



TOWN OF FAIRFAX

STAFF REPORT

May 4, 2016

TO: Mayor and Town Council

FROM: Michael Vivrette, Finance Director

SUBJECT: Acceptance of Fiscal Year 2014-15 Audited Financial Statements

RECOMMENDATION

Accept Financial Statements and Independent Auditor's Report for FY14-15

DISCUSSION

The Town auditors, Maze and Associates, have issued the Audited Financial Statements for the Town consisting of the Basic Financial Statements and Independent Auditor's Report for June 30, 2015. Katherine Yuen of Maze and Associates will be available at the Council Meeting for questions regarding the Financial Statements, the audit or other concerns.

FISCAL IMPACT

The audit serves to give an independent professional opinion to fairness of the Town's financial statements at June 30, 2015. They have issued a "clean" opinion that the financial statements are free from material misstatement.

Financial activity for FY15 has been factored into the Fund balance carry forward in the current year Year's budget. The net result of the audit will be that the carry forward fund balance for the General Fund for FY14-15 is \$194,500 less than originally estimated in the 2015-16 budget. However, as discussed in the midyear budget report, net revenue in FY 2015-16 will more than offset the lower carryforward fund balance.

This audit is the first year for the implementation of GASB 68 and GASB 71 which require the reporting of net pension liability. The Town recorded a long term pension liability of \$6,078,042. The pension liability will be adjusted each year based on contributions and the investment earnings of the plans. CalPERS has begun invoicing municipalities for the unfunded portion of their liabilities beginning in FY 2015-16.

ATTACHMENTS

1. Appropriations Limit Report
2. Basic Financial Statements

AGENDA ITEM # 2

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2014-2015 APPROPRIATIONS LIMIT INCREMENT**

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

We have performed the procedures below to the Appropriations Limit Worksheet which were agreed to by the Town of Fairfax, California, for the year ended June 30, 2015. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. Management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Town. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Appropriations Limit Worksheet and determined that the 2014-2015 limit of \$5,350,043 and annual adjustment factors were adopted by Resolution of Town Council. We also determined that the population and inflation options were selected by a recorded vote of the Town Council.
- B. We computed the 2014-2015 Appropriations Limit by multiplying the 2013-2014 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the inflation option by the population option.
- C. For the Appropriations Limitation Worksheet, we agreed the City Population and County Population and the Per Capita Income Factor to California State Department of Finance Worksheets.

We were not engaged to and did not, conduct an audit, the objective of which would be the expression of an opinion on the Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Town Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
April 18, 2016

ATTACHMENT 1

Town of Fairfax

Fairfax, California

*Basic Financial Statements and
Independent Auditor's Report*

For the year ended June 30, 2015

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Town of Fairfax

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Town of Fairfax

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairfax (Town), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2015, and the respective changes in financial position listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 1M:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Maze & Associates

Pleasant Hill, California

April 18, 2016

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, 2015. 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 \$11,962,960, liabilities of \$13,276,660 and net assets of \$(1,376,349) at June 30, 2015. This compares with assets of \$11,689,775, liabilities of \$7,608,799 and net assets of \$4,080,976 at June 30, 2014.
- The Government-Wide Statement of Activities and Changes in Net Assets appears as the second statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. This statement shows a decrease in net assets of \$5,457,325 for the fiscal year ended June 30, 2015 as compared to an increase of \$1,151,132 for the fiscal year ended June 30, 2014. Revenues for fiscal 2015 decreased by \$642,184 from the prior year primarily due to reductions in special assessments (IE the elimination of the General Purpose Tax (which has been rolled into the renewal of the Special Purpose Tax); declines in permits, licenses & fees, revenues from other agencies; service charges and other revenues; offset by increase in revenues from property tax, sales tax, fines & forfeitures, and interest income. Expenses for the same period decreased by \$507,050, mainly as a result of increased expenditures in general government and long term debt retirement; offset by cost decreases in public safety, public works, planning & building, parks & recreation, debt service interest, and capital outlay.
- The Town's long-term debt (including current portion & unamortized premium) totaled \$5,938,564 as of June 30, 2015, which includes the outstanding balance on the Measure K bonds. Additionally, the Town has accrued \$193,652 of non-current claims payable.

FUND HIGHLIGHTS

At the close of fiscal year 2015, the Town's governmental funds reported a combined ending fund balance of \$3,385,017 as compared to \$3,091,034 at June 30, 2014. 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 2014-2015, the Town accomplished the following key project and tasks:

- Passage of Measure J (special municipal tax)
- Funding & construction of trail improvements
- Purchase of Sky Ranch open space
- Begin preliminary design of five (5) bridge projects in Town
- Establishment of Climate Action Committee and adoption of Climate Action Plan
- Establishment of Town/Ross Valley School District Liaison Committee
- Emergency repairs on Manzanita Rd
- Reconstructed Bank St (Pavilion) parking lot
- Upgraded Women's Club bathroom to ADA standards
- Installed bike racks at various locations
- Procured and implemented Body Worn Cameras for all sworn officers
- Amended the Town Code to allow emergency homeless shelters

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

The Town maintains 20 individual governmental funds. In the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances, information is presented as Major Fund and Non-major Governmental Funds. The Major Fund includes the following funds of the General Fund:

- General Fund
- Dry Period Financing Fund
- Equipment Replacement Fund
- Building and Planning Fund
- 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 I 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

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 2006 Fund
- Measure K Debt Service Series 2008 Fund
- Measure K Debt Service Series 2012 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, or Enterprise funds, which are often used for utility services such as water & sewer, and transportation services, such as ports & airports.

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets

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

	Governmental Activities		Percentage Change
	2015	2014	
Cash and investments	\$ 3,428,003	\$ 3,096,627	10.7%
Capital assets, net	8,093,534	8,108,550	-0.2%
Other assets	441,423	484,598	-8.9%
Total assets	11,962,960	11,689,775	2.3%
Deferred outflow of resources	1,285,407		
Current liabilities	1,153,503	1,310,581	-12.0%
Non-current liabilities	12,123,157	6,298,218	92.5%
Total liabilities	13,276,660	7,608,799	74.5%
Deferred inflow of resources	1,348,056		
Invested in capital assets, net	2,154,970	1,810,332	19.0%
Restricted	1,061,105	993,344	6.8%
Unrestricted	(4,592,424)	1,277,300	-459.5%
Net assets	\$ (1,376,349)	\$ 4,080,976	-133.7%

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$2,154,970 at the end of fiscal year 2015 represents the cost of these assets less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$1,061,105 at the end of fiscal 2015 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets is available to finance day-to-day operations without constraints.

Changes in Net Assets

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

	Governmental Activities		Percentage Change
	2015	2014	
Revenues:			
Program revenues:			
Charges for services	\$ 1,213,075	\$ 1,313,861	-7.7%
Operating grants & contributions	512,469	988,922	-48.2%
General revenues:			
Taxes	7,249,016	7,244,937	0.1%
Intergovernmental			0.0%
Use of Money & Property	4,202	8,559	-50.9%
Miscellaneous	233,604	298,271	-21.7%
Transfers	-	-	
Total revenues	9,212,366	9,854,550	-6.5%
Expenses:			
General government	1,830,280	1,475,603	24.0%
Public safety	4,581,731	4,750,361	-3.5%
Public works	944,887	1,165,878	-19.0%
Planning & Building	573,727	583,422	-1.7%
Parks and recreation	403,183	403,615	-0.1%
Debt Service	296,789	324,539	-8.6%
Total expenses	8,630,597	8,703,418	-0.8%
Change in net assets	581,769	1,151,132	-49.5%
Net assets - beginning of year	(1,958,118)	2,929,844	-166.8%
Net assets - end of year	\$ (1,376,349)	\$ 4,080,976	-133.7%

Net assets decreased \$5,457,325 during the fiscal year ended June 30, 2015. Total revenues for fiscal year 2015 were \$9,212,366 as compared to \$9,854,550 for fiscal year 2014. The Total expenses for the year ended June 30, 2015 were \$8,630,597 compared with \$8,703,418 for the same period in 2014.

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 \$1,944,566.

General Fund revenue during the FY 2014-15 year totaled 7,283,651 which was more than the final budgeted amount by \$200,651, or 2.8%. This revenue increase primarily relates to the Town's projection of property & sales tax revenue, permits & licenses, and service charges was exceeded by the actual receipts.

General Fund expenditures for FY 2014-15 totaled \$7,553,583, and were lower than the final budgeted amount by \$256,066 or 3.3%.

2008 Series Debt Service Fund

The 2008 Series Debt Service Fund provides debt service for the refunded 2002 series of Measure K General Obligation bonds which were issues to fund capital improvements to community facilities, streets, and storm drains within the town between 2000 and 2006. At the end of the current fiscal year, the unassigned fund balance of the fund was \$383,616.

2012 Series Debt Service Fund

The 2012 Series Debt Service Fund provides debt service for the refunded 2006 series of Measure K General Obligation bonds which were issues to fund capital improvements to community facilities, streets, and storm drains within the town between 2000 and 2006. At the end of the current fiscal year, the unassigned fund balance of the fund was \$386,930.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

As the general economic outlook continues to be favorable, the Town is looking at ways of reducing expenses and maintaining adequate revenues. Maintaining adequate staffing is a continuing issue with the positions of Public Works Director, Administrative Assistant and one police officer remaining frozen and unfilled. Rising costs from state-mandated payments on prior pension liabilities and in providing the same level of fire services through the Ross Valley Fire Department will create new challenges for the upcoming year. Retirement costs are estimated to increase by \$230,000. Health care costs are estimated to increase by 9%.

With the help of the passage of Measure J, a special revenue tax of \$195/unit per year, next year's budget will be able to keep the same staffing levels and add one Maintenance Worker position to the public works department fund; and provide for negotiated labor cost increases from MOUs adopted in June 2015.

Property and sales tax revenues which constitute the majority of the Town's revenues are expected to continue to increase over the next few years due to a rising housing market and an improving economic recovery in the Bay Area and Northern California. Measure D, the five year half cent sales tax measure passed in 2012, will need to be renewed in 2016 to provide continued stability to the Town's budget. Town staff is also looking into ways to refinance the General Obligation Bonds (2006 series) and the pension side fund to provide additional funding for streets, decrease debt service costs to rate payers and lower pension costs to the Town.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

TOWN OF FAIRFAX
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental-Type Activities
ASSETS	
Cash and investments (Note 2)	\$2,463,991
Restricted cash and investments (Note 2)	964,012
Accounts receivable	380,314
Interest receivable	1,668
Prepays	375
Taxes receivable	59,066
Capital assets:	
Land and construction in progress (Note 4)	998,343
Depreciable capital assets, net of accumulated depreciation (Note 4)	7,095,191
Total Assets	11,962,960
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 6)	1,285,407
LIABILITIES	
Accounts payable	220,954
Accrued payroll	247,268
Deposits	16,187
Interest payable	90,000
Compensated absences payable (Note 5):	
Due within one year	25,932
Due in more than one year	298,219
Claims payable (Note 8)	
Due within one year	193,652
Long-term debt (Note 5):	
Due within one year	359,510
Due in more than one year	5,579,054
Net pension liability (Note 6)	
Due in more than one year	6,078,042
Net OPEB obligation (Note 8)	
Due in more than one year	167,842
Total Liabilities	13,276,660
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 6)	1,348,056
NET POSITION (Note 1K)	
Net investment in capital assets	2,154,970
Restricted for:	
Special projects	93,220
Debt service	967,885
Total Restricted Net Position	1,061,105
Unrestricted	(4,592,424)
Total Net Position	(\$1,376,349)

See accompanying notes to financial statements

TOWN OF FAIRFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$1,830,280	\$473,329	\$13,999	(\$1,342,952)
Public safety	4,581,731	191,008	116,615	(4,274,108)
Public works	944,887	1,478	98,088	(625,624)
Planning and building	573,727	428,349		(145,378)
Parks and recreation	403,183	118,911		(220,202)
Interest and fiscal charges	296,789			(296,789)
Total Governmental Activities	\$8,630,597	\$1,213,075	\$228,702	(6,905,053)
General revenues:				
Property taxes				5,021,259
Special assessments				370,215
Sales taxes				1,182,867
Other taxes				674,675
Investment earnings				4,202
Miscellaneous				233,604
Total General Revenues				7,486,822
Change in Net Position				581,769
Net Position-Beginning, as adjusted (Note 1M)				(1,958,118)
Net Position-Ending				(1,376,349)

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Grants Capital Projects Fund	2006 Series Debt Service	2008 Series Debt Service
ASSETS				
Cash and investments (Note 2)	\$2,005,940	\$150,001		
Restricted cash and investments (Note 2)			\$197,339	\$383,616
Receivables (net of allowances):				
Accounts	296,257	56,029		
Taxes	59,066			
Interest	1,668			
Prepays	375			
Total Assets	\$2,363,306	\$206,030	\$197,339	\$383,616
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$160,877	\$46,030		
Accrued payroll	245,922			
Deposits payable	11,941	4,246		
Total Liabilities	418,740	50,276		
Fund Balances (Note 1L):				
Nonspendable	375			
Restricted			\$197,339	\$383,616
Committed		155,754		
Assigned				
Unassigned	1,944,191			
Total Fund Balances	1,944,566	155,754	197,339	383,616
Total Liabilities and Fund Balances	\$2,363,306	\$206,030	\$197,339	\$383,616

See accompanying notes to financial statements

<u>2012 Series Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
	\$308,050	\$2,463,991
\$383,057		964,012
3,873	24,155	380,314
		59,066
		1,668
		375
<u>\$386,930</u>	<u>\$332,205</u>	<u>\$3,869,426</u>
	\$14,047	\$220,954
	1,346	247,268
		16,187
	<u>15,393</u>	<u>484,409</u>
		375
\$386,930	316,812	1,284,697
		155,754
		1,944,191
<u>386,930</u>	<u>316,812</u>	<u>3,385,017</u>
<u>\$386,930</u>	<u>\$332,205</u>	<u>\$3,869,426</u>

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TOWN OF FAIRFAX
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$3,385,017

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 8,093,534

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	(5,849,622)
Unamortized bond premium	(88,942)
Interest payable	(90,000)
Claims payable	(193,652)
Net OPEB obligation	(167,842)
Net pension liabilities and pension-related deferred outflows and inflows of resources	(6,140,691)
Compensated absences	(324,151)
	(13,845,700)

NET POSITION OF GOVERNMENTAL ACTIVITIES (\$1,376,349)

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Grants Capital Projects Fund	2006 Series Debt Service	2008 Series Debt Service
REVENUES				
Property taxes	\$3,886,305		\$144,581	\$163,921
Special assessments	370,215			
Sales taxes	1,103,075			
Permits licenses and fees	545,099			
Fines, forfeitures and penalties	131,086			
From other agencies	759,154	\$362,246	1,978	2,245
Franchise fees	347,214			
Services charges	70,765			
Use of money and property	30,829			
Other revenue	39,909			
Total Revenues	<u>7,283,651</u>	<u>362,246</u>	<u>\$146,559</u>	<u>166,166</u>
EXPENDITURES				
Current:				
General government	1,495,530			
Public safety	4,562,909			
Public works	468,877			
Planning and building	576,668			
Parks and recreation	268,907			
Capital outlay	100,570	623,399		
Debt service:				
Principal	71,813		70,000	96,000
Interest and fiscal charges	8,309		76,355	69,934
Total Expenditures	<u>7,553,583</u>	<u>623,399</u>	<u>146,355</u>	<u>165,934</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(269,932)</u>	<u>(261,153)</u>	<u>204</u>	<u>232</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3)	589,552	213,023		
Transfers out (Note 3)	(301,942)	(21,003)		
Total Other Financing Sources (Uses)	<u>287,610</u>	<u>192,020</u>		
Net change in fund balance	17,678	(69,133)	204	232
FUND BALANCE (DEFICIT)				
Beginning of the year	1,926,888	224,887	197,135	383,384
End of the year	<u>\$1,944,566</u>	<u>\$155,754</u>	<u>\$197,339</u>	<u>\$383,616</u>

See accompanying notes to financial statements

2012 Series Debt Service	Non-major Governmental Funds	Total
\$181,880		\$4,376,687
		370,215
		1,103,075
		545,099
		131,086
2,500	\$957,503	2,085,626
		347,214
	58,127	128,892
	22,125	52,954
	31,609	71,518
<u>184,380</u>	<u>1,069,364</u>	<u>9,212,366</u>
		1,495,530
		4,562,909
		468,877
		576,668
	133,689	402,596
	110,477	834,446
115,000		352,813
<u>69,946</u>		<u>224,544</u>
<u>184,946</u>	<u>244,166</u>	<u>8,918,383</u>
<u>(566)</u>	<u>825,198</u>	<u>293,983</u>
	210,941	1,013,516
	<u>(690,571)</u>	<u>(1,013,516)</u>
	<u>(479,630)</u>	
(566)	345,568	293,983
<u>387,496</u>	<u>(28,756)</u>	<u>3,091,034</u>
<u>\$386,930</u>	<u>\$316,812</u>	<u>\$3,385,017</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, 2015

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$293,983

Depreciable capital assets, net of accumulated depreciation (Note 4)
 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 capitalized expenditures are therefore added back to fund balance (Capitalized expenditures is the net of total capital outlay of \$834,446 and non-capitalized capital outlay expenditures of \$290,029)	544,417
Loss on disposal of capital assets is deducted from fund balance	(336)
Depreciation expense is deducted from the fund balance	(559,097)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	352,813
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ACCRUAL OF NON-CURRENT ITEMS

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

Compensated absences	16,309
Net OPEB obligation	52,878
Claims payable	(27,177)
Interest payable	(79,086)
Collective net pension liability	(19,776)
Unamortized bond premium	6,841
	6,841

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$581,769
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See accompanying notes to financial statements

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Blended Component Unit – The Fairfax Financing Authority

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Accounting and Measurement Focus (Continued)

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

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

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

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

Governmental Fund Financial Statements

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

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

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

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

C. Recognition of Interest Liability

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Use of Restricted and Unrestricted Net Position

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

E. Cash, Cash Equivalents and Investments

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Tax Levy Collection and Maximum Rates

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

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

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

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

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

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

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 makes premium payments on a “pay-as-you-go” basis.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

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 Position

Government-Wide Financial Statements

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

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

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

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

L. Fund Balances

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

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

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

Committed fund balances have constraints imposed by formal action of the Town Council which may be altered only by formal action of the Town Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

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

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

Detailed classifications of the Town's Fund Balances, as of June 30, 2015, are below:

Fund Balance Classifications	General	Grants	2006	2008	2012	Non-Major	Total
	Fund	Capital Projects Fund	Debt Service	Debt Service	Debt Service	Funds	
Nonspendables:							
Items not in spendable form:							
Prepaid Expenses	\$375						\$375
Total Nonspendable Fund Balances	375						375
Restricted for:							
Special projects						\$316,812	316,812
Debt service			\$197,339	\$383,616	\$386,930		967,885
Total Restricted Fund Balances			197,339	383,616	386,930	316,812	1,284,697
Committed for:							
Pavilion renovation							
Special projects		\$155,754					155,754
Total Committed Fund Balances		155,754					155,754
Assigned for:							
Special projects							
Total Assigned Fund Balances							
Unassigned:							
General Fund	1,944,191						1,944,191
Other governmental fund residuals							
Total Unassigned Fund Balances	1,944,191						1,944,191
Total Fund Balances	\$1,944,566	\$155,754	\$197,339	\$383,616	\$386,930	\$316,812	\$3,385,017

General Fund Reserve Policy

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Implementation of Governmental Accounting Standards Board Statements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement had a material impact on the Town's financial statements.

GASB Statement No. 69 – In 2014, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement did not have a material impact on the financial statements for the fiscal year 2015.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement had a material impact on the City's financial statements.

The implementation of GASB Statements 68 and 71 required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was restated by \$6,039,094.

N. Deferred Outflows/Inflows of Resources

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

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, 2015:

	Governmental Activities
Cash and investments	\$2,463,991
Restricted cash and investments	964,012
Grand Total	<u>\$3,428,003</u>

Cash and investments were categorized as follows at June 30, 2015:

	Credit Quality Ratings	Fair Value	Days to Maturity
Town Treasury Deposits:			
Deposits	Not Rated	\$473,932	N/A
Petty cash	Not Rated	300	N/A
Total Town Treasury Deposits		<u>474,232</u>	
Town Treasury Investments:			
Local Agency Investment Fund	Not Rated	2,953,771	N/A
Total Cash and Investments		<u>\$3,428,003</u>	

B. Cash Deposits

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

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

2. CASH AND INVESTMENTS (Continued)

C. Investments

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

- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value
- Bankers' acceptances
- Commercial paper, rated in the highest tier by a nationally recognized rating agency
- Investment-grade obligations of state, local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities

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

D. Investments in Local Agency Investment Funds

The Town is a 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. At June 30, 2015, the average life on investment funds invested by LAIF was 239 days.

3. INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers during the fiscal year ended June 30, 2015, were comprised of the following:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
General Fund	Grants Capital Projects Fund	\$21,003
	Non-Major Governmental Funds	568,549
Grants Capital Projects Fund	General Fund	156,023
	Non-Major Governmental Funds	57,000
Non-Major Governmental Funds	General Fund	145,941
	Non-Major Governmental Funds	65,000
Total Interfund Transfers		<u>\$1,013,516</u>

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

4. CAPITAL ASSETS

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

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

A. Government-Wide Financial Statements

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

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$255,988				\$255,988
Construction in progress	450,029	\$489,825	(\$336)	(\$197,163)	742,355
Total capital assets not being depreciated	706,017	489,825	(336)	(197,163)	998,343
Capital assets being depreciated:					
Buildings	394,117			29,857	423,974
Other improvements	2,308,464				2,308,464
Vehicles	631,177	38,069			669,246
Machinery and equipment	741,215	16,523			757,738
Infrastructure	11,294,386			167,306	11,461,692
Total capital assets being depreciated	15,369,359	54,592		197,163	15,621,114
Less accumulated depreciation for:					
Buildings	(285,577)	(3,223)			(288,800)
Other improvements	(576,642)	(111,855)			(688,497)
Vehicles	(426,069)	(48,352)			(474,421)
Machinery and equipment	(615,977)	(17,342)			(633,319)
Infrastructure	(6,062,561)	(378,325)			(6,440,886)
Total accumulated depreciation	(7,966,826)	(559,097)			(8,525,923)
Net capital assets being depreciated	7,402,533	(504,505)			7,095,191
Governmental activity capital assets, net	\$8,108,550	(\$14,680)			\$8,093,534

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

4. CAPITAL ASSETS (Continued)

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2015, were as follows:

	<u>Depreciation Expense</u>
General Government	\$45,578
Public Safety	36,900
Public Works	<u>476,619</u>
Total Governmental Activities	<u><u>\$559,097</u></u>

5. LONG-TERM DEBT AND COMPENSATED ABSENCES

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2015:

Governmental Activity Debt:	<u>Original Issue Amount</u>	<u>Balance June 30, 2014</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Amount Due within One Year</u>	<u>Due in More than One Year</u>
<i>Authority Debt:</i>						
2008 General Obligation Revenue Bonds						
1.50-4.70% due 8/1/2025	\$2,231,000	\$1,855,000	(\$96,000)	\$1,759,000	\$105,000	\$1,654,000
Revenue Bonds, Series 2012						
2.00-3.00%, due 8/21/2027	2,880,000	2,676,500	(115,000)	2,561,500	125,000	2,436,500
<i>Town Debt:</i>						
General Obligation Bonds, Series 2006						
4.00-6.00%, due 8/1/2027	1,765,000	1,400,000	(70,000)	1,330,000	75,000	1,255,000
<i>Capital Leases:</i>						
Solar Panel Lease	249,000	149,400	(16,600)	132,800	16,600	116,200
2012 Ford Trucks	75,686	19,408	(19,408)			
Dodge Chargers Lease	43,241	21,587	(10,494)	11,093	11,093	
2014 Ford Trucks	110,643	80,540	(25,311)	55,229	26,817	28,412
Total Government Activity Debt - Gross		6,202,435	(352,813)	5,849,622	359,510	5,490,112
Unamortized Premium		95,783	(6,841)	88,942		88,942
Total Government Activity Debt - Net		<u>\$6,298,218</u>	<u>(\$359,654)</u>	<u>\$5,938,564</u>	<u>\$359,510</u>	<u>\$5,579,054</u>

2008 General Obligation Revenue Bonds

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

5. LONG-TERM DEBT AND COMPENSATED ABSENCES (Continued)

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

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

Revenue Bonds, Series 2012

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

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

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

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 repayable from ad valorem property taxes levied by 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
For the year ended June 30, 2015

5. LONG-TERM DEBT AND COMPENSATED ABSENCES (Continued)

Capital Leases

The Town had entered into several capital leases as of June 30, 2015. 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.

Debt Service Requirements

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

For The Year Ending June 30	Principal	Interest	Total
2016	\$359,510	\$210,438	\$569,948
2017	369,012	196,767	565,779
2018	369,600	181,817	551,417
2019	388,600	166,892	555,492
2020	421,600	150,632	572,232
2021 - 2025	2,532,800	478,580	3,011,380
2026 - 2030	1,408,500	51,960	1,460,460
	<u>5,849,622</u>	<u>1,437,086</u>	<u>7,286,708</u>
Unamortized Premium	88,942		88,942
	<u>\$5,938,564</u>	<u>\$1,437,086</u>	<u>\$7,375,650</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, 2015:

	<u>Governmental Activities</u>
Beginning Balance	\$340,460
Additions	37,509
Payments	<u>(53,818)</u>
Ending Balance	<u>\$324,151</u>
Current Portion	<u>\$25,932</u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent, probationary and part-time employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.426%-2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	6.250%
Required employer contribution rates	20.011%	11.840%	0.000%

	Safety	
	Classic Tier I	Classic Tier II
	Prior to October 30, 2012	On or after October 30, 2012
Hire date		
Benefit formula	3% @ 50	3% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	55
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%
Required employee contribution rates	9%	9%
Required employer contribution rates	61.741%	23.065%

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$96,416	\$97,466

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

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

As of June 30, 2015, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share</u> <u>of Net Pension Liability</u>
Miscellaneous Tier 1	\$1,904,939
Miscellaneous Tier 2	9,820
Miscellaneous PEPRA	87
Safety Tier 1	4,114,790
Safety Tier 2	48,406
Total Net Pension Liability	<u><u>\$6,078,042</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

The Town's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	Miscellaneous PEPRA
Proportion - June 30, 2013	0.07637%	0.00041%	0.00000%
Proportion - June 30, 2014	0.07708%	0.00040%	0.00000%
Change - Increase (Decrease)	0.00070%	-0.00001%	0.00000%

	Safety Tier 1	Safety Tier 2
Proportion - June 30, 2013	0.10070%	0.00134%
Proportion - June 30, 2014	0.10970%	0.00129%
Change - Increase (Decrease)	0.00900%	-0.00005%

For the year ended June 30, 2015, the City recognized pension expense of \$19,776. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$399,453	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	8,512	
Net differences between projected and actual earnings on plan investments		(\$563,640)
Total	<u>\$407,965</u>	<u>(\$563,640)</u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

Safety:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$877,442	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$41,670)
Net differences between projected and actual earnings on plan investments		(742,746)
Total	<u>\$877,442</u>	<u>(\$784,416)</u>
Combined Total	<u>\$1,285,407</u>	<u>(\$1,348,056)</u>

\$1,285,407 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous:

<u>Year Ended June 30</u>	<u>Increase (Decrease) in Pension Expense</u>
2016	(\$137,871)
2017	(137,871)
2018	(138,476)
2019	(140,910)
2020	-
Thereafter	-

Safety:

<u>Year Ended June 30</u>	<u>Increase (Decrease) in Pension Expense</u>
2016	(\$200,569)
2017	(200,569)
2018	(197,593)
2019	(185,685)
2020	-
Thereafter	-

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

	All Plans (1)
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (2)
Investment Rate of Return	7.5% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II and PEPRA)
- (2) Depending on age, service and type of employment
- (3) Net of pension plan investment expenses, includes inflation
- (4) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS website under Forms and Publications.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed this difference immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$3,239,820	\$17,496	\$154
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$1,904,939	\$9,820	\$87
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$797,115	\$3,450	\$31

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

6. EMPLOYEE RETIREMENT PLANS (Continued)

	Safety	
	Tier 1	Tier 2
1% Decrease	6.50%	6.50%
Net Pension Liability	\$6,081,358	\$83,300
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$4,114,790	\$48,406
1% Increase	8.50%	8.50%
Net Pension Liability	\$2,494,422	\$19,654

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

7. DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

During the year, the City and employees each contributed \$3,374 and \$3,666, respectively. The total covered payroll of employees participating in the plan for the year ended June 30, 2015, was \$89,979. The total payroll for the year was \$2,756,753.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

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 And Medicare-coordinated premiums for such retirees. For those with 10 or more years of service, there are partial benefits. For Public Safety Employees hired after 7/1/2013 they are only eligible for partial retiree benefits (25% - 10 years of service, 50% - 20 years of service) miscellaneous employees hired after 7/1/2013 are no longer eligible for retiree benefits. For retirees not eligible for the premium-based benefit, the Town will pay the CalPers minimum employer contribution towards premiums, which is \$119 per month from July to December 2014 and \$122 from January to June 2015. 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, 2015, 5 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 July 1, 2013 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) 7.5% investment return; (b) 3% projected annual salary increase, (c) 2.75% annual general inflation rate and (d) 5% health care cost trend rate increases, starting 2015.

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
For the year ended June 30, 2015

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 Position and is calculated as follows:

Annual required contribution (ARC)	\$113,200
Add: interest on net OPEB obligation	19,483
Less: adjustments on OPEB obligation	<u>(16,913)</u>
Annual OPEB cost	115,770
Contributions made	<u>(168,648)</u>
Decrease in net OPEB obligation	(52,878)
Net OPEB obligation at June 30, 2014	<u>220,720</u>
Net OPEB obligation at June 30, 2015	<u><u>\$167,842</u></u>

The Plan's annual required contributions and actual contributions for the three years ended June 30 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Pension Cost Contributed	Net OPEB Obligation
6/30/13	\$119,937	\$69,204	58%	\$245,807
6/30/14	112,470	137,557	122%	220,720
6/30/15	115,770	168,648	146%	167,842

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the plan was 38.02% funded. The Actuarial Accrued Liability (AAL) for benefits was \$1,051,800 and the Actuarial Value of Plan Asset was \$216,400 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$835,400. The covered payroll (annual payroll of active employees covered by the plan) was \$2,197,100 and the ratio of UAAL to the covered payroll was 38.02 percent.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, 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.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

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	
	2015	2014
Balance at beginning of year	\$166,475	\$65,629
Change in liability for prior fiscal year claims and claims incurred but not reported	75,001	201,692
Claims paid	(47,824)	(100,846)
Balance at end of year	<u>\$193,652</u>	<u>\$166,475</u>
Due in one year	<u>\$193,652</u>	<u>\$166,475</u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2015

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
For the year ended June 30, 2015

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.

F. Marin County Major Crimes Task Force

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

11. COMMITMENTS AND CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2015

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Miscellaneous Plan - Tier 1, a Cost Sharing-Employer Defined Pension Plan
as of Fiscal Year Ended June 30, 2015
Last 10 Years***

Measurement Date	6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.03061%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$1,904,939
Plan's Covered-Employee Payroll (A)	\$791,874
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	240.56%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.07%

Notes to Schedule:

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Town of Fairfax
 Required Supplementary Information
 For the year ended June 30, 2015**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 Miscellaneous Plan - Tier 2, a Cost Sharing-Employer Defined Pension Plan
 as of Fiscal Year Ended June 30, 2015
 Last 10 Years***

Measurement Date	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.00016%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$9,820
Plan's Covered-Employee Payroll (A)	\$446,130
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	2.20%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%

Notes to Schedule:

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2015

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Miscellaneous Plan - PEPRA, a Cost Sharing-Employer Defined Pension Plan
as of Fiscal Year Ended June 30, 2015
Last 10 years***

Measurement Date	6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$87
Plan's Covered-Employee Payroll (A)	\$55,867
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.16%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	82.91%

Notes to Schedule:

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Town of Fairfax
 Required Supplementary Information
 For the year ended June 30, 2015**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 Safety Plan - Tier 1, a Cost Sharing-Employer Defined Pension Plan
 as of Fiscal Year Ended June 30, 2015
 Last 10 years***

Measurement Date	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.06613%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$4,114,790
Plan's Covered-Employee Payroll (A)	\$728,626
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	564.73%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.97%

Notes to Schedule:

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2015

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
Safety Plan - Tier 2, a Cost Sharing-Employer Defined Pension Plan
as of Fiscal Year Ended June 30, 2015
Last 10 years*

Measurement Date	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.00078%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$48,406
Plan's Covered-Employee Payroll (A)	\$363,285
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	13.32%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%

Notes to Schedule:

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Town of Fairfax
 Required Supplementary Information
 For the year ended June 30, 2015**

**SCHEDULE OF CONTRIBUTIONS
 Miscellaneous Plans, Cost Sharing-Employer Defined Pension Plans
 as of Fiscal Year Ended June 30, 2015
 Last 10 Years***

	2015
	Tier 1
Actuarially determined contribution	\$163,678
Contributions in relation to the actuarially determined contributions	163,678
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$831,547
Contributions as a percentage of covered-employee payroll	19.68%
	Tier 2
Actuarially determined contribution	\$34,518
Contributions in relation to the actuarially determined contributions	34,518
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$296,577
Contributions as a percentage of covered-employee payroll	11.64%
	PEPRA Tier 3
Actuarially determined contribution	\$8,677
Contributions in relation to the actuarially determined contributions	8,677
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$119,727
Contributions as a percentage of covered-employee payroll	7.25%

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2015

SCHEDULE OF CONTRIBUTIONS
Safety Plans, Cost Sharing-Employer Defined Pension Plans
as of Fiscal Year Ended June 30, 2015
Last 10 Years*

	<u>2015</u>
	<u>Tier 1</u>
Actuarially determined contribution	\$274,732
Contributions in relation to the actuarially determined contributions	<u>274,732</u>
Contribution deficiency (excess)	<u>\$0</u>
Covered-employee payroll	<u>\$457,321</u>
Contributions as a percentage of covered-employee payroll	60.07%
	<u>Tier 2</u>
Actuarially determined contribution	\$105,114
Contributions in relation to the actuarially determined contributions	<u>105,114</u>
Contribution deficiency (excess)	<u>\$0</u>
Covered-employee payroll	<u>\$550,877</u>
Contributions as a percentage of covered-employee payroll	19.08%

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Town of Fairfax
 Required Supplementary Information
 For the year ended June 30, 2015**

**Other Post-Employment Benefits Plan
 Schedule of Fund Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Projected Unit Credit Cost Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
6/30/10	\$0	\$958,500	\$958,500	0.00%	\$2,626,577	36.49%
7/1/11	252,200	1,276,500	1,024,300	19.76%	2,481,924	41.27%
7/1/13	216,400	1,051,800	835,400	20.57%	2,197,100	38.02%

TOWN OF FAIRFAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$3,249,000	\$3,745,000	\$3,886,305	\$141,305
Special assessments	375,000	404,000	370,215	(33,785)
Sales tax	1,180,000	1,180,000	1,103,075	(76,925)
Permits licenses and fees	125,000	527,000	545,099	18,099
Fines, forfeitures and penalties	90,000	90,000	131,086	41,086
From other agencies	34,000	608,000	759,154	151,154
Motor vehicle in-lieu fees	5,000	5,000		(5,000)
Franchise fees	345,000	345,000	347,214	2,214
Services charges	68,500	102,000	70,765	(31,235)
Use of money and property		40,000	30,829	(9,171)
Other revenue	36,500	37,000	39,909	2,909
Total Revenues	5,508,000	7,083,000	7,283,651	200,651
EXPENDITURES				
Current:				
General government	1,554,366	1,519,076	1,495,530	23,546
Public safety	4,653,349	4,653,349	4,562,909	90,440
Public works and facilities	582,572	582,964	468,877	114,087
Planning and building	606,364	606,364	576,668	29,696
Parks and recreation	244,575	317,474	268,907	48,567
Capital outlay	161,554	35,000	100,570	(65,570)
Debt service:				
Principal	75,822	92,422	71,813	20,609
Interest and fiscal charges	16,600	3,000	8,309	(5,309)
Total Expenditures	7,895,202	7,809,649	7,553,583	256,066
REVENUES OVER (UNDER) EXPENDITURES	(2,387,202)	(726,649)	(269,932)	456,717
OTHER FINANCING SOURCES (USES)				
Transfers in	2,156,003	2,504,885	589,552	(1,915,333)
Transfers (out)	(320,947)	(2,021,328)	(301,942)	1,719,386
Total other financing sources (uses)	1,835,056	483,557	287,610	(195,947)
Net change in fund balance	(\$552,146)	(\$243,092)	17,678	\$260,770
FUND BALANCE-				
Beginning of year			1,926,888	
End of year			\$1,944,566	

**Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2015**

1. BUDGETARY PRINCIPLES

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

- By June 30, the Town Manager submits to the Town Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year's budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a Town Council meeting July - September.
- 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.

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>
2006 Series Debt Service Fund	\$880
2012 Series Debt Service Fund	1,680
Youth Recreation Special Revenue Fund	3,867

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SUPPLEMENTARY INFORMATION

TOWN OF FAIRFAX
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2006 Series Debt Service		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$144,607	\$144,581	(\$26)
From other agencies	868	1,978	1,110
Total Revenues	<u>145,475</u>	<u>146,559</u>	<u>1,084</u>
EXPENDITURES			
Debt Service:			
Principal	70,000	70,000	
Interest and fiscal charges	75,475	76,355	(880)
Total Expenditures	<u>145,475</u>	<u>146,355</u>	<u>(880)</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>204</u>	<u>204</u>
NET CHANGE IN FUND BALANCES		<u>204</u>	<u>\$204</u>
FUND BALANCE (DEFICIT)			
Beginning of the year		<u>197,135</u>	
End of the year		<u>\$197,339</u>	

TOWN OF FAIRFAX
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2008 Series Debt Service		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$173,111	\$163,921	(\$9,190)
From other agencies	1,039	2,245	1,206
Total Revenues	<u>174,150</u>	<u>166,166</u>	<u>(7,984)</u>
EXPENDITURES			
Debt Service:			
Principal	96,000	96,000	
Interest and fiscal charges	78,150	69,934	8,216
Total Expenditures	<u>174,150</u>	<u>165,934</u>	<u>8,216</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>232</u>	<u>232</u>
NET CHANGE IN FUND BALANCES		<u>232</u>	<u>\$232</u>
FUND BALANCE (DEFICIT)			
Beginning of the year		<u>383,384</u>	
End of the year		<u>\$383,616</u>	

TOWN OF FAIRFAX
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2012 Series Debt Service		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$127,810	\$181,880	\$54,070
From other agencies	1,093	2,500	1,407
Total Revenues	<u>128,903</u>	<u>184,380</u>	<u>55,477</u>
EXPENDITURES			
Debt Service:			
Principal	108,000	115,000	(7,000)
Interest and fiscal charges	75,266	69,946	5,320
Total Expenditures	<u>183,266</u>	<u>184,946</u>	<u>(1,680)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(54,363)</u>	<u>(566)</u>	<u>53,797</u>
NET CHANGE IN FUND BALANCES	<u>(\$54,363)</u>	<u>(566)</u>	<u>\$53,797</u>
FUND BALANCE (DEFICIT)			
Beginning of the year		<u>387,496</u>	
End of the year		<u>\$386,930</u>	

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TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

SPECIAL REVENUE FUNDS

	Measure K	Special Police	Youth Recreation	Measure I	Gas Tax
ASSETS					
Cash and investments		\$12,578	\$932	\$49,621	\$51,080
Accounts receivable		\$8,505	12,187	\$3,463	
Total Assets		\$21,083	\$13,119	\$53,084	\$51,080
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$10,788		
Accrued payroll			1,346		
Deposits payable					
Total Liabilities			12,134		
Fund balances:					
Restricted		\$21,083	985	\$53,084	\$51,080
Committed					
Assigned					
Unassigned					
Total Fund Balances (Deficits)		21,083	985	53,084	51,080
Total Liabilities and Fund Balances		\$21,083	\$13,119	\$53,084	\$51,080

SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS	
Open Space	Storm Capital Projects Fund	Town Capital Projects Fund	Pavilion Renovation	Measure K 2000 Series	Total
\$21,057		\$172,782			\$308,050 24,155
<u>\$21,057</u>		<u>\$172,782</u>			<u>\$332,205</u>
		\$3,259			\$14,047 1,346
		3,259			15,393
\$21,057		169,523			316,812
<u>21,057</u>		<u>169,523</u>			<u>316,812</u>
<u>\$21,057</u>		<u>\$172,782</u>			<u>\$332,205</u>

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS				
	Measure K	Special Police	Youth Recreation	Measure I	Gas Tax
REVENUES					
From other agencies		\$116,615	\$1,000	\$456,384	\$222,880
Service charges			58,127		
Use of money and property			22,125		
Other revenue			26,609		
Total Revenues		116,615	107,861	456,384	222,880
EXPENDITURES					
Current:					
Parks and recreation			132,286		
Capital outlay					
Total Expenditures			132,286		
REVENUES OVER (UNDER) EXPENDITURES		116,615	(24,425)	456,384	222,880
OTHER FINANCING SOURCES (USES)					
Transfers in			58,185		
Transfers (out)	(\$10,249)	(100,000)	(5,000)	(403,300)	(172,000)
Total Other Financing Sources (Uses)	(10,249)	(100,000)	53,185	(403,300)	(172,000)
NET CHANGE IN FUND BALANCES	(10,249)	16,615	28,760	53,084	50,880
FUND BALANCE (DEFICIT)					
Beginning of the year	10,249	4,468	(27,775)		200
End of the year		\$21,083	\$985	\$53,084	\$51,080

SPECIAL REVENUE FUND	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Open Space	Storm Capital Projects Fund	Town Capital Projects Fund		
\$64,070		\$96,554			\$957,503
		5,000			58,127
					22,125
					31,609
64,070		101,554			1,069,364
1,403					133,689
60,000		50,477			110,477
61,403		50,477			244,166
2,667		51,077			825,198
8,000		144,756			210,941
	(\$22)				(690,571)
8,000	(22)	144,756			(479,630)
10,667	(22)	195,833			345,568
10,390	22	(26,310)			(28,756)
\$21,057		\$169,523			\$316,812

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, 2015

	MEASURE K			SPECIAL POLICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
From other agencies				\$100,000	\$116,615	\$16,615
Service charges						
Use of money and property						
Other revenue						
Total Revenues				<u>100,000</u>	<u>116,615</u>	<u>16,615</u>
EXPENDITURES						
Current:						
Parks and recreation						
Capital outlay						
Total Expenditures						
REVENUES OVER (UNDER) EXPENDITURES				<u>100,000</u>	<u>116,615</u>	<u>16,615</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)						
Transfers (out)		<u>(\$10,249)</u>	<u>(\$10,249)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Total other financing sources (uses)		<u>(10,249)</u>	<u>(10,249)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
NET CHANGE IN FUND BALANCES		<u>(10,249)</u>	<u>(\$10,249)</u>		<u>16,615</u>	<u>\$16,615</u>
FUND BALANCE (DEFICIT)						
Beginning of the year		<u>10,249</u>			<u>4,468</u>	
End of the year		<u><u> </u></u>			<u><u>\$21,083</u></u>	

YOUTH RECREATION			MEASURE I			GAS TAX		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,000	\$1,000	\$460,000	\$456,384	(\$3,616)	\$198,485	\$222,880	\$24,395
\$36,000	58,127	22,127						
30,000	22,125	(7,875)						
52,000	26,609	(25,391)						
<u>118,000</u>	<u>107,861</u>	<u>(10,139)</u>	<u>460,000</u>	<u>456,384</u>	<u>(3,616)</u>	<u>198,485</u>	<u>222,880</u>	<u>24,395</u>
128,419	132,286	(3,867)						
<u>128,419</u>	<u>132,286</u>	<u>(3,867)</u>						
<u>(10,419)</u>	<u>(24,425)</u>	<u>(14,006)</u>	<u>460,000</u>	<u>456,384</u>	<u>(3,616)</u>	<u>198,485</u>	<u>222,880</u>	<u>24,395</u>
25,000	58,185	33,185						
<u>(5,000)</u>	<u>(5,000)</u>		<u>(460,000)</u>	<u>(403,300)</u>	<u>56,700</u>	<u>(207,000)</u>	<u>(172,000)</u>	<u>35,000</u>
20,000	53,185	33,185	<u>(460,000)</u>	<u>(403,300)</u>	<u>56,700</u>	<u>(207,000)</u>	<u>(172,000)</u>	<u>35,000</u>
<u>\$9,581</u>	28,760	<u>\$19,179</u>		53,084	<u>\$53,084</u>	<u>(\$8,515)</u>	50,880	<u>\$59,395</u>
								(Continued)
	<u>(27,775)</u>						200	
	<u>\$985</u>			<u>\$53,084</u>			<u>\$51,080</u>	

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, 2015

	OPEN SPACE		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
From other agencies	\$55,000	\$64,070	\$9,070
Service charges			
Use of money and property			
Other revenue			
Total Revenues	55,000	64,070	9,070
EXPENDITURES			
Current:			
Parks and Recreation	5,000	1,403	3,597
Capital outlay	60,000	60,000	
Total Expenditures	65,000	61,403	3,597
REVENUES OVER (UNDER) EXPENDITURES	(10,000)	2,667	12,667
OTHER FINANCING SOURCES (USES)			
Transfers (in)	4,000	8,000	4,000
Transfers (out)			
Total other financing sources (uses)	4,000	8,000	4,000
NET CHANGE IN FUND BALANCES	(\$6,000)	10,667	\$16,667
FUND BALANCE (DEFICIT)			
Beginning of the year		10,390	
End of the year		\$21,057	