

**TOWN OF FAIRFAX
STAFF REPORT**

To: Mayor, Members of the Town Council

From: Michael Vivrette, Finance Director

Date: December 5, 2012

**Subject: Presentation of the 2010-2011 Audit by Katherine Yuen, Maze and Associates
Accountancy Corporation**

RECOMMENDATION

- Receive and accept Financial Statements and Independent Auditor's Report
- Presentation will be made by Katherine Yuen of Maze and Associates of the Fiscal Year 2011 Financial Statements.

DISCUSSION

The Town auditors have issued the Audited Financial Statements for the Town consisting of:

- (1) Basic Financial Statements and Independent Auditor's Report for June 30, 2011
- (2) Single Audit Report (required for Federal expenditures over \$500,000)
- (3) Appropriation Limit Report

The statements and report have been reviewed by the Finance Committee at their November meeting.

The Single Audit report and Appropriation report will be distributed at the meeting with an additional exhibit, Memorandum of Internal Control.

ATTACHMENTS

- Basic Financial Statements

Town of Fairfax

Fairfax, California

*Basic Financial Statements and
Independent Auditor's Report*

For the year ended June 30, 2011

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Town of Fairfax

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Town of Fairfax

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Fairfax, California, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 of Fairfax, California, as of June 30, 2011 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 1, the Town adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not required as part of the basic financial statements of the Town of Fairfax, California. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associates

July 12, 2012

Town of Fairfax Management's Discussion and Analysis

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2011. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

GOVERNMENT-WIDE HIGHLIGHTS

- The Government-Wide Statement of Net Assets appears as the first statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. The statement shows the Town's assets to be \$11,096,476, liabilities of \$7,800,923 and net assets of \$3,295,553 at June 30, 2011. This compares with assets of \$11,300,471, liabilities of \$8,380,604 and net assets of \$2,919,867 at June 30, 2010.
- The Government-Wide Statement of Activities and Changes in Net Assets appears as the second statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. This statement shows an increase in net assets of \$375,686 for the fiscal year ended June 30, 2011 as compared to a decrease of \$279,270 for the fiscal year ended June 30, 2010. Revenues for fiscal 2011 increased by \$624,648 from the prior year primarily due to increased fees; capital project grants received from the State for fire grant, road surfacing, and Parcade study; and transfers of \$150,000 for the Pavilion restoration. Expenses for the same period decreased by \$19,745, mainly as a result of reduced cost of public works projects, offset by increases in general government and public safety costs.
- The Town's long-term debt (including current portion) totaled \$6,657,736 as of June 30, 2011, which includes the outstanding balance on the Measure K bonds. Additionally, the Town has accrued \$146,617 of non-current claims payable.

FUND HIGHLIGHTS

At the close of fiscal year 2011, the Town's governmental funds reported a combined ending fund balance of \$2,404,635, as compared to \$2,515,266 at June 30, 2010. 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 2010-2011, the Town accomplished the following:

- After a long period of planning and construction the pedestrian bridge that fell into Fairfax Creek during the great New Year's Eve flood of 2005 was replaced. A concurrent project to the pedestrian bridge was stabilizing the bank so that the tennis courts do not slip into the creek. After the bridge was replaced and the bank stabilized the tennis courts were resurfaced. The projects will be completed in early FY 2011/12.
- As a result of the flood disaster, class action flood lawsuits were filed, naming the Town of Fairfax as one of several government agency defendants who were, according to the claims, allegedly negligent in flood control and thus responsible for the financial impact of the flood disaster. The total of the flood lawsuits is approximately \$800 million. The Town successfully settled its part of the liability in the suit and is no longer involved in the lawsuit.
- As part of a continuing effort to reduce costs and fix a developing structural deficit problem, the Town Council created the position of Chief Building Inspector/Public Works Manager and a newly created position of Building Inspector/Senior Maintenance Worker to be filled by existing staff. The position of Public Works Director was combined with the position of Town Manager.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

The Town maintains 18 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
- Communication Equipment Replacement 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
- Youth Recreation Fund
- Measure F Municipal Services Fund
- Measure K Capital Projects Fund

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

- Grants Fund
- Town Fund
- Fairfax Creek Restoration Fund
- Storm Fund
- Emergency Watershed Protection 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 2000 Fund
- Measure K Debt Service Series 2002 Fund
- Measure K Debt Service Series 2006 Fund
- Measure K Debt Service Series 2008 Fund

Agency Funds

Agency funds are used to account for assets held by the Town in a fiduciary capacity or as an agent for individuals, governmental entities, and others. The Pavilion Renovation Fund accounts for assets held by the Town to be used for renovation of the Pavilion.

Business-type Funds

The Town maintains no business-type funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets

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

	Governmental Activities		Percentage Change
	2011	2010	
Cash and investments	\$ 2,611,055	\$ 3,005,149	-13.1%
Capital assets, net	8,124,945	7,862,973	3.3%
Other assets	360,476	432,349	-16.6%
Total assets	11,096,476	11,300,471	-1.8%
Current liabilities	774,325	1,092,851	-29.1%
Non-current liabilities	7,026,598	7,287,753	-3.6%
Total liabilities	7,800,923	8,380,604	-6.9%
Invested in capital assets, net	1,467,209	727,721	101.6%
Restricted	913,731	961,215	-4.9%
Unrestricted	914,613	1,230,931	-25.7%
Net assets	\$ 3,295,553	\$ 2,919,867	12.9%

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$1,467,209 at the end of fiscal year 2011 represents the cost of these assets less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$913,731 at the end of fiscal 2011 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets balance of \$914,613 may be used to finance day-to-day operations without constraints.

Changes in Net Assets

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

	Governmental Activities		Percentage Change
	2011	2010	
Revenues:			
Program revenues			
Charges for services	\$ 981,712	\$ 819,990	19.7%
Operating grants & contributions	800,040	645,461	23.9%
General revenues:			
Taxes	6,283,694	6,384,034	-1.6%
Intergovernmental	314,762	-	0.0%
Use of Money & Property	3,278	12,214	-73.2%
Miscellaneous	27,033	74,172	-63.6%
Transfers	150,000	-	
Total revenues	8,560,519	7,935,871	7.9%
Expenses:			
General government	1,347,945	1,206,281	11.7%
Public safety	4,711,645	4,519,544	4.3%
Public works	840,379	1,234,837	-31.9%
Planning & Building	562,164	529,655	6.1%
Parks and recreation	362,685	302,923	19.7%
Debt Service	360,015	421,901	-14.7%
Total expenses	8,184,833	8,215,141	-0.4%
Change in net assets	375,686	(279,270)	-234.5%
Net assets - beginning of year	2,919,867	3,199,137	-8.7%
Net assets - end of year	\$ 3,295,553	\$ 2,919,867	12.9%

Net assets increased \$375,686 during the fiscal year ended June 30, 2011. Total revenues for fiscal year 2011 were \$8,560,519 as compared to \$7,935,871 for fiscal year 2010. The approximately \$624,648 increase in revenues is mainly attributed to increased fees; capital project grants received from the State for fire grant, road surfacing, and Parcade study; and transfers of \$150,000 for the Pavilion restoration offset by and reduced revenues from taxes and investment earning due to falling interest rates with LAIF.

Total expenses for the year ended June 30, 2011 were \$8,184,833 compared with \$8,215,141 for the same period in 2010. The approximate \$30,308 decrease in expenses primarily reflects reduced costs in public works, and funds expended in interest on long-term debt offset by increases in costs for general government and public safety.

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 \$2,656,751.

General Fund revenue during the FY 2010-11 year totaled 6,209,365, which was less than the final budgeted amount by \$89,636, or 1.4%. This revenue decrease primarily relates to the Town's projection of additional miscellaneous revenues which did not materialize in the current year offset by a boost in permits and fees from the relocation of the Good Earth Food store.

General Fund expenditures for FY 2010-11 totaled \$7,093,600, and were higher than the final budgeted amount by \$216,601 or 3.1%. This is related to an increase in public works and capital outlay expenditures related to FEMA reimbursable projects; and a 1.75% expense in excess of budgeted in all other departments.

Measure K Special Revenue Fund

The Measure K Special Revenue Fund was created to finance capital improvements to community facilities, streets, and storm drains for the Town of Fairfax from Measure K funds. At the end of the current fiscal year, the restricted fund balance of the fund was \$85,725.

Grants Capital Projects Fund

The Grants Capital Projects Fund was created to finance capital improvements for the Town of Fairfax funded from federal and state grants. At the end of the current fiscal year, the unassigned fund balance of the fund was (\$301,443).

Fairfax Creek Restoration Fund

The Grants Capital Projects Fund was created to finance creek improvements for the Town of Fairfax funded primarily from FEMA. At the end of the current fiscal year, the unassigned fund balance of the fund was (\$475,889).

Town Capital Projects Fund

The Grants Capital Projects Fund was created to capital improvements for the Town of Fairfax funded primarily from General Fund revenues including Measure A and Measure I funds. At the end of the current fiscal year, the unassigned fund balance of the fund was (\$135,952).

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

While the general economic outlook remains cautious, the Town will need to negotiate memoranda of understanding with all its employee groups, providing for fair salary and benefit increases to enhance recruitment and retention of staff in early FY 2011/12. Over the past several years the Town has experienced the continued necessity to stem the growth of expenditures, and thus one Police Officer position and one Administrative Assistant position remain frozen and unfilled. Several positions have been consolidated in the Public Works Department including the Public Works Director/Town Manager. The Town is currently pursuing various means of minimizing employee benefit cost growth including having employees pay an increasing share of their pension costs.

The Town ended the Fiscal Year 2010-11 in a positive fiscal situation, despite the devastating effect the 05-06 flood disaster had on the Town's physical and financial assets. The Town completed Fiscal Year 2010-11 with some FEMA projects substantially complete and/or awaiting the results of state and federal funding applications for reimbursement.

Reimbursement for the Town's remaining few flood disaster projects is still being determined, and the completed FEMA projects are being submitted to audit. With the projections of a slowing economy and a State budget facing significant structural deficits, the Town needs to proceed over the near future with caution and mindfulness of the threats to its financial stability.

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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TOWN OF FAIRFAX
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	<u>Governmental-Type Activities</u>
Cash and investments (Note 2)	\$2,611,055
Accounts receivable	153,787
Interest receivable	123
Taxes receivable	17,361
Prepays	6,755
Deferred charges	182,450
Land and construction in progress (Note 4)	1,011,450
Capital assets, net of accumulated depreciation (Note 4)	<u>7,113,495</u>
Total Assets	<u>11,096,476</u>
LIABILITIES	
Accounts payable	115,702
Accrued payroll	160,663
Deposits	108,081
Interest payable	128,044
Compensated absences payable (Note 5):	
Due within one year	23,683
Due in more than one year	<u>272,360</u>
Unamortized bond premium (Note 5)	116,306
Long-term claims payable (Note 9)	146,617
Net OPEB liability (Note 8)	71,731
Long-Term Debt (Note 5):	
Due within one year	238,152
Due in more than one year	<u>6,419,584</u>
Total Liabilities	<u>7,800,923</u>
NET ASSETS (Note 1K)	
Invested in capital assets, net of related debt	<u>1,467,209</u>
Restricted for:	
Special projects	14,097
Capital projects	85,725
Debt service	<u>813,909</u>
Total Restricted Net Assets	<u>913,731</u>
Unrestricted	<u>914,613</u>
Total Net Assets	<u><u>\$3,295,553</u></u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$1,347,945	\$428,962		(\$918,983)
Public safety	4,711,645	72,674	\$100,000	(4,538,971)
Public works	840,379	1,049	700,040	(139,290)
Planning and building	562,164	431,431		(130,733)
Parks and recreation	362,685	47,596		(315,089)
Interest and fiscal charges	360,015			(360,015)
Total Governmental Activities	\$8,184,833	\$981,712	\$800,040	(6,403,081)
General revenues:				
Property taxes				4,594,489
Special assessments				592,397
Sales taxes				542,585
Other taxes				554,223
Investment earnings				3,278
Miscellaneous				491,795
Total General Revenues				6,778,767
Change in Net Assets				375,686
Net Assets-Beginning				2,919,867
Net Assets-Ending				\$3,295,553

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	Major Funds			
	General Fund	Measure K Special Revenue	Grants Capital Projects	Fairfax Creek Restoration
ASSETS				
Cash and investments (Note 2)	\$1,709,796	\$85,615		
Receivables (net of allowances):				
Accounts	114,533			
Taxes	17,361			
Interest	13	110		
Due from other funds (Note 3A)	1,184,419			
Prepays	6,755			
Total Assets	\$3,032,877	\$85,725		
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$100,132		\$6,281	
Accrued payroll	160,663			
Deposits payable	108,081			
Deferred revenue	495			
Due to other funds (Note 3A)			295,162	\$475,889
Total Liabilities	369,371		301,443	475,889
Fund Balances (Deficits) (Note 1L):				
Nonspendable	6,755			
Restricted		\$85,725		
Unassigned	2,656,751		(301,443)	(475,889)
Total Fund Balances (Deficits)	2,663,506	85,725	(301,443)	(475,889)
Total Liabilities and Fund Balances	\$3,032,877	\$85,725		

See accompanying notes to financial statements

<u>Town Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
	\$815,644	\$2,611,055
	39,254	153,787
		17,361
		123
		1,184,419
		6,755
	<u>\$854,898</u>	<u>\$3,973,500</u>
	\$8,794	\$115,207
		160,663
		108,081
		495
<u>\$135,952</u>	<u>277,416</u>	<u>1,184,419</u>
<u>135,952</u>	<u>286,210</u>	<u>1,568,865</u>
		6,755
	828,006	913,731
<u>(135,952)</u>	<u>(259,318)</u>	<u>1,484,149</u>
<u>(135,952)</u>	<u>568,688</u>	<u>2,404,635</u>
	<u>\$854,898</u>	<u>\$3,973,500</u>

TOWN OF FAIRFAX
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances reported on the governmental funds balance sheet \$2,404,635

Amounts reported for Governmental Activities in the Statement of Net Assets
 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. 8,124,945

LONG-TERM ASSETS AND LIABILITIES

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

Long-term debt	(6,657,736)
Unamortized bond premium	(116,306)
Interest payable	(128,044)
Deferred charges	182,450
Claims payable	(146,617)
Net OPEB asset	(71,731)
Compensated absences	<u>(296,043)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,295,553

See accompanying notes to financial statements

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TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			
	General Fund	Measure K Special Revenue	Grants Capital Projects	Fairfax Creek Restoration
REVENUES				
Property taxes	\$3,471,025			
Special assessments	592,397			
Sales taxes	482,678			
Permits licenses and fees	485,914			
Fines, forfeitures and penalties	64,908			
From other agencies	617,359		\$304,205	
Motor vehicle in-lieu fees	30,409			
Franchise fees	319,418			
Services charges	63,926			
Use of money and property	28,554	\$1,562		
Other revenue	52,777		208,557	
Total Revenues	6,209,365	1,562	512,762	
EXPENDITURES				
Current:				
General government	1,283,181			
Public safety	4,340,259			
Public works	561,027			
Planning and building	562,164			
Parks and recreation	274,930			
Capital outlay	32,191		172,874	
Debt service:				
Principal	38,825			
Interest and fiscal charges	1,023			
Total Expenditures	7,093,600		172,874	
REVENUES OVER (UNDER) EXPENDITURES	(884,235)	1,562	339,888	
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3B)	625,500		184,900	
Transfers out (Note 3B)	(28,700)	(15,000)		
Total Other Financing Sources (Uses)	596,800	(15,000)	184,900	
Net change in fund balance	(287,435)	(13,438)	524,788	
FUND BALANCE (DEFICIT)				
Beginning of the year	2,950,941	99,163	(826,231)	(\$475,889)
End of the year	<u>\$2,663,506</u>	<u>\$85,725</u>	<u>(\$301,443)</u>	<u>(\$475,889)</u>

See accompanying notes to financial statements

<u>Town Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
		\$3,471,025
	\$529,448	1,121,845
		482,678
		485,914
		64,908
\$58,296	1,210,408	2,190,268
		30,409
		319,418
	25,907	89,833
	378	30,494
	12,393	273,727
<u>58,296</u>	<u>1,778,534</u>	<u>8,560,519</u>
		1,283,181
	3,952	4,344,211
		561,027
		562,164
	87,755	362,685
1,014	769,354	975,433
	185,000	223,825
	357,601	358,624
<u>1,014</u>	<u>1,403,662</u>	<u>8,671,150</u>
<u>57,282</u>	<u>374,872</u>	<u>(110,631)</u>
	28,700	839,100
(8,000)	(787,400)	(839,100)
(8,000)	(758,700)	
49,282	(383,828)	(110,631)
(185,234)	952,516	2,515,266
<u>(\$135,952)</u>	<u>\$568,688</u>	<u>\$2,404,635</u>

TOWN OF FAIRFAX
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

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 Assets 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 (\$110,631)

Amounts reported for governmental activities in the Statement of Activities
 are different because of the following:

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 capital outlay expenditures are therefore added back to fund balance	758,131
(Capitalized expenditures is the net of total capital outlay of \$975,433 and non-capitalized capital outlay expenditures of \$217,302)	
Depreciation expense is deducted from the fund balance	(496,159)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Repayment of debt principal is added back to fund balance	223,825
---	---------

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):

Deferred charges	(10,732)
Compensated absences	42,447
Net OPEB asset	(90,186)
Claims payable	49,650
Interest payable	2,500
Unamortized bond premium	<u>6,841</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$375,686</u></u>
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See accompanying notes to financial statements

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BASIC FINANCIAL STATEMENTS

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Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2011

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, and the primary government.

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 Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of the governmental activities for the Town, the primary government, accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

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 liabilities, including capital assets and related current year infrastructure asset additions and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. Basis Accounting and Measurement Focus, (Continued)

Government-Wide Financial Statements, (Continued)

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

- Charges for services
- Operating grants and contributions

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

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

The Town applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) and Statements Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

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 current liabilities 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.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. Basis Accounting and Measurement Focus, (Continued)

Governmental Fund Financial Statements, (Continued)

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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements normally include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town's fiduciary funds represent agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, a statement of Changes in Fiduciary Net Assets is not presented in this report.

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.

D. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town's policy is to apply restricted net assets 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.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

F. Capital Assets

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

Buildings	40 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years
Infrastructure	20-65 years

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

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

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.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

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

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

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

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

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. The Town records premium payments on a "pay-as-you-go" basis.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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 Assets

Government-Wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – 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 Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

L. Fund Balances

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

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

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

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and 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. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources. As of June 30, 2011 the Town does not have any committed fund balances.

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 encumbrances; 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. As of June 30, 2011, the Town does not have any assigned fund balances.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the Town's Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	Special Revenue		Debt Service	Capital Projects		Non-Major Governmental Funds	Total
	General Fund	Measure K Special Revenue	Fairfax Creek Restoration	Grants Capital Projects	Town Capital Projects		
Nonspendables:							
Items not in spendable form:							
Prepaid Expenses	\$6,755						\$6,755
Total Nonspendable Fund Balances	6,755						6,755
Restricted for:							
Measure K projects		\$85,725					85,725
Special projects						\$14,097	14,097
Debt service						813,909	813,909
Total Restricted Fund Balances		85,725				828,006	913,731
Unassigned:							
General Fund	2,656,751						2,656,751
Other governmental fund deficit residuals			(\$475,889)	(\$301,443)	(\$135,952)	(259,318)	(1,172,602)
Total Unassigned Fund Balances	2,656,751		(475,889)	(301,443)	(135,952)	(259,318)	1,484,149
Total Fund Balances	\$2,663,506	\$85,725	(\$475,889)	(\$301,443)	(\$135,952)	\$568,688	\$2,404,635

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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, 2011:

	Governmental Activities	Fiduciary Funds Statement of Net Assets	Total
	<u> </u>	<u> </u>	<u> </u>
Cash and investments	<u>\$2,611,055</u>	<u>\$0</u>	<u>\$2,611,055</u>

Deposits and investments were categorized as follows at June 30, 2011:

	Credit Quality Ratings	Fair Value	Days to Maturity
	<u> </u>	<u> </u>	<u> </u>
Town Treasury Deposits:			
Deposits	Not Rated	\$833,890	N/A
Certificate of Deposit	Not Rated	164,935	October 14, 2011
Petty cash	Not Rated	<u>300</u>	N/A
Total Town Treasury Deposits		<u>999,125</u>	
Town Treasury Investments:			
Local Agency Investment Funds	Not Rated	1,603,856	N/A
Investments Held by Fiscal Agents			
Money Market Mutual Fund	Not Rated	<u>8,074</u>	N/A
Total cash and investments		<u>\$2,611,055</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.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, (Continued)

B. Cash Deposits, (Continued)

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

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

C. Investments

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

- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held for more than one fiscal year that matured or were called/sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

D. Risk Disclosures

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy has 100% of the Town's investment portfolio mature in less than one year.

E. Investments in Local Agency Investment Funds

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. 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. The average life on investment funds invested in LAIF is 237 days.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2011, the Town had the following short-term receivables and payables:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Grants Capital Projects Fund	\$295,162
	Fairfax Creek Restoration Special Revenue Fund	475,889
	Town Capital Projects Fund	135,952
	Non-Major Governmental Funds	277,416
		<u>\$1,184,419</u>

The Town has recorded due to/due from for all funds requiring cash at June 30, 2011.

B. Interfund Transfers

Transfers during the fiscal year ended June 30, 2011, were comprised of the following:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
General Fund	Measure K Special Revenue Fund	\$15,000
	Town Capital Projects Fund	8,000
	Non-Major Governmental Funds	602,500
Grants Capital Projects Fund	Non-Major Governmental Funds	184,900
Non-Major Governmental Funds	General Fund	28,700
		<u>\$839,100</u>
Total Interfund Transfers		

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

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS

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

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

A. Government-Wide Financial Statements

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

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$255,988			\$255,988
Construction in progress		\$755,462		755,462
Total capital assets not being depreciated	255,988	755,462		1,011,450
Capital assets being depreciated:				
Buildings	341,183			341,183
Other improvements	1,075,301			1,075,301
Vehicles	502,707		(\$24,657)	478,050
Machinery and equipment	718,318			718,318
Infrastructure	10,968,412	2,669		10,971,081
Total capital assets being depreciated	13,605,921	2,669	(24,657)	13,583,933
Less accumulated depreciation for:				
Buildings	(266,124)	(5,433)		(271,557)
Other improvements	(248,732)	(50,461)		(299,193)
Vehicles	(406,171)	(33,111)	24,657	(414,625)
Machinery and equipment	(471,076)	(44,185)		(515,261)
Infrastructure	(4,606,833)	(362,969)		(4,969,802)
Total accumulated depreciation	(5,998,936)	(496,159)	24,657	(6,470,438)
Net capital assets being depreciated	7,606,985	(493,490)		7,113,495
Governmental activity capital assets, net	\$7,862,973	\$261,972		\$8,124,945

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS, (Continued)

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2011, were as follows:

	Depreciation Expense
General Government	\$38,377
Public Works	62,050
Public Safety	395,732
Total Governmental Activities	\$496,159

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2011:

Governmental Activity Debt:	Original Issue Amount	Balance June 30, 2010	Retirements	Balance June 30, 2011	Amount Due within One Year	Due in More than One Year
2002 General Obligation Bonds 3.70-5.50%, due 8/1/2027	\$3,000,000	\$2,790,000	(\$55,000)	\$2,735,000	\$65,000	\$2,670,000
2006 General Obligation Bonds 4.00-6.00%, due 8/1/2027	4,955,000	1,630,000	(60,000)	1,590,000	60,000	1,530,000
2008 General Obligation Bonds 1.50-4.70% due 8/1/2025	2,231,000	2,164,000	(70,000)	2,094,000	74,000	2,020,000
Capital Leases:						
Panasonic Laptops	71,942	41,300	(15,683)	25,617	15,683	9,934
Compellent Credit (accounting software lease)	32,634	20,461	(6,542)	13,919	6,869	7,050
Solar Panel Lease	249,000	215,800	(16,600)	199,200	16,600	182,600
Total Government Activity Debt - Gross		6,881,561	(223,825)	6,657,736	238,152	6,419,584
Unamortized Premium		123,147	(6,841)	116,306	6,841	109,465
Total Government Activity Debt - Net		<u>\$7,004,708</u>	<u>(\$230,666)</u>	<u>\$6,774,042</u>	<u>\$244,993</u>	<u>\$6,529,049</u>

2002 General Obligation Bonds

2002 General Obligation Bonds in the principal amount of \$3,000,000 were issued on June 1, 2002, by the Town. These bonds were used to fund capital improvements to the community facilities, streets and storm drains within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing after August 1, 2009, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. 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. Term bonds maturing August 1, 2027, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2024. The bonds are general obligations of the Town. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, (Continued)

2006 General Obligation Bonds

2006 General Obligation Bonds in the principal amount of \$1,765,000 were issued on February 1, 2007, by the Town. These bonds were used to fund capital improvements to the community facilities, streets and storm drains within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. 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. 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 bonds maturing August 1, 2031, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2028. The bonds are general obligations of the Town. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues.

2008 General Obligation Bonds

2008 General Obligation Bonds in the principal amount of \$2,231,000 were issued on August 21, 2008, by the Fairfax Financing Authority. These Bonds were used to repay the 2000 General Obligations Bonds as well as to fund certain capital projects within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. 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. 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 bonds maturing August 1, 2031, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2028. The bonds are general obligations of the Town. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues.

Capital Leases

The Town had entered into several capital leases as of June 30, 2011. Under these lease agreements, ownerships of the assets are passed to the Town at the end of the leases. Since these leases are in essence financing arrangements, the costs of the acquiring the assets and the amounts of the leases have been included in the Town's financial statements.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM OBLIGATIONS, (Continued)

Debt Service Requirements

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

For The Year Ending June 30	Principal	Interest	Total
2012	\$238,152	\$304,576	\$542,728
2013	252,333	297,199	549,532
2014	248,600	288,626	537,226
2015	272,600	279,318	551,918
2016	296,600	268,619	565,219
2017 - 2021	1,860,000	1,123,691	2,983,691
2022 - 2026	2,649,451	586,755	3,236,206
2027 - 2031	840,000	47,019	887,019
	<u>6,657,736</u>	<u>3,195,803</u>	<u>9,853,539</u>
Unamortized Premium	116,306		116,306
	<u>\$6,774,042</u>	<u>\$3,195,803</u>	<u>\$9,969,845</u>

Compensated Absences

Compensated absences include vacation and sick leave. It is the policy of the Town to pay 100% of the accumulated vacation leave when an employee retires or terminates. The Town recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2011:

	<u>Governmental Activities</u>
Beginning Balance	\$338,490
Additions	41,561
Payments	<u>(84,008)</u>
Ending Balance	<u>\$296,043</u>
Current Portion	<u>\$23,683</u>

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. OTHER FUND DISCLOSURES

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	\$216,601
Special Revenue Fund:	
Open Space	18,300

Deficit Fund Balances

At June 30, 2011, the funds below had the following deficit fund balance or net assets:

	<u>Deficit</u>
Major Funds:	
Grants Capital Projects Fund	\$301,443
Fairfax Creek Restoration Capital Projects Fund	475,889
Town Capital Projects Fund	135,952
Non-Major Funds:	
Measure F	7,090
Gas Tax	8,689
Open Space	14,576
Emergency Watershed Protection	83,206
Storm Capital Projects	145,757

The deficits in the Capital Project funds are expected to be recovered from grant reimbursements.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. EMPLOYEE RETIREMENT PLANS

Substantially all Town employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the separate Safety (police) and Miscellaneous (all other). Benefit provisions under the Plans are established by State statute and Town ordinance. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Town must contribute these amounts. The Town's labor contracts require it to pay employee contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	Safety Tier 1	Safety Tier 2	Miscellaneous Tier 1	Miscellaneous Tier 2
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for Life	Monthly for life	Monthly for life
Retirement age	50	55	50-55	50-55
Monthly benefits, as a % of annual salary	3%	2.4% - 3%	2.0% - 2.7%	1.426% - 2.418%
Required employee contribution rates	9%	9%	8%	7%
Required employer contribution rates	48.941%	22.062%	16.312%	Open

*Rates include amortization of side fund

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. EMPLOYEE RETIREMENT PLANS, (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Town's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$765,596	100%	\$0
June 30, 2010	721,399	100%	0
June 30, 2011	545,959	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law, effective July 1, 2005, the Town's Safety and Miscellaneous Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the Town true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Town satisfied its Safety and Miscellaneous Plans' unfunded liabilities by agreeing to contribute to the Side Funds through an addition to its normal contribution rates. As of the latest actuarial the balance of the Side Fund for Safety was \$1,916,444 which will be repaid over the next 9 years. The balance of the Side Fund for Miscellaneous was \$274,729 which will be repaid over the next 8 years.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. EMPLOYEE RETIREMENT PLANS, (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

Safety Plan Tier 1:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%
2009	9,721,675,347	8,027,158,724	1,694,516,623	82.6%	973,814,168	174.0%
2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%

Safety Plan Tier 2:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.5%	\$210,590,567	113.0%
2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	221,600,192	127.6%
2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%

Miscellaneous Plan Tier 1:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	\$1,537,909,933	\$1,337,707,835	\$200,202,098	87.0%	\$333,307,600	60.1%
2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	355,150,151	96.0%
2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%

Miscellaneous Plan Tier 2 is not effective until July 1, 2011.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. OTHER PENSION EMPLOYMENT BENEFIT

Plan Description and Funding Policy

The Town provides full health insurance benefits to employees who retire with at least 25 years of service (20 years in Management). The Town will pay the one-party Kaiser Basic premium for such retirees. For those with 10 or more years of service, there are partial benefits. For retirees not eligible for the premium-based benefit, the Town will pay the CalPers minimum employer contribution towards premiums, which is \$108 for fiscal year 2011. 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.

As of June 30, 2011, 9 participants were eligible to receive retirement health care benefits.

Concurrent with implementing GASB Statement No. 45, the Town Council passed a resolution to participate 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.

Actuarial Assumptions

The Town's Policy is to prefund these benefits by accumulating assets with CERBT discussed above pursuant to Council Resolution 09-48.

The annual required contribution (ARC) was determined as part of a June 30, 2011 actuarial valuation using the projected unit credit actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment return; (b) 3.25% projected annual salary increase, (c) 3% annual general inflation rate and (d) 5% health care cost trend rate increases, starting 2012.

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 thirty year amortization period.

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. OTHER PENSION EMPLOYMENT BENEFIT, (Continued)

Funding Progress and Funded Status

The Town's Net OPEB Obligation (NOO) is recorded in the Statement of Net Assets and is calculated as follows:

Annual required contribution (ARC)	\$124,500
Interest on net OPEB asset	(23,901)
Adjustments on OPEB asset	<u>564</u>
Annual OPEB cost	101,163
Contributions made	<u>10,977</u>
(Decrease) increase in net OPEB obligation	90,186
Net OPEB Obligation (Asset) at June 30, 2010	<u>(18,455)</u>
Net OPEB obligation Liability at June 30, 2011	<u><u>\$71,731</u></u>

The Plan's annual required contributions and actual contributions for the year ended June 30, 2011 are set forth below:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Pension Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/10	\$120,600	\$139,055	115%	(\$18,455)
6/30/11	101,163	10,977	11%	71,731

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Projected Unit Credit Cost Actuarial Accrued Liability (B)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (A - B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]</u>
6/30/10	\$0	\$958,500	\$958,500	0.00%	\$2,626,577	36.49%

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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.

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	
	2011	2010
Balance at beginning of year	\$196,267	\$215,862
Change in liability for prior fiscal year claims and claims incurred but not reported	338,124	305,867
Claims paid	(387,774)	(325,462)
Balance at end of year	<u>\$146,617</u>	<u>\$196,267</u>

Town of Fairfax
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. JOINT VENTURES

The Town participates in several active joint ventures 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 joint ventures are not the Town's responsibility, and the Town does not have an equity interest in the assets of each joint venture 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 and the Town of San Anselmo for the purpose of providing fire protection, emergency medical, and related services within the Fairfax and San Anselmo area. Members of the Fire Service pay their pro rata share of the total annual contributions. Financial statements for the Fire Service may be obtained by mailing a request to the Ross Valley Fire Service, 777 San Anselmo Avenue, San Anselmo, California 94960.

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 District 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 obtained by mailing a request to the Ross Valley Paramedic Authority, 4000 Magnolia Avenue, Larkspur, California 94939.

C. *Marin County Cable Rate Regulation Authority (Cable Authority)*

The Cable Authority was established as a Joint Powers Authority between the towns of Fairfax, Ross, San Anselmo, Tiburon and Corte Madera, and the cities of Larkspur, Mill Valley, Sausalito, San Rafael, and Belvedere, and the County of Marin. The Agreement provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on the number of cable television subscribers. Audited financial statements may be obtained by mailing a request to the Marin Telecommunications Agency at Marin County Auditor-Controller, County of Marin, 3501 Civic Center Drive, Room 225, San Rafael, CA 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, Continued
For the year ended June 30, 2011

10. JOINT VENTURES, (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.

11. COMMITMENTS AND CONTINGENCIES

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

12. SUBSEQUENT EVENT

2012 General Obligation Bonds

2012 General Obligation Bonds in the principal amount of \$2,880,000 were issued on February 15, 2012, by the Fairfax Financing Authority. These Bonds were used to refinance the 2002 General Obligations Bonds as well as to fund certain capital projects within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1.

Tax Revenue Anticipation Note

In August 2011, the Town borrowed \$1,000,000 from the County of Marin at 3.5% payable in April 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

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**Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2011**

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 in the month of September.
- The Town Manager is authorized to transfer budgeted amounts within an activity, within any fund; however, any revisions that alter the total expenditures of any fund must be approved 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.

TOWN OF FAIRFAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$2,494,382	\$3,536,312	\$3,471,025	(\$65,287)
Special assessments	621,520	621,520	592,397	(29,123)
Sales tax	435,360	435,360	482,678	47,318
Permits licenses and fees	105,000	384,000	485,914	101,914
Fines, forfeitures and penalties	54,500	54,500	64,908	10,408
From other agencies	613,288	619,488	617,359	(2,129)
Motor vehicle in-lieu fees	21,000	21,000	30,409	9,409
Franchise fees	288,000	288,000	319,418	31,418
Services charges	30,500	36,500	63,926	27,426
Use of money and property	28,000	49,000	28,554	(20,446)
Other revenue	12,100	253,321	52,777	(200,544)
Total Revenues	4,703,650	6,299,001	6,209,365	(89,636)
EXPENDITURES				
Current:				
General government	1,333,932	1,194,489	1,283,181	(88,692)
Public safety	4,308,261	4,308,261	4,340,259	(31,998)
Public works and facilities	491,342	482,341	561,027	(78,686)
Planning and building	556,958	556,957	562,164	(5,207)
Parks and recreation	211,010	264,244	274,930	(10,686)
Capital outlay		8,000	32,191	(24,191)
Debt service:				
Principal		42,500	38,825	3,675
Interest and fiscal charges		20,207	1,023	19,184
Total Expenditures	6,901,503	6,876,999	7,093,600	(216,601)
REVENUES OVER (UNDER) EXPENDITURES	(2,197,853)	(577,998)	(884,235)	(306,237)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,744,683	2,096,190	625,500	(1,470,690)
Transfers (out)		(1,503,690)	(28,700)	1,474,990
Total other financing sources (uses)	1,744,683	592,500	596,800	4,300
Net change in fund balance	(\$453,170)	\$14,502	(287,435)	(\$301,937)
FUND BALANCE				
Beginning of year			2,950,941	
End of year			\$2,663,506	

TOWN OF FAIRFAX
 MEASURE K SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
From other Agencies	\$84,000	\$84,000		(\$84,000)
Use of money and property			\$1,562	1,562
Total Revenues	84,000	84,000	1,562	(82,438)
EXPENDITURES:				
Current:				
Public works and facilities	84,000	84,000		84,000
Total Expenditures	84,000	84,000		84,000
REVENUES OVER (UNDER) EXPENDITURES			1,562	1,562
OTHER FINANCING SOURCES (USES)				
Transfers in			(15,000)	(15,000)
Total other financing sources (uses)			(15,000)	(15,000)
Net change in fund balance			(13,438)	(\$13,438)
FUND BALANCE				
Beginning of the year			99,163	
End of year			\$85,725	

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SUPPLEMENTARY INFORMATION

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	SPECIAL REVENUE FUNDS				
	Special Police	Youth Recreation	Measure F	Gas Tax	Open Space
ASSETS					
Cash and investments		\$14,556			
Accounts receivable	\$25,000				
Total Assets	\$25,000	\$14,556			
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$7,361			
Due to other funds	\$18,098		\$7,090	\$8,689	\$14,576
Total Liabilities	18,098	7,361	7,090	8,689	14,576
Fund balances:					
Restricted	6,902	7,195			
Unassigned			(7,090)	(8,689)	(14,576)
Total Fund Balances	6,902	7,195	(7,090)	(8,689)	(14,576)
Total Liabilities and Fund Balances	\$25,000	\$14,556			

CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS				
Emergency Watershed Protection	Storm Capital Projects Fund	Measure K 2000 Series	2002 Series	2006 Series	2008 Series	Total
			\$364,937	\$177,274	\$258,877	\$815,644
		\$3,722		1,219	9,313	39,254
		\$3,722	\$364,937	\$178,493	\$268,190	\$854,898
\$83,206	\$145,757		\$1,433			\$8,794
83,206	145,757		1,433			277,416
		\$3,722	363,504	\$178,493	\$268,190	828,006
(83,206)	(145,757)					(259,318)
(83,206)	(145,757)	3,722	363,504	178,493	268,190	568,688
		\$3,722	\$364,937	\$178,493	\$268,190	\$854,898

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				
	Special Police	Youth Recreation	Measure F	Gas Tax	Open Space
REVENUES					
Property taxes:					
Special assessments					
From other agencies	\$100,000		\$450,912	\$184,949	\$351
Service charges		\$25,405			
Use of money and property		378			
Other revenue		12,393			
Total Revenues	100,000	38,176	450,912	184,949	351
EXPENDITURES					
Current:					
Public safety	3,952				
Parks and recreation		57,755			30,000
Capital outlay					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	3,952	57,755			30,000
REVENUES OVER (UNDER) EXPENDITURES	96,048	(19,579)	450,912	184,949	(29,649)
OTHER FINANCING SOURCES (USES)					
Transfers in		18,000			10,700
Transfers (out)	(100,000)	(10,000)	(465,000)	(212,400)	
Total Other Financing Sources (Uses)	(100,000)	8,000	(465,000)	(212,400)	10,700
NET CHANGE IN FUND BALANCES	(3,952)	(11,579)	(14,088)	(27,451)	(18,949)
BEGINNING FUND BALANCES (DEFICITS)	10,854	18,774	6,998	18,762	4,373
ENDING FUND BALANCES (DEFICITS)	\$6,902	\$7,195	(\$7,090)	(\$8,689)	(\$14,576)

CAPITAL PROJECT FUNDS		DEBT SERVICE FUNDS				Total Nonmajor Governmental Funds
Emergency Watershed Protection	Storm Capital Projects Fund	Measure K 2000 Series	2002 Series	2006 Series	2008 Series	
		\$48,520	\$188,492	\$142,839	\$149,597	\$529,448
	\$468,701		2,135	1,619	1,741	1,210,408
		502				25,907
						378
						12,393
	468,701	49,022	190,627	144,458	151,338	1,778,534
						3,952
						87,755
	769,354					769,354
			55,000	60,000	70,000	185,000
		45,300	137,465	86,600	88,236	357,601
	769,354	45,300	192,465	146,600	158,236	1,403,662
	(300,653)	3,722	(1,838)	(2,142)	(6,898)	374,872
						28,700
						(787,400)
						(758,700)
	(300,653)	3,722	(1,838)	(2,142)	(6,898)	(383,828)
(\$83,206)	154,896		365,342	180,635	275,088	952,516
(\$83,206)	(\$145,757)	\$3,722	\$363,504	\$178,493	\$268,190	\$568,688

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, 2011

	YOUTH RECREATION			MEASURE F		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
From other agencies				\$465,000	\$450,912	(\$14,088)
Service charges	\$28,000	\$25,405	(\$2,595)			
Use of money and property	300	378	78			
Other revenue	13,570	12,393	(1,177)			
Total Revenues	<u>41,870</u>	<u>38,176</u>	<u>(3,694)</u>	<u>465,000</u>	<u>450,912</u>	<u>(14,088)</u>
EXPENDITURES						
Current:						
Parks and Recreation	59,700	57,755	1,945			
Capital outlay						
Total Expenditures	<u>59,700</u>	<u>57,755</u>	<u>1,945</u>			
REVENUES OVER (UNDER) EXPENDITURES	<u>(17,830)</u>	<u>(19,579)</u>	<u>(1,749)</u>	<u>465,000</u>	<u>450,912</u>	<u>(14,088)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)	18,000	18,000				
Transfers (out)		(10,000)	(10,000)	(465,000)	(465,000)	
Total other financing sources (uses)	<u>18,000</u>	<u>8,000</u>	<u>(10,000)</u>	<u>(465,000)</u>	<u>(465,000)</u>	
NET CHANGE IN FUND BALANCES	<u>\$170</u>	<u>(11,579)</u>	<u>(\$11,749)</u>		<u>(14,088)</u>	<u>(\$14,088)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>18,774</u>			<u>6,998</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$7,195</u>			<u>(\$7,090)</u>	

GAS TAX			OPEN SPACE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$212,400	\$184,949	(\$27,451)	\$1,000	\$351	(\$649)
			10,700		(10,700)
<u>212,400</u>	<u>184,949</u>	<u>(27,451)</u>	<u>11,700</u>	<u>351</u>	<u>(11,349)</u>
			6,000	30,000	(24,000)
			5,700		5,700
			<u>11,700</u>	<u>30,000</u>	<u>(18,300)</u>
<u>212,400</u>	<u>184,949</u>	<u>(27,451)</u>		<u>(29,649)</u>	<u>(29,649)</u>
				10,700	10,700
<u>(212,400)</u>	<u>(212,400)</u>				
				10,700	10,700
	<u>(27,451)</u>	<u>(\$27,451)</u>		<u>(18,949)</u>	<u>(\$18,949)</u>
	<u>18,762</u>			<u>4,373</u>	
	<u>(\$8,689)</u>			<u>(\$14,576)</u>	

TOWN OF FAIRFAX
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>PAVILION RENOVATION</u>				
ASSETS				
Cash and investments	<u>\$145,557</u>		<u>\$145,557</u>	
Total Assets	<u>\$145,557</u>		<u>\$145,557</u>	
LIABILITIES				
Special deposits	<u>\$145,557</u>		<u>\$145,557</u>	
Total Liabilities	<u>\$145,557</u>		<u>\$145,557</u>	