECOMMENDATION**

Receive Independent Auditor's Report for Fiscal Year 2020-21.

#### **DISCUSSION**

The Town auditors, Maze and Associates, have issued the Audited Financial Statements for the Town consisting of the Basic Financial Statements and Independent Auditor's Report for June 30, 2021. A representative from Maze and Associates will be available at the Council meeting for questions regarding the Financial Statements, the audit, or other concerns.

#### **FISCAL IMPACT**

The audit serves to give an independent professional opinion to fairness of the Town's financial statements at June 30, 2021. They have issued a "clean" opinion that the financial statements are free from material misstatement.

In Fiscal 2020-21, the General Fund balance increased \$1,066,652. All other fund balances increased by a net total of \$9,260. General Fund revenues were higher than budgeted by \$736,730 (7.6%) primarily from better than projected sales tax receipts. General Fund expenses were under budget by \$713,074 (6.8%). Financial activity for FY20-21 has been factored into the fund balance carry forward in the current year's budget.

During the period, the Town's total liability for other post-employment benefits (OPEB) as measured by Government Accounting Standards Board ruling (GASB 75) increased by \$554,594 to \$2,900,654 (23.6%). The net liability for OPEB increased by \$515,610 (42.0%) due to changes in assumptions and service cost during the period offset by measures the Town has taken over the past years in negotiating employment MOU's to significantly reduce or eliminate OPEB benefits for employees hired after July 1, 2013. The Town has increased the annual contribution in this fiscal year by 50% to address this change and may need to increase it further.

#### **ATTACHMENT**

Audit report

# **Town of Fairfax**

Fairfax, California

*Basic Financial Statements and  
Independent Auditor's Report*

*For the year ended June 30, 2021  
Prepared by: Finance Department*

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**Town of Fairfax**  
**Basic Financial Statements**  
**For the Year ended June 30, 2021**  
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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, 2021, 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, 2021, 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.

## ***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.



Pleasant Hill, California  
August 24, 2022

**Town of Fairfax  
Management's Discussion and Analysis  
June 30, 2021**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2021. 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 Position 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 \$16,023,523, liabilities of \$22,395,134 and net position of \$1,548,685 at June 30, 2021. This compares with assets of \$15,194,893, liabilities of \$15,288,880 and net position of \$806,203 at June 30, 2020.
- The Government-Wide Statement of Activities and Changes in Net Position 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 position of \$742,482 for the fiscal year ended June 30, 2021 as compared to an increase in net position of \$261,123 for the fiscal year ended June 30, 2020. Revenues for fiscal 2021 increased by \$526,281 from the prior year primarily due to increased revenues from property and sales taxes, permits & licenses, and other agencies offset by decreased revenues from fines & forfeitures, use of money & property (interest and rents), and other revenues. Expenses for the same period increased by \$44,922 due to increased expenditures in planning & building, and debt service interest (due to CalPERS UAL refinancing), offset by decreases in public safety, and public works and capital outlay. Covid restrictions during the year, and low interest rates contributed to the expenditure deviations.
- The Town's long-term debt (including current portion & unamortized premium) totaled \$12,073,100 as of June 30, 2021, 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 \$83,637 of current claims payable for uninsured claims.

**FUND HIGHLIGHTS**

At the close of fiscal year 2021, the Town's governmental funds reported a combined ending fund balance of \$6,472,432, an increase of \$1,075,912 from the June 30, 2020 ending fund balance of \$5,396,520. 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 2020-2021, the Town accomplished the following key projects and tasks:

- Continued development and implementation the Town's response to COVID-19 including 1 to 1 Volunteer match program, Fairfax Open for Business campaign; established small business grant program, and regulations for business use of outdoor public and private spaces such as parking spaces and off-street parking lots, respectively.
- Completed Parkade SFD Bus Shelter - purchased Plexiglas or plastic shades/shields for rain
- Mayor convened Citizen's Disaster Council with Updated Emergency Operation Plans (EOPS)
- Developed/Completed community friendly evacuation maps - Fire Clear Maps
- Prefunded post 2013 pension liability through 2021
- Completed elections (two councilmembers in 2019 and three in 2020)
- Beginning construction of the detention basin
- Reviewed all fees; adopted fee increases where appropriate
- Adopted 6 ordinances and 45 resolutions
- Adopted the California Environmental Quality Act (CEQA) Final Initial Study and Mitigated Negative Declaration (IS/MND) and Mitigation Monitoring and Reporting Program (MMRP) for the proposed Meadow Way Bridge Replacement Project and approved the proposed Meadow Way Bridge Replacement Project
- Collected unprecedented vegetation tonnage from Town and MWPA Chipper Days
- Transitioned to new financial software.

## **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 Position and a Statement of Activities and Changes in Net position. 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 Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

## Fund Financial Statements

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

### Governmental funds

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

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

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

- General Fund
- Dry Period Financing Fund
- Equipment Replacement Fund
- Building and Planning Fund
- 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 F Municipal Services Fund
- Measure A/AA Transportation Fund
- Measure A - Parks Fund
- Federal Stimulus Funds (ARPA)

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

- Grants Fund
- Town Fund
- Storm Projects Fund

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

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

### Agency Funds

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

### Business-type Funds

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Net position

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

	Governmental Activities		Percentage Change
	2021	2020	
Cash and investments	\$ 6,385,876	\$ 4,931,563	29.5%
Capital assets, net	8,941,816	9,254,734	-3.4%
Other assets	695,831	1,008,596	-31.0%
<b>Total assets</b>	<b>16,023,523</b>	<b>15,194,893</b>	<b>5.5%</b>
<b>Deferred outflow of resources</b>	<b>9,179,137</b>	<b>2,955,777</b>	<b>210.5%</b>
Current liabilities	1,751,694	1,795,559	-2.4%
Non-current liabilities	20,643,440	13,493,321	53.0%
<b>Total liabilities</b>	<b>22,395,134</b>	<b>15,288,880</b>	<b>46.5%</b>
<b>Deferred inflow of resources</b>	<b>1,258,841</b>	<b>2,055,587</b>	<b>-38.8%</b>
Invested in capital assets, net	5,260,116	5,297,636	-0.7%
Restricted	858,858	1,184,842	-27.5%
Unrestricted	(4,570,289)	(5,676,275)	-19.5%
	-	-	
<b>Net assets</b>	<b>\$ 1,548,685</b>	<b>\$ 806,203</b>	<b>92.1%</b>

Net position invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$5,260,116 at the end of fiscal year 2021 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 position of \$858,858 at the end of fiscal 2021 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is available to finance day-to-day operations without constraints.

## Changes in Net position

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

	Governmental Activities		Percentage Change
	2021	2020	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,524,050	\$ 1,377,642	10.6%
Operating grants & contributions	821,734	828,124	-0.8%
General revenues:			
Taxes	10,199,313	9,607,704	6.2%
Intergovernmental			0.0%
Use of Money & Property	14,803	139,157	-89.4%
Miscellaneous	552,278	633,270	-12.8%
Transfers	-	-	
<b>Total revenues</b>	<b>13,112,178</b>	<b>12,585,897</b>	<b>4.2%</b>
<b>Expenses:</b>			
General government	3,256,107	3,374,191	-3.5%
Public safety	6,090,813	6,197,887	-1.7%
Public works	1,044,241	1,135,306	-8.0%
Planning & Building	826,358	702,282	17.7%
Parks and recreation	615,453	586,265	5.0%
Debt Service	536,724	328,843	63.2%
<b>Total expenses</b>	<b>12,369,696</b>	<b>12,324,774</b>	<b>0.4%</b>
<b>Change in net assets</b>	<b>742,482</b>	<b>261,123</b>	<b>184.3%</b>
<b>Net assets - beginning of year</b>	<b>806,203</b>	<b>545,080</b>	<b>47.9%</b>
<b>Net assets - end of year</b>	<b>\$ 1,548,685</b>	<b>\$ 806,203</b>	<b>92.1%</b>

Net position increased \$742,482 during the fiscal year ended June 30, 2021. Total revenues for fiscal year 2021 were \$13,112,178 as compared to \$12,585,897 for fiscal year 2020.

The \$526,281 (4.2%) increase in revenues the fiscal year ended June 30, 2021 is attributed to a 10.6% increase in charge for services; and a 6.2% increase in tax receipts; offset by disappointing interest earnings due to declining interest rates and in spite of increases in invested funds, and reduced miscellaneous revenues.

Total expenses for the year ended June 30, 2021 were \$12,369,696 compared with \$12,324,774 for the same period in 2020. The .4% increase of \$44,922 in expenses primarily reflects increased expenses for planning & building, parks & recreation, and interest expense, offset by decreases in spending for general government, public safety and public works-

## 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 \$5,804,187.

General Fund revenue during the FY 2020-21 year totaled \$10,400,375 which was more than the final budgeted amount by \$736,730 or 7.6%. This revenue increase primarily relates to the Town's projection of sales & property taxes, assessments, franchise fees and revenue from other agencies which were lower than actual receipts.

General Fund expenditures for FY 2020-21 totaled \$10,357,761, and were lower than the final budgeted amount by \$713,074 or 6.4%. This is in part due to delaying certain expenditures, such as hiring the Public Works Director and savings in budgeted contract services, and capital outlay. Expenditures also decreased during the year due to Covid restrictions.

### **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 \$985,480.

Grant Capital Projects Fund revenue during the FY 2020-21 year totaled \$351,444 which was under the final budgeted amount of \$682,561 by \$331,117. This revenue decrease primarily relates to the Town's projection of the timing of projects which were delayed to future fiscal periods. Revenues are received primarily on a reimbursement basis.

Grant Capital Projects Fund expenditures for FY 2020-21 totaled \$355,489, and were lower than the final budgeted amount by \$678,262. This is in part due to extending the timing of road & bridge projects; delaying certain expenditures, such as hiring a Public Works Director, and Covid-19 related delays.

### **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 (\$567,728), up \$122,597 from the prior year.

Storm Capital Projects Fund revenue during the FY 2020-21 year totaled \$60,904 which was more than the final budgeted amount of \$-0-. Expenditures for FY 2020-21 totaled \$183,501, and were higher than the final budgeted amount by the same amount. Expenses not reimbursed will be covered by transfers from the General Fund.

### **Town Capital Projects Fund**

The Town Capital Projects fund is for capital project funded by the Town of Fairfax, Measure F and Measure A. At the end of the current fiscal year, the fund deficit was (\$818,604) compared with the prior year deficit of (\$952,412).

The Town Capital Projects Fund revenue during the FY 2020-21 year totaled \$10,000. This revenue decrease from budget primarily is from the Town's projection of the timing of projects which were delayed to future fiscal periods. Measure A Transportation funds designated for reimbursement of related expenses have not been transferred. Grant Capital Projects Fund expenditures for FY 2020-21 totaled \$36,192 due to extending the timing of projects. Expenses not reimbursed will be covered by transfers from the General Fund.

### **2020 Lease Financing Debt Service Fund**

The Lease Financing Debt Service Fund was created to facilitate the refinancing of CalPERS Unfunded Accrued Liability (UAL) both in January 2017 and again in September 2020. At the end of the current fiscal year, the ending fund balance was \$4,409.

The Lease Financing Debt Service Fund revenue during the FY 2020-21 year totaled \$455,468 not including proceeds from the issuance of debt of \$9,402,000. Expenditures for debt service totaled \$3,393,397 primarily for retiring the original debt issued in 2017. In addition, \$6,460,955 of the proceeds of the new debt issue were used to retire additional UAL with CalPERS which carried an interest rate of over 7%. The new issue holds an all-in interest rate of 3.66%, saving the Town \$4,280,615 in interest costs.

### **ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET**

Fairfax continues to experience the strong economic growth of the Bay Area despite the continued effects of COVID-19. Record high property values and robust real estate sales resulting from population shifts influenced by the work-from-home policies have benefitted Town revenue streams. Sales Tax revenues have declined in some sectors impacted by COVID policies but soared in others, as with add-on district sales tax revenues from internet sales. Overall, next year revenues are expected to be strong for the Town.

The Town will face challenges with increasing pension costs due in part to actions taken at state level to decrease the discount rate on projected CalPERS earnings and unaccrued liability charges to member agencies. The Town has eliminated many of the other post-employment benefits (OPEB) for new employees (hired after July 1, 2013) which will lower future costs for retiree health care.

The budget for 2021-22 projects increased expenditures for new positions. There will be funding for a Sustainability Coordinator through a shared services agreement with the Town of San Anselmo which should help the town to obtain and utilize the numerous environmental grants available to local agencies. In addition, the Town has funded a firm to assist with recruiting for a new Town Manager and a full-time Public Works Director to facilitate coordination of an increased Capital Outlay program.

The Town has budgeted \$5.43 million in its 2021-22 capital improvement program. Capital expenditures include funding for Pavilion seismic retrofit and kitchen renovation. \$1.1 million has been earmarked for road maintenance and improvement projects. \$1.35 million is being provided for bridge renovation, and planned projects include sidewalk repair, park and trail improvements and storm drains. The impacts of COVID-19 on the local economy make it difficult to estimate the true long term fiscal impact on our financial resources. Such factors as the diminishing availability and increasing cost of labor and services provide a challenge to the Town for the upcoming year.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our 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



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## **BASIC FINANCIAL STATEMENTS**

TOWN OF FAIRFAX  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental-Type Activities
<b>ASSETS</b>	
Cash and investments (Note 2)	\$5,590,222
Restricted cash and investments (Note 2)	795,654
Accounts receivable	617,927
Taxes receivable	77,904
Capital assets:	
Land and construction in progress (Note 4)	3,183,648
Depreciable capital assets, net of accumulated depreciation (Note 4)	5,758,168
Total Assets	16,023,523
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension (Note 6)	8,524,015
Related to OPEB (Note 8)	655,122
Total Deferred Outflows of Resources	9,179,137
<b>LIABILITIES</b>	
Accounts payable	333,844
Accrued payroll	194,202
Deposits	81,229
Interest payable	126,344
Compensated absences payable (Note 1G):	
Due within one year	106,838
Due in more than one year	222,638
Claims payable (Note 9):	
Due within one year	83,637
Long-term debt (Note 5):	
Due within one year	825,600
Due in more than one year	12,073,100
Net pension liability (Note 6):	
Due in more than one year	6,604,727
Net OPEB liability (Note 8):	
Due in more than one year	1,742,975
Total Liabilities	22,395,134
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension (Note 6)	1,068,796
Related to OPEB (Note 8)	190,045
Total Deferred Inflows of Resources	1,258,841
<b>NET POSITION (Note 1K):</b>	
Net investment in capital assets	5,260,116
Restricted for:	
Special projects	214,415
Debt service	644,443
Total Restricted Net Position	858,858
Unrestricted	(4,570,289)
Total Net Position	\$1,548,685

See accompanying notes to financial statements

TOWN OF FAIRFAX  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General government	\$3,256,107	\$611,982	\$32	(\$2,644,093)
Public safety	6,090,813	244,942	328,810	(5,517,061)
Public works	1,044,241	1,475	120,145	(\$368,589)
Planning and building	826,358	625,575		(200,783)
Parks and recreation	615,453	40,076		(571,219)
Interest and fiscal charges	536,724			(536,724)
<b>Total Governmental Activities</b>	<b>\$12,369,696</b>	<b>\$1,524,050</b>	<b>\$448,987</b>	<b>(10,023,912)</b>
<b>General revenues:</b>				
Property taxes				7,017,703
Utility user tax				342,333
Sales taxes				1,723,049
Other taxes				1,116,228
Investment earnings				14,803
Miscellaneous				552,278
<b>Total General Revenues</b>				<b>10,766,394</b>
Change in Net Position				742,482
Net Position-Beginning				806,203
Net Position-Ending				<b>\$1,548,685</b>

See accompanying notes to financial statements

TOWN OF FAIRFAX  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021

	General Fund	Grants Capital Projects Fund	Storm Capital Projects Fund	Town Capital Projects Fund
<b>ASSETS</b>				
Cash and investments (Note 2)	\$4,680,669	\$472,002		
Restricted cash and investments (Note 2)	154,127			
Receivables (net of allowances):				
Accounts	479,927	123,717		
Taxes	77,904			
Due from other funds (Note 3)	967,846	423,517		
	<u>\$6,360,473</u>	<u>\$1,019,236</u>		
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$280,855	\$33,756	\$94	\$17,484
Accrued payroll	194,202			
Deposits payable	81,229			
Due to other funds (Note 3)			567,634	801,120
	<u>556,286</u>	<u>33,756</u>	<u>567,728</u>	<u>818,604</u>
<b>Fund Balances (Note 1L):</b>				
Restricted				
Committed		985,480		
Unassigned	5,804,187		(567,728)	(818,604)
	<u>5,804,187</u>	<u>985,480</u>	<u>(567,728)</u>	<u>(818,604)</u>
Total Fund Balances (Deficits)	<u>5,804,187</u>	<u>985,480</u>	<u>(567,728)</u>	<u>(818,604)</u>
Total Liabilities and Fund Balances	<u>\$6,360,473</u>	<u>\$1,019,236</u>		

See accompanying notes to financial statements

2020 Lease Financing Debt Service Fund	Non-Major Governmental Funds	Total
	\$437,551	\$5,590,222
\$4,409	637,118	795,654
	14,283	617,927
		77,904
		1,391,363
<u>\$4,409</u>	<u>\$1,088,952</u>	<u>\$8,473,070</u>
	\$1,655	\$333,844
		194,202
		81,229
	22,609	1,391,363
	24,264	2,000,638
\$4,409	1,084,173	1,088,582
		985,480
	(19,485)	4,398,370
<u>4,409</u>	<u>1,064,688</u>	<u>6,472,432</u>
<u>\$4,409</u>	<u>\$1,088,952</u>	<u>\$8,473,070</u>

TOWN OF FAIRFAX  
 Reconciliation of the  
 GOVERNMENTAL FUNDS - BALANCE SHEETS  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2021

Total fund balances reported on the governmental funds balance sheet \$6,472,432

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. 8,941,816

LONG-TERM ASSETS AND LIABILITIES

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

Interest payable	(126,344)
Compensated absences	(329,476)
Claims payable	(83,637)
Long-term debt	(12,898,700)
Net pension liabilities and pension-related deferred outflows and inflows of resources	850,492
Net OPEB liability and OPEB-related deferred outflows and inflows of resources	<u>(1,277,898)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$1,548,685

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, 2021

	General Fund	Grants Capital Projects Fund	Storm Capital Projects Fund	Town Capital Projects Fund
<b>REVENUES</b>				
Property taxes	\$5,594,803			
Special assessments	397,021			
Sales taxes	1,723,049			
Permits, licenses and fees	699,321			
Fines, forfeitures and penalties	100,561			
From other agencies	1,108,144	\$351,444	\$60,904	\$10,000
Franchise fees	478,798			
Services charges	205,294			
Use of money and property	19,803			
Other revenue	73,581			
<b>Total Revenues</b>	<b>10,400,375</b>	<b>351,444</b>	<b>60,904</b>	<b>10,000</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,758,358			
Public safety	6,185,086			
Public works	749,220			
Planning and building	822,852			
Parks and recreation	609,516			
Capital outlay	49,425	355,489	183,501	36,192
Debt service:				
Principal	140,398			
Interest and fiscal charges	42,906			
<b>Total Expenditures</b>	<b>10,357,761</b>	<b>355,489</b>	<b>183,501</b>	<b>36,192</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>42,614</b>	<b>(4,045)</b>	<b>(122,597)</b>	<b>(26,192)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt (Note 5)				
Transfers in (Note 3)	1,030,000	388,439		160,000
Transfers (out) (Note 3)	(5,962)			
<b>Total Other Financing Sources (Uses)</b>	<b>1,024,038</b>	<b>388,439</b>		<b>160,000</b>
<b>SPECIAL ITEM</b>				
Payment of CalPERS UAAL (Note 6A)				
<b>Total Special Items</b>				
<b>Net change in fund balance</b>	<b>1,066,652</b>	<b>384,394</b>	<b>(122,597)</b>	<b>133,808</b>
<b>FUND BALANCE (DEFICIT)</b>				
Beginning of the year	4,737,535	601,086	(445,131)	(952,412)
End of the year	<u>\$5,804,187</u>	<u>\$985,480</u>	<u>(\$567,728)</u>	<u>(\$818,604)</u>

See accompanying notes to financial statements

2020 Lease Financing Debt Service Fund	Non-Major Governmental Funds	Total
	\$472,916	\$6,067,719
		397,021
		1,723,049
		699,321
		100,561
	1,361,071	2,891,563
		478,798
		205,294
		19,803
\$455,468		529,049
<hr/>	<hr/>	<hr/>
455,468	1,833,987	13,112,178
<hr/>	<hr/>	<hr/>
		1,758,358
		6,185,086
		749,220
		822,852
	2,426	611,942
	90,501	715,108
3,084,000	447,000	3,671,398
309,397	111,044	463,347
<hr/>	<hr/>	<hr/>
3,393,397	650,971	14,977,311
<hr/>	<hr/>	<hr/>
(2,937,929)	1,183,016	(1,865,133)
<hr/>	<hr/>	<hr/>
9,402,000		9,402,000
	2,425	1,580,864
	(1,574,902)	(1,580,864)
<hr/>	<hr/>	<hr/>
9,402,000	(1,572,477)	9,402,000
<hr/>	<hr/>	<hr/>
(6,460,955)		(6,460,955)
<hr/>	<hr/>	<hr/>
(6,460,955)		(6,460,955)
<hr/>	<hr/>	<hr/>
3,116	(389,461)	1,075,912
<hr/>	<hr/>	<hr/>
1,293	1,454,149	5,396,520
<hr/>	<hr/>	<hr/>
\$4,409	\$1,064,688	\$6,472,432
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2021

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$1,075,912
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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	312,987
(Capitalized expenditures is the net of total capital outlay of \$715,108 and non-capitalized capital outlay expenditures of \$402,121)	
Depreciation expense is deducted from the fund balance	(625,905)

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	3,671,398
Proceeds from issuance of debt	(9,402,000)

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	113,100
Net OPEB liability and OPEB-related deferred outflows and inflows of resources	(45,282)
Claims payable	96,571
Interest payable	(73,377)
Collective net pension liability and pension-related deferred outflows and inflows of resources	<u>5,619,078</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$742,482</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, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

**Blended Component Unit – The Fairfax Financing Authority**

The Fairfax Financing Authority (Authority) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the Town. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the Town and has the same governing body as the Town, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the 2008, 2012, 2016, and 2020 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, 2021**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis Accounting and Measurement Focus (Continued)**

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

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

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

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

**Governmental Fund Financial Statements**

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

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

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

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

**C. Recognition of Interest Liability**

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

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

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Use of Restricted and Unrestricted Net Position***

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

***E. Cash, Cash Equivalents and Investments***

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

***F. Capital Assets***

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

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

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

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

***G. Compensated Absences***

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Compensated Absences (Continued)**

Compensated absences include vacation and sick leave. It is the policy of the Town to pay 100% of the accumulated vacation leave when an employee retires or terminates employment. The Town recognizes the liability for its compensated absences in the governmental activities, which is liquidated by the General Fund. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2021:

	Governmental Activities
Beginning Balance	\$442,576
Additions	3,767
Payments	<u>(116,867)</u>
Ending Balance	<u>\$329,476</u>
Current Portion	<u>\$106,838</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.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

***I. Post Employment Benefits Other than Pensions***

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

***J. Use of Estimates***

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

***K. Net Position***

**Government-Wide Financial Statements**

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

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

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

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



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

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balances**

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

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

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

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

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

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

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

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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balances (Continued)**

Detailed classifications of the Town’s Fund Balances, as of June 30, 2021, are below:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Grants Capital Projects Fund</u>	<u>Storm Capital Projects Fund</u>	<u>Town Capital Projects Fund</u>	<u>2020 Lease Financing Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>							
Special projects						\$444,139	\$444,139
Debt service					\$4,409	640,034	644,443
<b>Total Restricted Fund Balances</b>					<b>4,409</b>	<b>1,084,173</b>	<b>1,088,582</b>
<b>Committed for:</b>							
Special projects		\$985,480					985,480
<b>Total Committed Fund Balances</b>		<b>985,480</b>					<b>985,480</b>
<b>Unassigned:</b>							
General Fund	\$5,804,187						5,804,187
Other major funds			(\$567,728)	(\$818,604)			(1,386,332)
Non-major funds						(19,485)	(19,485)
<b>Total Unassigned Fund Balances</b>	<b>5,804,187</b>		<b>(567,728)</b>	<b>(818,604)</b>		<b>(19,485)</b>	<b>4,398,370</b>
<b>Total Fund Balances (Deficits)</b>	<b>\$5,804,187</b>	<b>\$985,480</b>	<b>(\$567,728)</b>	<b>(\$818,604)</b>	<b>\$4,409</b>	<b>\$1,064,688</b>	<b>\$6,472,432</b>

General Fund Reserve Policy

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

The following funds had fund balance deficits at June 30, 2021: Storm Capital Projects Fund, Town Capital Projects Fund, and Fairfax Festival Special Revenue Fund in the amounts of \$567,728, \$818,604 and \$19,485, 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.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fair Value Measurements (Continued)**

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 were effective in fiscal year 2020-21:

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The Statement is effective for the periods beginning after December 15, 2019, and later. This Statement had no effect on the Town's financial statements.

GASB Statement No. 90 - In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. This Statement is effective for reporting periods beginning after December 15, 2019, and later. This Statement had no effect on the Town's financial statements.

**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 Reclassification**

For the year ended June 30, 2021, the 2017 Lease Financing Debt Service Fund was renamed the 2020 Lease Financing Debt Service Fund.

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

**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, 2021:

	<u>Governmental Activities</u>
Cash and investments	\$5,590,222
Restricted cash and investments	<u>795,654</u>
Grand Total	<u><u>\$6,385,876</u></u>

Cash and investments were categorized as follows at June 30, 2021:

	<u>Credit Quality Ratings</u>	<u>Fair Value</u>	<u>Days to Maturity</u>
<b>Town Treasury Deposits:</b>			
Deposits	Not Rated	\$633,308	N/A
Petty cash	Not Rated	<u>300</u>	N/A
<b>Total Town Treasury Deposits</b>		<u><u>633,608</u></u>	
<b>Town Treasury Investments:</b>			
Local Agency Investment Fund	Not Rated	5,598,141	N/A
PARS Trust - Mutual Funds	Not Rated	<u>154,127</u>	N/A
<b>Total Treasury Investments</b>		<u><u>5,752,268</u></u>	
<b>Total Cash and Investments</b>		<u><u>\$6,385,876</u></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.

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

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**2. CASH AND INVESTMENTS (Continued)**

***B. Cash Deposits (Continued)***

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

***C. Investments***

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

- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value
- Bankers' acceptances
- 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, 2021, the average life on investment funds invested by LAIF was 291 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, 2021**

**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, 2021:

<u>Investment Type</u>	<u>Exempt</u>	<u>Total</u>
California Local Agency Investment Fund	\$5,598,141	\$5,598,141
PARS Trust - Mutual Funds	154,127	154,127
Total Investments	<u>\$5,752,268</u>	<u>5,752,268</u>
Cash in banks and on hand		<u>633,608</u>
Total Cash and investments		<u>\$6,385,876</u>

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

**3. INTERFUND TRANSACTIONS**

***A. Interfund Transfers***

Transfers during the fiscal year ended June 30, 2021, were comprised of the following:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$1,030,000
Grants Capital Projects Fund	General Fund	3,537
	Non-Major Governmental Funds	384,902
Town Capital Projects Fund	Non-Major Governmental Funds	160,000
Non-Major Governmental Funds	General Fund	<u>2,425</u>
Total Interfund Transfers		<u>\$1,580,864</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, 2021**

**3. INTERFUND TRANSACTIONS (Continued)**

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2021, interfund balances were as follows:

Due from Other Funds	Due to Other Funds	Amount
General Fund	Storm Capital Projects Fund	\$567,634
	Town Capital Projects Fund	377,603
	Non-Major Governmental Funds	22,609
Grants Capital Projects Fund	Town Capital Projects Fund	423,517
Total Due From Other Funds		<u>\$1,391,363</u>

**4. CAPITAL ASSETS**

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

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

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

	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$255,988				\$255,988
Construction in progress	2,752,516	\$293,186		(\$118,042)	2,927,660
Total capital assets not being depreciated	<u>3,008,504</u>	<u>293,186</u>		<u>(118,042)</u>	<u>3,183,648</u>
Capital assets being depreciated:					
Buildings	423,974				423,974
Other improvements	2,309,098				2,309,098
Vehicles	814,203		(\$56,838)		757,365
Machinery and equipment	419,256	19,801			439,057
Infrastructure	13,237,170			118,042	13,355,212
Total capital assets being depreciated	<u>17,203,701</u>	<u>19,801</u>	<u>(56,838)</u>	<u>118,042</u>	<u>17,284,706</u>
Less accumulated depreciation for:					
Buildings	(304,769)	(3,071)			(307,840)
Other improvements	(1,248,193)	(111,128)			(1,359,321)
Vehicles	(638,509)	(45,540)	56,838		(627,211)
Machinery and equipment	(355,692)	(12,904)			(368,596)
Infrastructure	(8,410,308)	(453,262)			(8,863,570)
Total accumulated depreciation	<u>(10,957,471)</u>	<u>(625,905)</u>	<u>56,838</u>		<u>(11,526,538)</u>
Net capital assets being depreciated	<u>6,246,230</u>	<u>(606,104)</u>		<u>118,042</u>	<u>5,758,168</u>
<b>Governmental activity capital assets, net</b>	<u>\$9,254,734</u>	<u>(\$312,918)</u>			<u>\$8,941,816</u>

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

**4. CAPITAL ASSETS (Continued)**

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2021, were as follows:

	<u>Depreciation Expense</u>
General Government	\$190,444
Public Safety	49,391
Public Works	386,070
<b>Total Governmental Activities</b>	<u><u>\$625,905</u></u>

**5. LONG-TERM DEBT**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2021:

<b>Governmental Activity Debt:</b>	<u>Original Issue Amount</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>	<u>Amount Due within One Year</u>	<u>Due in More than One Year</u>
<i>Authority Debt:</i>							
2008 General Obligation Revenue Bonds 1.50-4.70%, due 8/1/2025	\$2,231,000	\$1,140,000		(\$153,000)	\$987,000	\$167,000	\$820,000
Revenue Bonds, Series 2012 2.00-3.00%, due 8/1/2027	2,880,000	1,826,500		(185,000)	1,641,500	195,000	1,446,500
<i>Direct Borrowings:</i>							
2017 PERS Refinancing Lease Agreement 5.40%, due 6/15/2037	3,860,000	2,899,000		(2,899,000)			
2020 PERS Refinancing Lease Agreement 3.45%, due 8/1/2036	9,402,000		\$9,402,000	(185,000)	9,217,000	237,000	8,980,000
<i>Town Debt:</i>							
General Obligation Refunding Bonds Series 2016 2.10%, due 8/1/2027	1,239,000	929,000		(109,000)	820,000	110,000	710,000
<i>Direct Borrowings:</i>							
<i>Capital Leases:</i>							
Solar Panel Lease	249,000	49,800		(16,600)	33,200	16,600	16,600
PNC Equipment Leases	180,934	23,798		(23,798)			
<i>Notes:</i>							
Capital Improvement Notes	500,000	300,000		(100,000)	200,000	100,000	100,000
Total Government Activity Debt - Net		<u>\$7,168,098</u>	<u>\$9,402,000</u>	<u>(\$3,671,398)</u>	<u>\$12,898,700</u>	<u>\$825,600</u>	<u>\$12,073,100</u>

*2008 General Obligation Revenue Bonds*

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



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

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**5. LONG-TERM DEBT (Continued)**

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

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

The 2008 General Obligation Revenue Bonds are general obligations of the Town and Authority, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2021.

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, 2021**

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**5. LONG-TERM DEBT (Continued)**

The Revenue Bonds, Series 2012 are general obligations of the Town and Authority, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2021.

2017 PERS Refinancing Lease Agreement – Direct Borrowing

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 5.40%. Principal and interest payments are payable semi-annually on December 15 and June 15 over 21 years, commencing June 15, 2017. On September 29, 2020, the Town entered into a lease agreement with Fairfax Financing Authority to refinance the Town's obligation under the agreement as discussed below.

2020 PERS Refinancing Lease Agreement – Direct Borrowing

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

2016 General Obligation Refunding Bonds

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

The Refunding Bonds, Series 2016, are general obligations of the Town, payable solely from ad valorem property taxes levied by the Town and collected by Marin County. The bond covenants contain events of default that require the revenue of the Town to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Town to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Town; or if any court or competent jurisdiction shall assume custody or control of the Town. No such events occurred during the fiscal year ending June 30, 2021.

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

**5. LONG-TERM DEBT (Continued)**

Capital Leases

The Town had entered into several capital leases as of June 30, 2021. 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 acquiring the assets and the amounts of the leases have been included in the Town’s financial statements.

Capital Improvement Notes

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

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	
2022	\$472,000	\$78,743	\$353,600	\$328,656	\$1,232,999
2023	501,000	59,477	436,600	323,231	1,320,308
2024	531,000	62,301	375,000	293,198	1,261,499
2025	564,000	45,616	435,000	279,311	1,323,927
2026	597,000	27,521	472,000	263,770	1,360,291
2027 - 2031	783,500	18,453	3,021,000	1,035,053	4,858,006
2032 - 2036			3,827,000	432,148	4,259,148
2037 - 2038			530,000	9,141	539,141
	<u>\$3,448,500</u>	<u>\$292,111</u>	<u>\$9,450,200</u>	<u>\$2,964,508</u>	<u>\$16,155,319</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.

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

**6. EMPLOYEE RETIREMENT PLAN (Continued)**

**A. General Information about the Pension Plan (Continued)**

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 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.

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

	<b>Miscellaneous</b>		
	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 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	7.250%
Required employer contribution rates	12.527%	11.199%	7.874%
	<b>Safety</b>		
	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%	13.750%
Required employer contribution rates	24.303%	22.397%	13.884%

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 \$374,957 in fiscal year 2021.

On September 29, 2020, the Town entered into a lease agreement with the Fairfax Financing Authority, in the amount of \$9,402,000, to finance all or a portion of the existing Unfunded Actuarially Accrued Liability of the Town to CalPERS and refinance the Town’s obligations under a 2017 Lease Agreement. The Town used the proceeds from the new lease agreement to pay an additional \$6,460,955 toward the unfunded liability and side fund in fiscal year 2021.

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

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**6. EMPLOYEE RETIREMENT PLAN (Continued)**

**A. General Information about the Pension Plan (Continued)**

**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, 2021, the contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$2,811,976	\$4,423,693	\$7,235,669

**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, 2021, 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	\$2,532,177
Safety	4,072,550
Total Net Pension Liability	<u>\$6,604,727</u>

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

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**6. EMPLOYEE RETIREMENT PLAN (Continued)**

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

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.05510%
Proportion - June 30, 2020	<u>0.06003%</u>
Change - Increase (Decrease)	<u>0.00493%</u>
	<u>Safety</u>
Proportion - June 30, 2019	0.05555%
Proportion - June 30, 2020	<u>0.06113%</u>
Change - Increase (Decrease)	<u>0.00558%</u>
	<u>Total</u>
Proportion - June 30, 2019	0.11065%
Proportion - June 30, 2020	<u>0.12116%</u>
Change - Increase (Decrease)	<u>0.01051%</u>

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

**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, 2021, the Town recognized pension expense of \$1,616,591. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Miscellaneous:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$2,811,976	
Differences between actual and expected experience	130,491	
Changes in assumptions		(\$18,061)
Differences between actual contributions and proportionate share of contributions		(329,903)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	269,833	
Net differences between projected and actual earnings on plan investments	<u>75,222</u>	
Total	<u>\$3,287,522</u>	<u>(\$347,964)</u>

**Safety:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$4,423,693	
Differences between actual and expected experience	315,806	
Changes in assumptions		(\$13,566)
Differences between actual contributions and proportionate share of contributions		(707,266)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	408,480	
Net differences between projected and actual earnings on plan investments	<u>88,514</u>	
Total	<u>\$5,236,493</u>	<u>(\$720,832)</u>
<b>Combined Total</b>	<u>\$8,524,015</u>	<u>(\$1,068,796)</u>

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

**6. EMPLOYEE RETIREMENT PLAN (Continued)**

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

\$7,235,669 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	<u>Miscellaneous:</u>	<u>Safety:</u>	<u>Total:</u>
	Annual Amortization	Annual Amortization	Annual Amortization
2022	\$7,789	(\$43,539)	(\$35,750)
2023	43,476	32,895	76,371
2024	40,239	58,261	98,500
2025	36,078	44,351	80,429
Total	<u>\$127,582</u>	<u>\$91,968</u>	<u>\$219,550</u>

***Actuarial Assumptions*** – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions for all rate plans:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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)
Mortality	Derived using CalPers Membership 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 15 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 (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2018 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, 2021**

**6. EMPLOYEE RETIREMENT PLAN (Continued)**

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

***Discount Rate*** – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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	<u>100%</u>		

(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, 2021**

**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	\$4,448,260	\$7,047,027	\$11,495,287
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$2,532,177	\$4,072,550	\$6,604,727
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$948,978	\$1,631,710	\$2,580,688

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

***CalPERS Subsequent Event – Reduction of CalPERS Discount Rate*** - In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%. Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

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

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**7. DEFINED CONTRIBUTION RETIREMENT PLAN**

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

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

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

During the year, the Town and employees each contributed \$127,089 and \$149,007 respectively. The total covered payroll of employees participating in the plan for the year ended June 30, 2021 was \$276,097. The total payroll for the year was \$2,785,260.

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

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**8. OTHER POST-EMPLOYMENT BENEFITS**

**A. Plan Description and Funding Policy**

The Town provides full health insurance benefits to Miscellaneous employees who retire with at least 25 years of service (20 years in Management). The Town will pay up to the one-party Kaiser basic rate for retirees. For those with 10 or more years of service, there are partial benefits. For Public Safety Employees hired on or after July 1, 2013 the Town will contribute 1% of the employee’s regular rate of pay into a Retirement Health Savings plan (RHS). Contributions to the RHS began on July 1, 2018 and continue with each pay period based on the employee’s regular rate of pay at that time. Miscellaneous employees hired after July 1, 2013 are no longer eligible for retiree benefits. For retirees not eligible for the premium-based benefit, the Town will pay the CalPERS minimum employer contribution towards premiums, which is \$139 per month from July to December 2020 and \$143 from January to June 2021. 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, 2021, the Town’s contributions to the Plan were \$100,000.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	35
Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	14
Total	61

**B. Net OPEB Liability**

**Actuarial Methods and Assumptions** – The Town’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2021, based on the following actuarial methods and assumptions: (a) 5.85% investment return; (b) 2.750% projected annual salary increase; and (c) health care cost trend rate increases between 4% - 6% in future years.

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

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**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**B. Net OPEB Liability (Continued)**

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 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, 2019 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%	9.15%
Fixed Income	27%	4.52%
TIPS	5%	3.70%
Commodities	3%	4.39%
REITs	8%	7.53%
Total	100%	

**Discount Rate** – The discount rate used to measure the total OPEB liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**C. Changes in Net OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2019	\$2,346,060	\$1,118,695	\$1,227,365
Changes Recognized for the Measurement Period:			
Service Cost	209,347		209,347
Interest on the total OPEB liability	99,805		99,805
Differences between expected and actual experience	12,962		12,962
Changes of assumptions	353,019		353,019
Contributions:			
Employer - Town's Contribution		85,929	(85,929)
Employer - Implicit Subsidy		34,610	(34,610)
Net investment income		39,531	(39,531)
Benefit payments, including refunds of employee contributions	(85,929)	(85,929)	
Implicit rate subsidy fulfilled	(34,610)	(34,610)	
Administrative expenses		(547)	547
Net changes	554,594	38,984	515,610
Balance at June 30, 2020	\$2,900,654	\$1,157,679	\$1,742,975

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 \$34,610.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate:

Net OPEB Liability		
Discount Rate -1% 3.00%	Discount Rate 4.00%	Discount Rate +1% 5.00%
\$2,129,647	\$1,742,975	\$1,423,988

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

**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***D. 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 (1.00% to 6.00%) or 1-percentage-point higher (1.00% to 7.00%) than the current healthcare cost trend rates:

<b>Net OPEB Liability</b>		
<b>Healthcare Cost</b>		
<b>1% Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>
<b>1.00% Decreasing to 5.00%</b>	<b>Trend Rate 6.00%</b>	<b>1.00% Decreasing to 7.00%</b>
<u>\$1,344,777</u>	<u>\$1,742,975</u>	<u>\$2,241,881</u>

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

For the year ended June 30, 2021, the Town recognized \$45,282 of OPEB expense. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$69,457	(\$160,407)
Changes of assumptions	317,192	(29,638)
Net differences between projected and actual earnings on OPEB plan investments	25,960	
Contributions Subsequent to the Measurement Date	<u>242,513</u>	
Total	<u>\$655,122</u>	<u>(\$190,045)</u>

\$242,513 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reduction in the net OPEB liability in the year ended June 30, 2022. 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
2022	\$69,316
2023	25,331
2024	33,868
2025	31,427
2026	56,623
Thereafter	<u>5,999</u>
Total	<u>\$222,564</u>

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

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**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	
	2021	2020
Balance at beginning of year	\$180,208	\$179,583
Change in liability for prior fiscal year claims and claims incurred but not reported	(94,749)	12,739
Claims paid	(1,822)	(12,114)
Balance at end of year	<u>\$83,637</u>	<u>\$180,208</u>
Due in one year	<u>\$83,637</u>	<u>\$180,208</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, 2021**

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**10. JOINTLY GOVERNED ORGANIZATIONS**

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

**A. *Ross Valley Fire Service***

The Ross Valley Fire Service (Fire Service) was established under a 1982 Joint Exercise of Powers Agreement between the Town of Fairfax, the Town of San Anselmo, the Town of Ross and the County of Marin (for Sleepy Hollow) for the purpose of providing fire protection, emergency medical, and related services within the covered area. Members of the Fire Service pay their pro rata share of the total annual contributions. Financial statements for the Fire Service may be found at [www.rossvalleyfire.org](http://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.rossvalleyypa.org](http://www.rossvalleyypa.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, 2021**

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**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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Fairfax**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2021**

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

Measurement Date	<b>Miscellaneous</b>		
	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
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%	75.87%
Measurement Date	<b>Safety</b>		
	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
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%
Measurement Date	<b>Combined Total</b>		
	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
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, 2021**

**Miscellaneous**

<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>
0.05890%	0.05022%	0.05510%	0.06003%
\$2,045,987	\$1,892,771	\$2,206,385	\$2,532,177
\$1,307,451	\$1,422,171	\$1,731,683	\$1,795,191
156.49%	133.09%	127.41%	141.05%
84.04%	85.78%	84.16%	77.71%

**Safety**

<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>
0.00632%	0.05147%	0.05555%	0.06113%
\$3,272,224	\$3,020,302	\$3,467,642	\$4,072,550
\$1,102,979	\$1,153,546	\$1,169,226	\$1,319,468
296.67%	261.83%	296.58%	308.65%
83.16%	85.20%	83.64%	73.12%

**Combined Total**

<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>
0.06521%	0.10170%	0.11065%	0.12116%
\$5,318,211	\$4,913,073	\$5,674,027	\$6,604,727
\$2,410,430	\$2,575,717	\$2,900,909	\$3,114,659
220.63%	190.75%	195.59%	212.05%
83.51%	85.43%	83.85%	75.10%

**Town of Fairfax**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2021**

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

	<b>Miscellaneous</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
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)	(1,692,298)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$1,565,285)</u>
Covered payroll	<u>\$1,241,911</u>	<u>\$1,287,995</u>	<u>\$1,307,451</u>
Contributions as a percentage of covered payroll	16.66%	22.25%	129.43%
	<b>Safety</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
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)	(2,966,287)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$2,791,358)</u>
Covered payroll	<u>\$1,014,302</u>	<u>\$1,112,774</u>	<u>\$1,102,979</u>
Contributions as a percentage of covered payroll	37.45%	48.92%	268.93%
	<b>Combined Total</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
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)	(4,658,585)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(\$4,356,643)</u>
Covered payroll	<u>\$2,256,213</u>	<u>\$2,400,769</u>	<u>\$2,410,430</u>
Contributions as a percentage of covered payroll	26.00%	34.62%	193.27%

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

**Town of Fairfax**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2021**

**Miscellaneous**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$183,010	\$287,457	\$281,856	\$2,811,976
<u>(183,010)</u>	<u>(287,457)</u>	<u>(281,856)</u>	<u>(2,811,976)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$1,422,171</u>	<u>\$1,731,683</u>	<u>\$1,795,191</u>	<u>\$1,713,955</u>
12.87%	16.60%	15.70%	164.06%

**Safety**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$266,312	\$283,781	\$414,027	\$4,423,693
<u>(266,312)</u>	<u>(283,781)</u>	<u>(414,027)</u>	<u>(4,423,693)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$1,153,546</u>	<u>\$1,169,226</u>	<u>\$1,319,468</u>	<u>\$1,071,305</u>
23.09%	24.27%	31.38%	412.93%

**Combined Total**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$449,322	\$571,238	\$695,883	\$7,235,669
<u>(449,322)</u>	<u>(571,238)</u>	<u>(695,883)</u>	<u>(7,235,669)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$2,575,717</u>	<u>\$2,900,909</u>	<u>\$3,114,659</u>	<u>\$2,785,260</u>
17.44%	19.69%	22.34%	259.78%



**Town of Fairfax**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2021**

**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, 2021**

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<u>2019</u>	<u>2020</u>
\$69,283	\$209,347
176,301	99,805
32,801	12,962
(238,657)	353,019
(55,133)	(85,929)
(37,062)	(34,610)
<u>(52,467)</u>	<u>554,594</u>
2,398,527	2,346,060
<u>\$2,346,060</u>	<u>\$2,900,654</u>
\$62,528	\$39,531
155,133	85,929
37,062	34,610
(208)	(85,929)
(55,133)	(34,610)
(37,062)	(547)
<u>162,320</u>	<u>38,984</u>
956,375	1,118,695
<u>\$1,118,695</u>	<u>\$1,157,679</u>
<u>\$1,227,365</u>	<u>\$1,742,975</u>
47.68%	39.91%
<u>\$2,518,122</u>	<u>\$2,924,356</u>
<u>48.74%</u>	<u>59.60%</u>

**Town of Fairfax  
Required Supplementary Information  
For the Year Ended June 30, 2021**

**SCHEDULE OF CONTRIBUTIONS  
AGENT MULTIPLE EMPLOYER OPEB PLAN**

Last 10 fiscal years\*

<b>Fiscal Year Ended June 30,</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Actuarially determined contribution	\$65,854	\$195,302	\$126,146	\$300,289
Contributions in relation to the actuarially determined contribution	165,562	194,535	94,752	242,513
Contribution deficiency (excess)	(\$99,708)	\$767	\$31,394	\$57,776
Covered-employee payroll	\$1,983,474	\$2,038,020	\$2,518,122	\$2,924,356
Contributions as a percentage of covered-employee payroll	8.35%	9.55%	3.76%	8.29%

Methods and assumptions used to determine contribution rates:

Measurement Date	June 30, 2020
Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Period	20 years
Actuarial Assumptions:	Closed period, level percent of pay
Discount Rate	4.00%
Inflation	2.50%
Assumed Payroll Growth	2.750%
Healthcare Trend Rates	6.5%, trending down to 3.84%
Rate of Return on Assets	5.85%
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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$4,741,300	\$5,422,245	\$5,594,803	\$172,558
Special assessments	304,000	354,000	397,021	43,021
Sales tax	1,184,200	1,184,200	1,723,049	538,849
Permits licenses and fees	132,000	618,500	699,321	80,821
Fines, forfeitures and penalties	130,000	130,000	100,561	(29,439)
From other agencies	207,200	1,185,100	1,108,144	(76,956)
Franchise fees	404,000	404,000	478,798	74,798
Services charges	223,000	171,500	205,294	33,794
Use of money and property	51,300	65,600	19,803	(45,797)
Other revenue	14,300	128,500	73,581	(54,919)
<b>Total Revenues</b>	<b>7,391,300</b>	<b>9,663,645</b>	<b>10,400,375</b>	<b>736,730</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,220,151	2,109,766	1,758,358	351,408
Public safety	6,348,081	6,348,081	6,185,086	162,995
Public works and facilities	801,547	801,550	749,220	52,330
Planning and building	961,057	961,058	822,852	138,206
Parks and recreation	618,907	618,906	609,516	9,390
Capital outlay		45,000	49,425	(4,425)
Debt service:				
Principal		186,474	140,398	46,076
Interest and fiscal charges			42,906	(42,906)
<b>Total Expenditures</b>	<b>10,949,743</b>	<b>11,070,835</b>	<b>10,357,761</b>	<b>713,074</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,558,443)</b>	<b>(1,407,190)</b>	<b>42,614</b>	<b>1,449,804</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,575,000	3,820,000	1,030,000	(2,790,000)
Transfers (out)	(17,537)	(2,562,537)	(5,962)	2,556,575
<b>Total Other Financing Sources (Uses)</b>	<b>3,557,463</b>	<b>1,257,463</b>	<b>1,024,038</b>	<b>(233,425)</b>
<b>Net change in fund balance</b>	<b>(\$980)</b>	<b>(\$149,727)</b>	<b>1,066,652</b>	<b>\$1,216,379</b>
<b>FUND BALANCE</b>				
Beginning of year			4,737,535	
End of year			\$5,804,187	

**Town of Fairfax  
Required Supplementary Information  
For the Year Ended June 30, 2021**

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**1. BUDGETARY PRINCIPLES**

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

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

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

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

Expenditures over Appropriations

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

	<u>Expenditures in Excess of Budget</u>
General Fund:	
Capital Outlay	\$4,425
Interest and Fiscal Charges	42,906
2020 Lease Financing Debt Service Fund:	
Principal	2,628,531
Interest	309,397

**SUPPLEMENTARY INFORMATION**

TOWN OF FAIRFAX  
2020 LEASE FINANCING DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other revenue	\$455,469	\$455,469	\$455,468	(\$1)
<b>Total Revenues</b>	<u>455,469</u>	<u>455,469</u>	<u>455,468</u>	<u>(1)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	455,469	455,469	3,084,000	(2,628,531)
Interest and fiscal charges			<u>309,397</u>	<u>(309,397)</u>
<b>Total Expenditures</b>	<u>455,469</u>	<u>455,469</u>	<u>3,393,397</u>	<u>(2,937,928)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>			<u>(2,937,929)</u>	<u>(2,937,929)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt			<u>9,402,000</u>	<u>9,402,000</u>
<b>Total Other Financing Sources (Uses)</b>			<u>9,402,000</u>	<u>9,402,000</u>
<b>SPECIAL ITEM</b>				
Payment of CalPERS Unfunded Accrued Liability			<u>(6,460,955)</u>	<u>(6,460,955)</u>
<b>Total Special Items</b>			<u>(6,460,955)</u>	<u>(6,460,955)</u>
<b>Net change in fund balance</b>			<u>3,116</u>	<u>\$3,116</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,293</u>	
End of year			<u>\$4,409</u>	

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TOWN OF FAIRFAX  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2021

SPECIAL REVENUE FUNDS

	Special Police	Fairfax Festival	Measure J	Gas Tax	Open Space
<b>ASSETS</b>					
Cash and investments	\$51,527			\$171,609	\$46,045
Restricted cash and investments					
Accounts receivable			\$9,712		
<b>Total Assets</b>	<b>\$51,527</b>		<b>\$9,712</b>	<b>\$171,609</b>	<b>\$46,045</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable					
Due to other funds		\$19,485	\$3,124		
<b>Total Liabilities</b>		<b>19,485</b>	<b>3,124</b>		
<b>Fund balances:</b>					
Restricted	\$51,527		6,588	\$171,609	\$46,045
Unassigned		(19,485)			
<b>Total Fund Balances (Deficits)</b>	<b>51,527</b>	<b>(19,485)</b>	<b>6,588</b>	<b>171,609</b>	<b>46,045</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$51,527</b>		<b>\$9,712</b>	<b>\$171,609</b>	<b>\$46,045</b>

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	Total
\$161,128	\$7,242				\$437,551
		\$287,124	\$255,753	\$94,241	637,118
				4,571	14,283
<u>\$161,128</u>	<u>\$7,242</u>	<u>\$287,124</u>	<u>\$255,753</u>	<u>\$98,812</u>	<u>\$1,088,952</u>
				\$1,655	\$1,655
					22,609
				1,655	24,264
\$161,128	\$7,242	\$287,124	\$255,753	97,157	1,084,173
					(19,485)
<u>161,128</u>	<u>7,242</u>	<u>287,124</u>	<u>255,753</u>	<u>97,157</u>	<u>1,064,688</u>
<u>\$161,128</u>	<u>\$7,242</u>	<u>\$287,124</u>	<u>\$255,753</u>	<u>\$98,812</u>	<u>\$1,088,952</u>

TOWN OF FAIRFAX  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS				
	Special Police	Fairfax Festival	Measure J	Gas Tax	Open Space
<b>REVENUES</b>					
Property taxes					
From other agencies	\$142,690		\$712,931	\$303,018	\$4,158
<b>Total Revenues</b>	142,690		712,931	303,018	4,158
<b>EXPENDITURES</b>					
Current:					
Parks and recreation					2,426
Capital outlay					
Debt service:					
Principal					
Interest					
<b>Total Expenditures</b>					2,426
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	142,690		712,931	303,018	1,732
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					2,425
Transfers (out)	(110,000)		(785,000)	(324,000)	
<b>Total Other Financing Sources (Uses)</b>	(110,000)		(785,000)	(324,000)	2,425
<b>NET CHANGE IN FUND BALANCES</b>	32,690		(72,069)	(20,982)	4,157
<b>FUND BALANCE (DEFICIT)</b>					
<b>Beginning of the year</b>	18,837	(\$19,485)	78,657	192,591	41,888
<b>End of the year</b>	\$51,527	(\$19,485)	\$6,588	\$171,609	\$46,045

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	
\$134,830	\$61,002	\$170,837 1,158	\$189,445 1,284	\$112,634	\$472,916 1,361,071
134,830	61,002	171,995	190,729	112,634	1,833,987
	90,501				2,426 90,501
		153,000 48,913	185,000 38,906	109,000 23,225	447,000 111,044
	90,501	201,913	223,906	132,225	650,971
134,830	(29,499)	(29,918)	(33,177)	(19,591)	1,183,016
(211,360)	(144,542)				2,425 (1,574,902)
(211,360)	(144,542)				(1,572,477)
(76,530)	(174,041)	(29,918)	(33,177)	(19,591)	(389,461)
237,658	181,283	317,042	288,930	116,748	1,454,149
\$161,128	\$7,242	\$287,124	\$255,753	\$97,157	\$1,064,688

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, 2021

	Special Police			Fairfax Festival		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
From other agencies	\$100,000	\$142,690	\$42,690			
Service charges				\$41,000		(\$41,000)
<b>Total Revenues</b>	100,000	142,690	42,690	41,000		(41,000)
<b>EXPENDITURES</b>						
Current:						
Parks and recreation				31,700		31,700
Debt service:						
Principal						
Interest and fiscal charges						
Capital outlay						
<b>Total Expenditures</b>				31,700		31,700
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	100,000	142,690	42,690	9,300		(9,300)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)	(110,000)	(110,000)				
<b>Total other financing sources (uses)</b>	(110,000)	(110,000)				
<b>NET CHANGE IN FUND BALANCES</b>	(\$10,000)	32,690	\$42,690	\$9,300		(\$9,300)
<b>FUND BALANCE (DEFICIT)</b>						
<b>Beginning of the year</b>		18,837			(\$19,485)	
<b>End of the year</b>		\$51,527			(\$19,485)	

Measure J			Gas Tax			Open Space		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$713,600	\$712,931	(\$669)	\$305,537	\$303,018	(\$2,519)	\$2,000	\$4,158	\$2,158
<u>713,600</u>	<u>712,931</u>	<u>(669)</u>	<u>305,537</u>	<u>303,018</u>	<u>(2,519)</u>	<u>2,000</u>	<u>4,158</u>	<u>2,158</u>
						4,000	2,426	1,574
						<u>4,000</u>	<u>2,426</u>	<u>1,574</u>
<u>713,600</u>	<u>712,931</u>	<u>(669)</u>	<u>305,537</u>	<u>303,018</u>	<u>(2,519)</u>	<u>(2,000)</u>	<u>1,732</u>	<u>3,732</u>
<u>(785,000)</u>	<u>(785,000)</u>		<u>(324,000)</u>	<u>(324,000)</u>		4,000	2,425	(1,575)
<u>(785,000)</u>	<u>(785,000)</u>		<u>(324,000)</u>	<u>(324,000)</u>		4,000	2,425	(1,575)
<u>(\$71,400)</u>	<u>(72,069)</u>	<u>(\$669)</u>	<u>(\$18,463)</u>	<u>(20,982)</u>	<u>(\$2,519)</u>	<u>\$2,000</u>	4,157	<u>\$2,157</u>
	<u>78,657</u>			<u>192,591</u>			<u>41,888</u>	
	<u>\$6,588</u>			<u>\$171,609</u>			<u>\$46,045</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, 2021

	Measure A Parks			Measure A/AA Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
From other agencies	\$134,830	\$134,830		\$47,044	\$61,002	\$13,958
Service charges						
<b>Total Revenues</b>	<u>134,830</u>	<u>134,830</u>		<u>47,044</u>	<u>61,002</u>	<u>13,958</u>
<b>EXPENDITURES</b>						
Current:						
Parks and Recreation						
Debt service:						
Principal						
Interest and fiscal charges						
Capital outlay				125,171	90,501	34,670
<b>Total Expenditures</b>				<u>125,171</u>	<u>90,501</u>	<u>34,670</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>134,830</u>	<u>134,830</u>		<u>(78,127)</u>	<u>(29,499)</u>	<u>48,628</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers (in)						
Transfers (out)	(346,190)	(211,360)	\$134,830	(144,542)	(144,542)	
<b>Total other financing sources (uses)</b>	<u>(346,190)</u>	<u>(211,360)</u>	<u>134,830</u>	<u>(144,542)</u>	<u>(144,542)</u>	
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$211,360)</u>	<u>(76,530)</u>	<u>\$134,830</u>	<u>(\$222,669)</u>	<u>(174,041)</u>	<u>\$48,628</u>
<b>FUND BALANCE (DEFICIT)</b>						
<b>Beginning of the year</b>		<u>237,658</u>			<u>181,283</u>	
<b>End of the year</b>		<u>\$161,128</u>			<u>\$7,242</u>	

2008 Series Debt Service			2012 Series Debt Service			2016 Series Debt Service		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$132,802	\$170,837	\$38,035	\$222,299	\$189,445	(\$32,854)	\$110,307	\$112,634	\$2,327
1,039	1,158	119	1,739	1,284	(455)	863		(863)
<u>133,841</u>	<u>171,995</u>	<u>38,154</u>	<u>224,038</u>	<u>190,729</u>	<u>(33,309)</u>	<u>111,170</u>	<u>112,634</u>	<u>1,464</u>
153,000	153,000		185,000	185,000		109,000	109,000	
48,931	48,913	18	38,906	38,906		24,665	23,225	1,440
<u>201,931</u>	<u>201,913</u>	<u>18</u>	<u>223,906</u>	<u>223,906</u>		<u>133,665</u>	<u>132,225</u>	<u>1,440</u>
<u>(68,090)</u>	<u>(29,918)</u>	<u>38,172</u>	<u>132</u>	<u>(33,177)</u>	<u>(33,309)</u>	<u>(22,495)</u>	<u>(19,591)</u>	<u>2,904</u>
<u>(\$68,090)</u>	<u>(29,918)</u>	<u>\$38,172</u>	<u>\$132</u>	<u>(33,177)</u>	<u>(\$33,309)</u>	<u>(\$22,495)</u>	<u>(19,591)</u>	<u>\$2,904</u>
	<u>317,042</u>			<u>288,930</u>			<u>116,748</u>	
	<u>\$287,124</u>			<u>\$255,753</u>			<u>\$97,157</u>	



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