

# Town of Fairfax

Fairfax, California

*Basic Financial Statements and  
Independent Auditors' Report*

*For the year ended June 30, 2008*



# Town of Fairfax

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairfax, California (Town), as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the Town has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the State of California (State) has borrowed, deferred paying certain revenues and proposed taking other funds from local governments including the Town. These actions by the State include:

- 8% of Property Taxes borrowed - to be repaid in 3 years

The amounts are significant to the Town and may affect its ongoing operations. See Note 11 for additional information.

**Oakland**

180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**

9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**

777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**

4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of the Town Council  
of the Town of Fairfax  
Fairfax, California  
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In our opinion, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2008, and the respective changes in financial position, and where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the Town adopted Statement of the Governmental Accounting Standards Board No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

The accompanying Required Supplementary Information, such as management's discussion and analysis and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Oakland, California  
January 8, 2009

## 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, 2008. 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 \$12,836,330, liabilities of \$8,681,161 and net assets of \$4,155,169 at June 30, 2008. This compares with assets of \$11,206,943, liabilities of \$8,195,779 and net assets of \$3,011,164 at June 30, 2007.
- The Government-Wide Statement of Activities and Changes in Net Assets appears as the second statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. This statement shows an increase in net assets of \$1,144,005 for the fiscal year ended June 30, 2008 as compared to a decrease of \$664,134 for the fiscal year ended June 30, 2007. The majority of the larger increase in net assets is due to the contribution to the Town's infrastructure improvements and other capital assets. Revenues for fiscal 2008 increased by \$1,569,022 from the prior year primarily due to higher property taxes and significant disaster funding reimbursements. Expenses for the same period increased by \$524,662, mainly as a result of continued repair and replacement of the Town's infrastructure resulting from the flood. The Town also experienced a reduction in interest on long-term debt and a partial vacancy in public works.
- The Town's long-term debt (including current portion) totaled \$6,779,600 as of June 30, 2008, which includes the outstanding balance on the Measure K bonds. Additionally, the Town has accrued \$383,492 of non-current claims payable which includes a carry-over of \$311,422 from FY 05-06.

### FUND HIGHLIGHTS

At the close of fiscal year 2008, the Town's governmental funds reported a combined ending fund balance of \$4,748,870, as compared to \$4,057,713 at June 30, 2007. 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 2007-2008, the Town accomplished the following:

- Due to the experience of a flood disaster at mid-year on December 31, 2005, the Town was required to respond and provide immediate emergency clean-up and assessment of damage to Town properties. For the last two years, the Town was involved with repairing the damaged infrastructure and getting reimbursement from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services (OES). The Town continued to be active in the regional efforts to respond to the disaster through FEMA and OES.
- The Town remained active in a regional flood control and watershed protection effort, the Ross Valley Flood Protection and Watershed Program. This program has emerged through the leadership of the County of Marin, and an election was held to assess property owners a flood mitigation fee that would leverage local funding to secure state and federal funding for improvements to the Ross Valley watershed to mitigate future flooding. The measure passed but is held up in the courts due to a law suit that seeks to overturn the election process.
- The Town received the third year of taxes under a new five-year special municipal services tax. Measure F provides approximately \$465,000 per year for police and fire services, public works safety improvements and grant matching funds, and the after-school youth program.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### **Government-wide Financial Statements**

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

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

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

## Fund Financial Statements

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

### Governmental funds

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

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

The Town maintains 18 individual governmental funds. In the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances, information is presented as Major Fund and Non-major Governmental Funds. The Major Fund includes the following funds of the General Fund:

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

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

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

- Gas Tax Fund
- Special Police Fund
- Open Space Fund
- Recreation Fund
- Measure F Municipal Services Fund
- Capital Projects Measure K 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
- Creek Restoration Fund
- Town Fund

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

- Measure K Debt Service Series 2000 Fund
- Measure K Debt Service Series 2002 Fund
- Measure K Debt Service Series 2006 Fund

### Agency Funds

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

### Business-type Funds

The Town maintains no business-type funds.

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

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

### **Required Supplementary Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the fourth year that 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
	2008	2007	
Cash and investments	\$ 5,857,124	\$ 4,390,372	33.4%
Capital assets, net	6,699,065	6,211,699	7.8%
Other assets	280,141	604,872	-53.7%
<b>Total assets</b>	<b>12,836,330</b>	<b>11,206,943</b>	<b>14.5%</b>
Current liabilities	1,445,056	891,998	62.0%
Non-current liabilities	7,236,105	7,303,781	-0.9%
<b>Total liabilities</b>	<b>8,681,161</b>	<b>8,195,779</b>	<b>5.9%</b>
Invested in capital assets, net	1,824,309	1,213,736	50.3%
Restricted	671,168	10,535	6270.8%
Unrestricted	1,659,692	1,786,893	-7.1%
<b>Net assets</b>	<b>\$ 4,155,169</b>	<b>\$ 3,011,164</b>	<b>38.0%</b>

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of a deficit \$84,361 at the end of fiscal year 2008 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 \$671,168 at the end of fiscal 2008 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets balance of \$1,659,692 may be used to finance day-to-day operations without constraints.

## Changes in Net Assets

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

	Governmental Activities		Percentage Change
	2008	2007	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 897,807	\$ 814,552	10.2%
Operating grants & contributions	1,645,287	50,000	0.0%
General revenues:			
Taxes	6,272,885	5,851,892	7.2%
Intergovernmental	1,062,385	1,371,681	-22.5%
Use of money & property	203,016	403,889	-49.7%
Miscellaneous	34,545	54,889	-37.1%
Transfers	-	-	
<b>Total revenues</b>	<b>10,115,925</b>	<b>8,546,903</b>	<b>18.4%</b>
<b>Expenses:</b>			
General government	1,000,229	935,998	6.9%
Public safety	3,986,866	4,033,743	-1.2%
Public works	2,804,064	2,976,736	-5.8%
Planning & Building	544,545	480,448	13.3%
Parks and recreation	276,542	272,859	1.3%
Interest on long-term debt	359,674	511,253	-29.6%
<b>Total expenses</b>	<b>8,971,920</b>	<b>9,211,037</b>	<b>-2.6%</b>
<b>Change in net assets</b>	<b>1,144,005</b>	<b>(664,134)</b>	<b>-272.3%</b>
<b>Net assets - beginning of year</b>	<b>3,011,164</b>	<b>3,675,298</b>	<b>-18.1%</b>
<b>Net assets - end of year</b>	<b>\$ 4,155,169</b>	<b>\$ 3,011,164</b>	<b>38.0%</b>

Net assets increased \$1,144,005 during the fiscal year ended June 30, 2008. Total revenues for fiscal year 2008 were \$10,115,925 as compared to \$8,546,903 for fiscal year 2007. The approximately \$1,569,022 increase in revenues is mainly attributed to higher revenue from pension taxes due to increased property tax values, property taxes associated with higher assessed property values, excess Educational Revenue Augmentation Fund ("ERAF") distributions, an increase in property tax in lieu of Vehicle License Fess, as expected, additional revenues from investment earning due to prudent cash management with LAIF, increased planning, building, business license fees, and flood disaster related reimbursements.

Total expenses for the year ended June 30, 2008 were \$8,971,920, compared with \$9,211,037 for the same period in 2007. The approximate \$239,117 decrease in expenses primarily reflects less funds expended in interest on long-term debt and a partial vacancy in public works.

## ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

### **General Fund**

In summary, the actual General Fund excess of revenues and net transfers over expenditures for fiscal year 2007-2008 (FY 07-08) was \$200,371 as compared to the budgeted deficiency of \$513,437 (see *Budgetary Comparison Schedule, General Fund* under the Required Supplementary Information). The change is the result of significantly higher revenues than budgeted, which are explained below.

General Fund revenue during the FY 07-08 year totaled \$6,377,529, which was more than the final budgeted amount by \$432,279, or 7.3%. This revenue increase primarily relates to a combination of revenue increases in property taxes and pension taxes which are both property tax based, ERAF allocations, interest, and service fees.

General Fund expenditures for FY 07-08 totaled \$6,428,466, and were lower than the final budgeted amount by \$30,221, or 0.5%. This is related to a partial vacancy in public works and a reduction in public safety.

### **Measure K Debt Service Series Funds**

The Measure K Debt Service Series 2000 Fund balance increased by \$96,186 to \$317,849 at June 30, 2008.

The Measure K Debt Service Series 2002 Fund balance increased by \$125,330 to \$437,683 at June 30, 2008.

The Measure K Debt Service Series 2006 Fund Balance deficit increased by \$91,039 to \$114,674 at June 30, 2008.

The Measure K Debt Service Series 2000 Fund revenues totaled \$238,607 for FY 07-08 and exceeded budget because of higher property assessed values than budgeted.

The Measure K Debt Service Series 2002 Fund revenues totaled \$303,643 for FY 07-08 and exceeded budget because of higher property assessed values than budgeted.

Principal and interest payments on the Series 2000 Measure K bonds totaled \$25,000 and \$117,421, respectively; actual equaled budgeted.

Principal and interest payments on the Series 2002 Measure K bonds totaled \$35,000 and \$143,313, respectively; actual equaled budgeted.

Principal and interest payments on the Series 2006 Measure K bonds totaled \$0 and \$92,400 respectively; actual interest equaled budgeted.

## ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

At the end of Fiscal Year 2005-06, the Town Council negotiated memoranda of understanding with all its employee groups, providing for fair salary and benefit increases to enhance recruitment and retention of staff. These multi-year agreements allowed the Town to budget predictably over a three year period, and provided staff with incentives for retention. Nevertheless, in Fiscal Year 2007-08 the Town still experienced the continued necessity to stem the growth of expenditures, and thus one Police Officer position and one Administrative Assistant position remain frozen and unfilled. The Town is currently pursuing various means of minimizing employee benefit cost growth. New memoranda of understanding will need to be negotiated next year for all three bargaining units.

The Town ended the Fiscal Year 2006-07 in a positive fiscal situation, despite the devastating effect the prior year flood disaster had on the Town's physical and financial assets. The Town completed Fiscal Year 2007-08 with some FEMA projects still incomplete and/or awaiting the results of state and federal funding applications for reimbursement.

As a result of the flood disaster, class action flood lawsuits were filed, naming the Town of Fairfax as one of several government agency defendants who were, according to the claims, allegedly negligent in flood control and thus responsible for the financial impact of the flood disaster. The total of the flood lawsuits is approximately \$800 million. The Town is a member of the Bay Cities Joint Powers Insurance Authority, which has several layers of coverage. A specialist attorney is representing the Town and other entities in this legal challenge. At this time, the flood lawsuits are pending and their potential outcome and financial impact on the Town is not known.

Reimbursement for the Town's remaining flood disaster projects is still being determined, and still exists as one threat to the Town's financial stability over the near term. With the projections of a slowing economy and a State budget facing significant structural deficits, the Town needs to proceed over the near future with caution and mindfulness of the threats to its financial stability.

## REQUESTS FOR INFORMATION

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

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

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**BASIC  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**Town of Fairfax**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 4,608,003
Receivables (net of allowances):	
Accounts	1,191,623
Taxes	17,926
Interest	<u>39,572</u>
Total current assets	<u>5,857,124</u>
Noncurrent assets:	
Deferred charges	280,141
Capital assets:	
Nondepreciable	249,888
Depreciable, net	<u>6,449,177</u>
Total capital assets	<u>6,699,065</u>
<b>Total assets</b>	<u>12,836,330</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	689,034
Utility users' tax deposits payable	114,670
Accrued payroll	110,588
Deposits payable	121,892
Interest payable	147,138
Long-term debt - due within one year	125,000
Capital leases - due within one year	57,823
Unamortized bond premium - due within one year	6,841
Claims payable - due within one year	<u>72,070</u>
Total current liabilities	<u>1,445,056</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	6,495,000
Capital leases - due in more than one year	101,777
Unamortized bond premium - due in more than one year	129,988
Claims payable - due in more than one year	311,422
Compensated absences payable	<u>197,918</u>
Total noncurrent liabilities	<u>7,236,105</u>
<b>Total liabilities</b>	<u>8,681,161</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	<u>1,824,309</u>
Restricted for:	
Debt service	640,858
Special projects and programs	<u>30,310</u>
Total restricted	<u>671,168</u>
Unrestricted	<u>1,659,692</u>
<b>Total net assets</b>	<u>\$ 4,155,169</u>

See accompanying Notes to Basic Financial Statements.

**Town of Fairfax**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Governmental Activities Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Total	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 1,000,229	\$ 408,113	\$ -	\$ 408,113	\$ (592,116)
Public safety	3,986,866	78,768	-	78,768	(3,908,098)
Public works	2,804,064	4,664	1,645,287	1,649,951	(1,154,113)
Planning and building	544,545	374,024	-	374,024	(170,521)
Parks and recreation	276,542	32,238	-	32,238	(244,305)
Interest and fiscal charges	359,674	-	-	-	(359,674)
<b>Total governmental activities</b>	<b>\$ 8,971,920</b>	<b>\$ 897,807</b>	<b>\$ 1,645,287</b>	<b>\$ 2,543,094</b>	<b>(6,428,826)</b>

**General revenues:**

Taxes:

Property taxes	4,117,817
Sales taxes	481,000
Special assessments	1,645,804
Other taxes	28,264

Total taxes 6,272,885

Contributions	1,062,385
Investment earnings	203,016
Miscellaneous	34,545

**Total general revenues** 7,572,831

**Change in net assets** 1,144,005

**Net assets - beginning of year** 3,011,164

**Net assets - end of year** \$ 4,155,169

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# GOVERNMENTAL FUNDS

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## *General Fund*

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures, and interest income. Expenditures are made for administration, legislation, public safety, planning, building, public works and parks, and other services.

## *Special Revenue - Measure K*

The Measure K Fund is a special revenue fund of the Town. It is used to account for the proceeds from the issuance of Series 2000 general obligation bonds for the maintenance of the Town's infrastructure.

## *Capital Projects - Grants*

The Grants Fund is a capital project fund of the Town. It is used to account for capital projects whereby partial funding is provided by state and federal grants.

**Town of Fairfax**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	Major Funds			Non-Major	Total
	General Fund	Measure K Special Revenue	Grants Capital Projects	Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 1,785,037	\$ 1,228,701	\$ -	\$ 1,594,265	\$ 4,608,003
Receivables (net of allowances):					
Accounts	271,243	-	781,174	139,206	1,191,623
Taxes	17,926	-	-	-	17,926
Interest	28,931	10,641	-	-	39,572
Due from other funds	849,525	-	-	-	849,525
<b>Total assets</b>	<b>\$ 2,952,662</b>	<b>\$ 1,239,342</b>	<b>\$ 781,174</b>	<b>\$ 1,733,471</b>	<b>\$ 6,706,649</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 72,829	\$ 13,747	\$ 575,339	\$ 27,119	\$ 689,034
Utility users' tax deposits payable	114,670	-	-	-	114,670
Accrued payroll	110,588	-	-	-	110,588
Deposits payable	121,892	-	-	-	121,892
Claims payable	72,070	-	-	-	72,070
Due to other funds	-	-	555,260	294,265	849,525
<b>Total liabilities</b>	<b>492,049</b>	<b>13,747</b>	<b>1,130,599</b>	<b>321,384</b>	<b>1,957,779</b>
<b>Fund Balances:</b>					
Reserved for:					
Special projects	-	1,225,595	(349,425)	682,979	1,559,149
Capital projects	-	-	-	640,858	640,858
Debt service	-	-	-	88,250	88,250
Unreserved, undesignated reported in:					
General fund	2,460,613	-	-	-	2,460,613
<b>Total fund balances</b>	<b>2,460,613</b>	<b>1,225,595</b>	<b>(349,425)</b>	<b>1,412,087</b>	<b>4,748,870</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,952,662</b>	<b>\$ 1,239,342</b>	<b>\$ 781,174</b>	<b>\$ 1,733,471</b>	<b>\$ 6,706,649</b>

See accompanying Notes to Basic Financial Statements.

**Town of Fairfax**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2008**

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**Total Fund Balances - Total Governmental Funds** \$ 4,748,870

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Non-depreciable capital assets	249,888
Depreciable capital assets, net of accumulated depreciation of \$5,013,435	6,449,177

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds. (147,138)

Long-term liabilities and related deferred charges are not due and payable in the current period and therefore they are not reported in the governmental funds.

Long-term debt - due within one year	(125,000)
Capital leases - due within one year	(57,823)
Unamortized bond premium - due within one year	(6,841)
Long-term liabilities - due in more than one year:	(6,495,000)
Capital leases - due in more than one year:	(101,777)
Unamortized bond premium - due in more than one year:	(129,988)
Deferred charges	280,141
Claims payable	(311,422)
Compensated absences payable	(197,918)

**Net Assets of Governmental Activities** \$ 4,155,169

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**Town of Fairfax**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2008**

	Major Funds			Non-major Governmental Funds	Total
	General Fund	Measure K Special Revenue	Grants Capital Projects		
<b>REVENUES</b>					
Property taxes	\$ 4,117,817	\$ -	\$ -	\$ -	\$ 4,117,817
Special assessments	658,535	-	-	987,269	1,645,804
Sales tax	481,000	-	-	-	481,000
Permits, licenses and fees	437,418	-	-	-	437,418
Fines, forfeitures and penalties	74,897	-	-	-	74,897
From other agencies	52,960	-	1,645,287	1,009,425	2,707,672
Motor vehicle in-lieu fees	28,264	-	-	-	28,264
Franchise fees	290,609	-	-	-	290,609
Service charges	62,645	-	-	32,238	94,883
Use of money and property	138,839	62,816	-	1,361	203,016
Other revenue	34,545	-	-	-	34,545
<b>Total revenues</b>	<b>6,377,529</b>	<b>62,816</b>	<b>1,645,287</b>	<b>2,030,293</b>	<b>10,115,925</b>
<b>EXPENDITURES</b>					
Current:					
General government	965,508	-	-	-	965,508
Public safety	3,894,547	-	-	-	3,894,547
Public works and facilities	669,193	394,376	1,348,227	882,612	3,294,408
Planning and building	544,545	-	-	-	544,545
Parks and recreation	224,209	-	-	52,333	276,542
Capital Outlay	88,071	-	-	-	88,071
Debt service:					
Principal	41,803	-	-	60,000	101,803
Interest and fiscal charges	590	-	-	353,134	353,724
<b>Total expenditures</b>	<b>6,428,466</b>	<b>394,376</b>	<b>1,348,227</b>	<b>1,348,079</b>	<b>9,519,148</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(50,937)</b>	<b>(331,560)</b>	<b>297,060</b>	<b>682,214</b>	<b>596,777</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease financing	94,380	-	-	-	94,380
Transfers in	1,468,160	1,000	-	-	1,469,160
Transfers out	(1,311,232)	(57,928)	-	(100,000)	(1,469,160)
<b>Total other financing sources (uses)</b>	<b>251,308</b>	<b>(56,928)</b>	<b>-</b>	<b>(100,000)</b>	<b>94,380</b>
<b>Net change in fund balances</b>	<b>200,371</b>	<b>(388,488)</b>	<b>297,060</b>	<b>582,214</b>	<b>691,157</b>
<b>FUND BALANCES</b>					
Beginning of year	2,260,242	1,614,083	(646,485)	829,873	4,057,713
End of year	\$ 2,460,613	\$ 1,225,595	\$ (349,425)	\$ 1,412,087	\$ 4,748,870

See accompanying Notes to Basic Financial Statements.

# Town of Fairfax

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

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Net Change in Fund Balances - Total Governmental Funds \$ 691,157

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions recorded in the current period exceeded depreciation. 936,257

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (448,891)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. The program expenses are adjusted for the current year net change in compensated absences. (35,991)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets.  
Capital Lease agreements (94,380)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.  
Long-term debt repayment 60,000  
Capital Lease repayment 41,803  
Amortization of premium and cost of issuance (8,014)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from the prior year. 2,064

**Change in Net Assets of Governmental Activities \$ 1,144,005**

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# FIDUCIARY FUNDS

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Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the Town's programs.

**Town of Fairfax**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 165,407
<b>Total assets</b>	<u>\$ 165,407</u>
<b>LIABILITIES</b>	
Special Deposits	\$ 165,407
<b>Total liabilities</b>	<u>\$ 165,407</u>

See accompanying Notes to Basic Financial Statements.

**Town of Fairfax**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

**B. Basis of Accounting and Measurement Focus**

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

**Government-Wide Financial Statements**

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

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis Accounting and Measurement Focus, Continued**

**Government-Wide Financial Statements, Continued**

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

- Charges for services
- Operating grants and contributions

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

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

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

**Governmental Fund Financial Statements**

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

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

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis Accounting and Measurement Focus, Continued**

**Governmental Fund Financial Statements, Continued**

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

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Fiduciary Fund Financial Statements**

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

**C. Recognition of Interest Liability**

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

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

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

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

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

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

The Town invests in the California Local Agency Investment Fund ("LAIF"), which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in various securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities. As of June 30, 2008 LAIF had invested 14.726% of its funds in such securities.

LAIF determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

**F. Capital Assets**

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

Buildings	40 Years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

**F. Capital Assets, Continued**

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

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

For all infrastructure systems, the Town elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting.

**G. Compensated Absences**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**H. Property Tax Levy Collection and Maximum Rates**

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

***H. Property Tax Levy Collection and Maximum Rates, Continued***

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

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

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

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

- 55% remitted on December 15
- 40% remitted on April 15
- 4.5% remitted on June 30
- .5% remitted on July 30

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

The Town provides post-retirement health care benefits to management and miscellaneous employees starting at 10 years of service and increasing the contribution with years of service as required by current association and management agreements. The Town records premium payments on a “pay-as-you-go” basis.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires Town management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**K. Net Assets**

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

Reservation of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

**L. Implementation of New GASB Pronouncements**

In 2008, the Town adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* - This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**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, 2008:

	Wide Statement of Net Assets	Fiduciary Funds	
	Governmental Activities	Statement of Net Assets	Total
Cash and investments	\$ 4,608,003	\$ 165,407	\$ 4,773,410

Deposits and investments were categorized as follows at June 30, 2008:

	Credit Quality Ratings	Fair Value	Days to Maturity
<b>Town Treasury Deposits:</b>			
Deposits	Not Rated	\$ 504,699	N/A
Petty cash	Not Rated	300	N/A
<b>Total City treasury deposits</b>		<b>504,999</b>	
<b>Town Treasury Investments:</b>			
Local Agency Investment Funds	Not Rated	4,268,411	N/A
<b>Total Town treasury investments</b>		<b>4,268,411</b>	
<b>Total cash and investments</b>		<b>\$ 4,773,410</b>	

**B. Cash Deposits**

At June 30, 2008, the carrying amount of the Town's deposits was \$504,699. Bank balances before reconciling items were \$350,781 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the Town's name as discussed below.

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**2. CASH AND INVESTMENTS, Continued**

*B. Cash Deposits, Continued*

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the Town's cash deposits. California law also allows institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the Town's total cash deposits. The Town may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The Town, however, has not waived the collateralization requirements.

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

*C. Investments*

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

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

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, investments were stated at fair value using the aggregate method in all funds, resulting in the following investment income:

Realized gain/(loss) on matured/sold investments	\$	-
Unrealized gain/(loss) in changes in fair value of investments		(818)
Net gain/(loss)		(818)
Interest income		166,298
<b>Total investment income</b>	<b>\$</b>	<b>165,480</b>

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

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**2. CASH AND INVESTMENTS, Continued**

*D. Risk Disclosures*

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

*E. Investments in Local Agency Investment Funds*

The Town’s investments with the LAIF, at June 30, 2008, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2008, the Town had \$4,268,411 invested in LAIF, which had invested 14.726% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.466% in the previous year. The Town valued its investments in LAIF as of June 30, 2008, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.999950219.

*F. Summary of Investments to Maturity*

Investments held in the Town grouped by maturity date at June 30, 2008 were as follows:

<u>Maturity</u>	
Current to one year	\$ 4,268,411
<b>Total</b>	<b>\$ 4,268,411</b>

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**3. INTERFUND TRANSACTIONS**

**A. Due To/From Other Funds**

At June 30, 2008, the Town had the following short-term receivables and payables:

		Do To Other Funds		
		Grants Capital Project Fund	Non-Major Governmental Funds	Total
Due From Other Funds	General Fund	\$ 555,260	\$ 294,265	\$ 849,525
	Non-Major Governmental Funds	-	-	-
	<b>Total</b>	\$ 555,260	\$ 294,265	\$ 849,525

The Town has recorded due to/due from for all funds requiring cash at June 30, 2008. The short-term loans will be repaid during fiscal year 2009 as cash receipts are collected for those specific funds.

**B. Interfund Transfers**

Transfers during the fiscal year ended June 30, 2008, were comprised of the following:

		Transfers Out			Total
		Governmental Funds			
		General Fund	Measure K	Non-Major Governmental Funds	
Transfers In	General Fund	\$ 1,311,232	\$ 56,928	\$ 100,000	\$ 1,468,160
	Measure K	-	1,000	-	1,000
	<b>Total</b>	\$ 1,311,232	\$ 57,928	\$ 100,000	\$ 1,469,160

Transfers to the General Fund were for administrative costs, claims liabilities and fire engine debt service. Transfers to the Non-Major Governmental Funds were for administrative costs, capital projects and special projects.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**4. CAPITAL ASSETS**

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

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

**A. Government-Wide Financial Statements**

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

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 249,888	\$ -	\$ -	\$ 249,888
Construction in progress	-	-	-	-
Total nondepreciable assets	<u>249,888</u>	<u>-</u>	<u>-</u>	<u>249,888</u>
Capital assets, being depreciated:				
Buildings	341,183	-	-	341,183
Other improvements	270,844	804,457	-	1,075,301
Vehicles	482,672	51,745	(31,903)	502,514
Machinery and Equipment	577,271	131,990	(23,577)	685,684
Infrastructure	8,857,930	-	-	8,857,930
Total depreciable assets	<u>10,529,900</u>	<u>988,192</u>	<u>(55,480)</u>	<u>11,462,612</u>
Accumulated Depreciation:				
Buildings	(249,705)	(5,521)	-	(255,226)
Other improvements	(113,067)	(34,106)	-	(147,173)
Vehicles	(302,142)	(38,235)	3,545	(336,832)
Machinery and Equipment	(353,840)	(21,585)	-	(375,425)
Infrastructure	(3,549,335)	(349,444)	-	(3,898,779)
Total accumulated depreciation	<u>(4,568,089)</u>	<u>(448,891)</u>	<u>3,545</u>	<u>(5,013,435)</u>
Depreciable assets, net	<u>5,961,811</u>	<u>539,301</u>	<u>(51,935)</u>	<u>6,449,177</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 6,211,699</u>	<u>\$ 539,301</u>	<u>\$ (51,935)</u>	<u>\$ 6,699,065</u>

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**4. CAPITAL ASSETS, Continued**

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2008 were as follows:

General Government	\$ 34,721
Public Works	56,138
Public Safety	358,032
<b>Total depreciation expense</b>	<b>\$ 448,891</b>

**5. LONG-TERM DEBT**

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2008:

Description	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Amounts Due Within One Year	Due in More than One Year
<i>Governmental Activities:</i>						
2000 General Obligation Bonds	\$ 2,000,000	\$ -	\$ (25,000)	\$ 1,975,000	\$ 30,000	\$ 1,945,000
2002 General Obligation Bonds	2,915,000	-	(35,000)	2,880,000	40,000	2,840,000
2006 General Obligation Bonds	1,765,000	-	-	1,765,000	55,000	1,710,000
Capital Lease	107,023	94,380	(41,803)	159,600	57,823	101,777
<b>Total governmental activities -gross</b>	<b>6,787,023</b>	<b>94,380</b>	<b>(101,803)</b>	<b>6,779,600</b>	<b>182,823</b>	<b>6,596,777</b>
<b>Unamortized Premium</b>	<b>143,670</b>	<b>-</b>	<b>(6,841)</b>	<b>136,829</b>	<b>6,841</b>	<b>129,988</b>
<b>Total governmental activities - net</b>	<b>\$ 6,930,693</b>	<b>\$ 94,380</b>	<b>\$ (108,644)</b>	<b>\$ 6,916,429</b>	<b>\$ 189,664</b>	<b>\$ 6,726,765</b>

2000 General Obligation Bonds

2000 General Obligation Bonds in the principal amount of \$2,065,000 were issued on May 1, 2000 by the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing after August 1, 2007 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, 2020 are subject to early redemption without premium on or after August 1, 2018 from the mandatory sinking fund redemptions. Term bonds maturing August 1, 2025 are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2021. The bonds are general obligations of the Town and are secured by the Town's *ad valorem* property tax revenues which are collected by the County of Marin. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,368,811. Principal and interest paid for the current year and total property tax revenues were \$141,921 and \$4,117,817. The annual debt service requirements to amortize the 2000 General Obligation Bonds outstanding at June 30, 2008 were as follows:

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**5. LONG-TERM DEBT, Continued**

Year Ending June 30,	Principal	Interest	Total
2009	\$ 30,000	\$ 115,477	\$ 145,477
2010	35,000	113,771	148,771
2011	45,000	111,671	156,671
2012	50,000	109,178	159,178
2013	55,000	106,408	161,408
2014 - 2018	425,000	471,450	896,450
2019 - 2023	710,000	306,533	1,016,533
2024 - 2026	625,000	59,323	684,323
	<u>\$ 1,975,000</u>	<u>\$ 1,393,811</u>	<u>\$ 3,368,811</u>

2002 General Obligation Bonds

2002 General Obligation Bonds in the principal amount of \$3,000,000 were issued on June 1, 2002 by the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing after August 1, 2009 are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. Bonds maturing on August 1, 2022 are subject to early redemption without premium on or after August 1, 2021 from the mandatory sinking fund redemptions. Term bonds maturing August 1, 2027 are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2024. The bonds are general obligations of the Town and are secured by the Town's *ad valorem* property tax revenues which are collected by the County of Marin. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,808,384. Principal and interest paid for the current year and total property tax revenues were \$177,813 and \$4,117,817 respectively. The annual debt service requirements to amortize the 2002 General Obligation Bonds outstanding at June 30, 2008 were as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 40,000	\$ 141,365	\$ 181,365
2010	50,000	139,565	189,565
2011	55,000	137,465	192,465
2012	65,000	135,065	200,065
2013	70,000	132,365	202,365
2014 - 2018	505,000	605,268	1,110,268
2019 - 2023	825,000	451,928	1,276,928
2024 - 2028	1,270,000	185,363	1,455,363
	<u>\$ 2,880,000</u>	<u>\$ 1,928,384</u>	<u>\$ 4,808,384</u>

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**5. LONG-TERM DEBT, Continued**

2006 General Obligation

2006 General Obligation Bonds in the principal amount of \$1,765,000 were issued on February 1, 2007 by 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 and are secured by the Town's *ad valorem* property tax revenues which are collected by the County of Marin. . Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,024,054. Principal and interest paid for the current year and total property tax revenues were \$91,523 and \$4,117,817 respectively. The annual debt service requirements to amortize the 2006 General Obligation Bonds outstanding at June 30, 2008 were as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 55,000	\$ 90,550	\$ 145,550
2010	60,000	88,250	148,250
2011	60,000	85,850	145,850
2012	60,000	83,450	143,450
2013	65,000	80,950	145,950
2014 - 2018	365,000	359,625	724,625
2019 - 2023	475,000	243,763	718,763
2024 - 2028	625,000	89,788	714,788
	1,765,000	1,122,226	2,887,226
Unamortized Premium	136,829	-	136,829
	<u>\$ 1,901,829</u>	<u>\$ 1,122,226</u>	<u>\$ 3,024,055</u>

Capital Lease

In March 2007, the Town entered into a four-year, 9.00%, capital lease-purchase agreement in the amount of \$161,934 to lease vehicles. In December 2007, the Town entered into a three-year, 9.00%, capital lease-purchase agreement in the amount of \$30,018 to lease a vehicle. The Town entered into a five-year, capital-lease purchase agreement in the amount of \$64,362 to lease Toughbooks laptops.

Future minimum lease payments at June 30, 2008 are as follows:

Total minimum lease payments	\$ 169,741
Less interest	<u>(10,141)</u>
<b>Total</b>	<u><u>\$ 159,600</u></u>

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**5. LONG-TERM DEBT, Continued**

*Capital Lease, Continued*

The book value of the related assets as of June 30, 2008 is as follows:

Governmental Activities:	\$ 94,380
<b>Total</b>	<b>\$ 94,380</b>

*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, 2008:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008
Compensated Absences	\$ 161,926	\$ 55,816	\$ 19,824	\$ 197,918

**6. OTHER FUND DISCLOSURES**

*Expenditures over Appropriations*

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

Non-Major Special Revenue Funds:	
Youth Recreation	\$ 9,583
<b>Total</b>	<b>\$ 9,583</b>

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**6. OTHER FUND DISCLOSURES, Continued**

Deficit Fund Balances

At June 30, 2008, the funds below had the following deficit fund balance or net assets:

	<u>Deficit</u>
Major Fund:	
Grants Capital Project Fund	\$ 349,425
Non-Major Special Revenue Fund:	
Special Police	10,358
Non-Major Capital Project Funds:	
Emergency Watershed	30,406
Fairfax Creek Restoration	44,061
Town Capital Projects	(61,360)
Non-Major Debt Service Fund:	
2006 series	<u>114,674</u>
<b>Total</b>	<u><u>\$ 487,564</u></u>

The deficit in the Special Revenue fund is expected to be recovered from future contributions. The deficit in the Debt Service fund is expected to be recovered from reimbursements from the General Fund. The deficit in the Capital Project funds is expected to be recovered from grant reimbursements.

**7. EMPLOYEE RETIREMENT PLANS**

Plan Description - The Town's defined benefit pension plans, (Miscellaneous Plan) and (Safety Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Town selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street Sacramento, California 95814.

Funding Policy - Active plan members are required by state statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account, which amounted to \$170,311 for the year ended June 30, 2008. The Town also contributed \$350,860 toward the Ross Valley Fire Service's annual pension cost. The Town, as employer, is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payroll for miscellaneous and safety employees. The Contribution rate for fiscal year 2008 was 12.902% for miscellaneous and 42.384% for safety employees.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**7. EMPLOYEE RETIREMENT PLANS, Continued**

*Annual Pension Cost* – For fiscal year 2008, the Town’s annual pension costs of \$666,462 for PERS was equal to the Town’s required contribution. The required contribution was determined as a part of the June 30, 2005, actuarial valuation using the entry age method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.25% to 14.45% for miscellaneous and 3.25% to 14.45% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments for retirees. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. The average remaining amortization period at June 30, 2005, was 16 years for miscellaneous and 17 years for safety employees for prior and current service unfunded liabilities.

**THREE YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 422,760	100%	\$ -
6/30/2007	652,445	100%	-
6/30/2008	666,462	100%	-

**8. 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. During the fiscal year ended June 30, 2008, the Town contributed \$157,916 for current year coverage and received a refund of \$0 of prior year excess contributions.

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 \$2,000,000. The Town has a deductible or uninsured liability of up to \$150,000 per claim. BCJPIA pool covers claims from \$150,000 to \$500,000. Claims from \$500,000 to \$2,000,000 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. Other coverage includes excess insurance for claims over \$2,000,000 up to \$100,000,000. During the fiscal year ended June 30, 2008, the Town contributed \$72,348 for current year coverage and received a refund of \$0 of prior year excess contributions.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**8. RISK MANAGEMENT, Continued**

*A. Risk Pool, Continued*

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

*B. Liability for Uninsured Claims*

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

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2005-2006	\$ 642,082	\$ 34,172	\$ (220,000)	\$ 456,254
2006-2007	456,254	38,192	(119,805)	374,641
2007-2008	374,641	39,101	(30,250)	383,492

**9. 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.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**9. JOINT VENTURES, Continued**

***B. Ross Valley Paramedic Authority (Authority)***

The Authority is a joint powers agreement formed on December 14, 1982 by the Town of Fairfax, Town of Corte Madera, Kentfield Fire Protection District, City 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 City 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 and Corte Madera, and the cities of Larkspur, Mill Valley, Ross, Sausalito, San Rafael, San Anselmo, Belvedere, and Tiburon, 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.

***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.

**Town of Fairfax**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**10. COMMITMENTS AND CONTINGENCIES**

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

**A. *Utility Users' Tax***

The Town imposes a utility users' tax on citizens of the Town. The tax rate was previously set at 6 percent, but voters failed to affirm that rate in an election. As a result, the Town directed public utility companies servicing the Town to roll back the rate to 4 percent. While most complied with this direction, some continued to collect the tax at the higher 6 percent rate. The excess tax collected is reflected as a liability under Utility Users' Tax deposits in the amount of \$114,670 in the accompanying financial statements.

**B. *Pending Litigation***

As a result of the flood disaster, class action flood lawsuits were filed, naming the Town as one of several government agency defendants who were, according to the claims, allegedly negligent in flood control and thus responsible for the financial impact of the flood disaster. The total of the flood lawsuits is approximately \$800 million. The Town is a member of the BCJPIA, which has several layers of coverage. A specialist attorney is representing the Town and other entities in this legal challenge. At this time, the flood lawsuits are pending and their potential outcome and financial impact on the Town is not known.

In December 2008, a Declaratory Relief Action was brought by the Town against Berg for interrupting the rights of the Town to use an easement which the Town had purchased some years earlier. Berg's counter claimed stating that the Town was trying to convert a private easement into a public easement. In the Declaratory Relief Action there are no monetary amounts at issue, other than the cost of continued legal fees and other costs of litigation. The action is scheduled for trial in June 2010 barring settlement.

**11. SUBSEQUENT EVENT**

**A. *State Budget Crisis***

Subsequent to June 30, 2008, the State of California decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the Town. The Town estimates that the financial impact will be approximately \$215,000.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Fairfax**  
**Required Supplementary Information**  
**For the year ended June 30, 2008**

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**1. BUDGETARY PRINCIPLES**

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

- By June 30, the Town Manager submits to the Town Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year's budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a Town Council meeting in the month of September.
- The Town Manager is authorized to transfer budgeted amounts within an activity, within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- Formal budgeting is employed as a management control device during the year for the general, certain special revenue and debt service funds.
- Budgets for the general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgets for capital projects funds are adopted on a project-life basis.

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

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

**Town of Fairfax**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

**1. BUDGETARY PRINCIPLES, Continued**

*Budgetary Comparison Schedule, General Fund*

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,820,500	\$ 3,820,500	\$ 4,117,817	\$ 297,317
Special assessments	616,000	616,000	658,535	42,535
Sales taxes	480,000	480,000	481,000	1,000
Permits licenses and fees	374,750	374,750	437,418	62,668
Fines, forfeitures and penalties	77,000	77,000	74,897	(2,103)
From other agencies	19,000	19,000	52,960	33,960
Motor vehicle in-lieu fees	49,000	49,000	28,264	(20,736)
Franchise fees	288,000	288,000	290,609	2,609
Services charges	61,000	61,000	62,645	1,645
Use of money and property	114,000	114,000	138,839	24,839
Other Revenue	46,000	46,000	34,545	(11,455)
<b>Total revenues</b>	<b>5,945,250</b>	<b>5,945,250</b>	<b>6,377,529</b>	<b>432,279</b>
<b>EXPENDITURES</b>				
Current:				
General government	927,511	927,511	965,508	(37,997)
Public safety	4,096,169	4,096,169	3,894,547	201,622
Public works and facilities	560,913	560,913	669,193	(108,280)
Planning and building	553,536	553,536	544,545	8,991
Parks and recreation	237,807	237,807	224,209	13,598
Capital Outlay	82,751	82,751	88,071	(5,320)
Debt Service:				
Principal	-	-	41,803	(41,803)
Interest and fiscal charges	-	-	590	(590)
<b>Total expenditures</b>	<b>6,458,687</b>	<b>6,458,687</b>	<b>6,428,466</b>	<b>30,221</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(513,437)</b>	<b>(513,437)</b>	<b>(50,937)</b>	<b>462,500</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease financing	-	-	94,380	94,380
Transfers in	1,310,250	1,310,250	1,468,160	157,910
Transfers out	(543,418)	(543,418)	(1,311,232)	(767,814)
<b>Total other financing sources (uses)</b>	<b>766,832</b>	<b>766,832</b>	<b>251,308</b>	<b>(515,524)</b>
<b>Net change in fund balance</b>	<b>\$ 253,395</b>	<b>\$ 253,395</b>	<b>200,371</b>	<b>\$ (53,024)</b>
<b>FUND BALANCE</b>				
Beginning of year			2,260,242	
End of year			\$ 2,460,613	

**Town of Fairfax**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

**1. BUDGETARY PRINCIPLES, Continued**

*Budgetary Comparison Schedule, Measure K Special Revenue*

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 100,000	\$ 100,000	\$ 62,816	\$ (37,184)
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>62,816</u>	<u>(37,184)</u>
<b>EXPENDITURES</b>				
Current:				
Public works and facilities	713,000	713,000	394,376	318,624
<b>Total expenditures</b>	<u>713,000</u>	<u>713,000</u>	<u>394,376</u>	<u>318,624</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(613,000)</u>	<u>(613,000)</u>	<u>(331,560)</u>	<u>281,440</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	-	-	-
Transfers In/Out	-	-	(56,928)	(56,928)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(56,928)</u>	<u>(56,928)</u>
<b>Net change in fund balance</b>	<u>\$ (613,000)</u>	<u>\$ (613,000)</u>	<u>(388,488)</u>	<u>\$ 224,512</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,614,083</u>	
End of year			<u>\$ 1,225,595</u>	

**Town of Fairfax**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

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**2. BENEFIT PENSION PLAN**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

*Schedule of Funding in Progress*  
*Miscellaneous Plan of the California Public Employee Retirement System*

As of the actuarial valuation date of June 30, 2003, the Town's miscellaneous plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of Town specific information is not available.

*Schedule of Funding in Progress*  
*Safety Plan of the California Public Employee Retirement System*

As of the actuarial valuation date of June 30, 2003, the Town's Safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of Town specific information is not available.

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# **SUPPLEMENTARY INFORMATION**

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# NON-MAJOR GOVERNMENTAL FUNDS

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## *Non-Major Special Revenue Funds:*

Special Revenue Funds are used to account for revenues derived from specific revenue sources. These funds are required by State statute or ordinance to finance particular functions or activities of government. The Town's various special revenue funds are:

*Special Police* - accounts for proceeds received primarily from the State of California for the purchase of technology equipment and to partially offset police personnel costs for specific state programs.

*Youth Recreation* - accounts for revenues and expenditures for the Town's various recreation activities, which primarily relate to the youth after-school program and the annual festival.

*Measure F* - accounts for a parcel tax approved by voters in 2005 for a period of five years to provide funding assistance to police and fire services, public works safety improvements, public works matching grants, and the youth program.

*Gas Tax* - accounts for taxes raised under Street and Highway Code Sections 2106, 2107 and 2107.5, used for the maintenance and construction of Town streets.

*Open Space* - accounts for donations to be used for the acquisition of land for open space.

## *Non-Major Capital Projects Funds:*

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The following represents the Town's non-major capital projects fund:

*Emergency Watershed Protection* - accounts for projects related specifically to watershed projects.

*Fairfax Creek Restoration* - accounts for projects related specifically to creek restoration.

*Storm Capital Projects* - accounts for projects related specifically to storm infrastructure.

*Town Capital Projects* - accounts for capital projects sourced by certain tax revenues and other funds allocated from the General Fund.

## *Non-Major Debt Service Funds:*

Debt Service Funds are used to account for principal and interest payments of long term debt obligations. The Town's various debt service funds are:

*Measure K 2000 Series* - accounts for principal and interest payments of the Measure K General Obligation bonds (Series 2000).

*2002 Series* - accounts for principal and interest payments of the General Obligation bonds (Series 2002).

*2006 Series* - accounts for principal and interest payments of the General Obligation bonds (Series 2006).

**Town of Fairfax**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2008**

	Special Revenue				
	Special Police	Youth Recreation	Measure F	Gas Tax	Open Space
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 15,212	\$ 558,498	\$ 107,469	\$ 5,978
Accounts receivable	-	12,569	2,081	34,057	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 27,781</b>	<b>\$ 560,579</b>	<b>\$ 141,526</b>	<b>\$ 5,978</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 12,121	\$ -	\$ -	\$ -
Due to other funds	10,358	-	-	-	-
<b>Total liabilities</b>	<b>10,358</b>	<b>12,121</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Reserved for:					
Special projects	(10,358)	15,660	560,579	141,526	5,978
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>Total fund balances</b>	<b>(10,358)</b>	<b>15,660</b>	<b>560,579</b>	<b>141,526</b>	<b>5,978</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 27,781</b>	<b>\$ 560,579</b>	<b>\$ 141,526</b>	<b>\$ 5,978</b>

Capital Projects				Debt Service			Total
Emergency Watershed Protection	Fairfax Creek Restoration	Storm Capital Projects Fund	Town Capital Projects Fund	Measure K 2000 Series	2002 Series	2006 Series	
\$ -	\$ -	\$ 153,748	\$ -	\$ 316,881	\$ 436,479	\$ -	\$ 1,594,265
45,600	-	41,758	-	968	1,204	969	139,206
-	-	-	-	-	-	-	-
<u>\$ 45,600</u>	<u>\$ -</u>	<u>\$ 195,506</u>	<u>\$ -</u>	<u>\$ 317,849</u>	<u>\$ 437,683</u>	<u>\$ 969</u>	<u>\$ 1,733,471</u>
\$ -	\$ 5,768	\$ 1,835	\$ 7,395	\$ -	\$ -	\$ -	\$ 27,119
76,006	38,293	-	53,965	-	-	115,643	294,265
76,006	44,061	1,835	61,360	-	-	115,643	321,384
(30,406)	-	-	-	-	-	-	682,979
-	-	-	-	317,849	437,683	(114,674)	640,858
-	(44,061)	193,671	(61,360)	-	-	-	88,250
<u>(30,406)</u>	<u>(44,061)</u>	<u>193,671</u>	<u>(61,360)</u>	<u>317,849</u>	<u>437,683</u>	<u>(114,674)</u>	<u>1,412,087</u>
<u>\$ 45,600</u>	<u>\$ -</u>	<u>\$ 195,506</u>	<u>\$ -</u>	<u>\$ 317,849</u>	<u>\$ 437,683</u>	<u>\$ 969</u>	<u>\$ 1,733,471</u>

**Town of Fairfax**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2008**

	Special Revenue				
	Special Police	Youth Recreation	Measure F	Gas Tax	Open Space
<b>REVENUES</b>					
Property taxes:					
Special assessments	\$ -	\$ -	\$ 445,019	\$ -	\$ -
From other agencies	100,000	-	-	141,526	5,645
Service charges	-	32,238	-	-	-
Use of money and property	-	-	-	-	-
<b>Total revenues</b>	<b>100,000</b>	<b>32,238</b>	<b>445,019</b>	<b>141,526</b>	<b>5,645</b>
<b>EXPENDITURES</b>					
Current:					
Public Works and Facilities	-	-	-	-	-
Parks and Recreation	-	51,333	-	-	1,000
Debt Service:					
Principle	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>51,333</b>	<b>-</b>	<b>-</b>	<b>1,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>100,000</b>	<b>(19,095)</b>	<b>445,019</b>	<b>141,526</b>	<b>4,645</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(100,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>(19,095)</b>	<b>445,019</b>	<b>141,526</b>	<b>4,645</b>
<b>FUND BALANCE</b>					
Beginning of year	(10,358)	34,755	115,560	-	1,333
End of year	\$ (10,358)	\$ 15,660	\$ 560,579	\$ 141,526	\$ 5,978

Capital Projects				Debt Service			Total
Emergency Watershed Protection	Fairfax Creek Restoration	Storm Capital Projects Fund	Town Capital Projects Fund	Measure K 2000 Series	2002 Series	2006 Series	
\$ -	\$ -	\$ -	\$ -	\$ 238,607	\$ 303,643	\$ -	\$ 987,269
441,595	-	244,469	76,190	-	-	-	1,009,425
-	-	-	-	-	-	-	32,238
-	-	-	-	-	-	1,361	1,361
441,595	-	244,469	76,190	238,607	303,643	1,361	2,030,293
472,001	22,779	313,891	73,941	-	-	-	882,612
-	-	-	-	-	-	-	52,333
-	-	-	-	25,000	35,000	-	60,000
-	-	-	-	117,421	143,313	92,400	353,134
472,001	22,779	313,891	73,941	142,421	178,313	92,400	1,348,079
(30,406)	(22,779)	(69,422)	2,249	96,186	125,330	(91,039)	682,214
-	-	-	-	-	-	-	(100,000)
-	-	-	-	-	-	-	(100,000)
(30,406)	(22,779)	(69,422)	2,249	96,186	125,330	(91,039)	582,214
-	(21,282)	263,093	(63,609)	221,663	312,353	(23,635)	829,873
\$ (30,406)	\$ (44,061)	\$ 193,671	\$ (61,360)	\$ 317,849	\$ 437,683	\$ (114,674)	\$ 1,412,087

**Town of Fairfax**  
**Budgetary Comparison Schedule, Special Police Special Revenue Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
From other agencies	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Misc revenue	-	-	-	-
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(100,000)	(100,000)	(100,000)	-
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning of year			(10,358)	
End of year			<u>\$ (10,358)</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, Youth Recreation Special Revenue Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Service Charges	\$ 46,000	\$ 46,000	\$ 32,238	\$ (13,762)
<b>Total revenues</b>	<u>46,000</u>	<u>46,000</u>	<u>32,238</u>	<u>(13,762)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and Recreation	41,750	41,750	51,333	(9,583)
<b>Total expenditures</b>	<u>41,750</u>	<u>41,750</u>	<u>51,333</u>	<u>(9,583)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,250</u>	<u>4,250</u>	<u>(19,095)</u>	<u>(23,345)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ 4,250</u>	<u>\$ 4,250</u>	(19,095)	<u>\$ (23,345)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>34,755</u>	
End of year			<u>\$ 15,660</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, Measure F Special Revenue Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes:				
Special assessments	\$ 465,000	\$ 465,000	\$ 445,019	\$ (19,981)
<b>Total revenues</b>	<u>465,000</u>	<u>465,000</u>	<u>445,019</u>	<u>(19,981)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(465,000)	(465,000)	-	465,000
<b>Total other financing sources (uses)</b>	<u>(465,000)</u>	<u>(465,000)</u>	<u>-</u>	<u>465,000</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	445,019	<u>\$ 445,019</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>115,560</u>	
End of year			<u>\$ 560,579</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, Gas Tax Special Revenue Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
From other agencies	\$ 144,500	\$ 144,500	\$ 141,526	\$ (2,974)
<b>Total revenues</b>	<u>144,500</u>	<u>144,500</u>	<u>141,526</u>	<u>(2,974)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(144,500)	(144,500)	-	144,500
<b>Total other financing sources (uses)</b>	<u>(144,500)</u>	<u>(144,500)</u>	<u>-</u>	<u>144,500</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	141,526	<u>\$ 141,526</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>-</u>	
End of year			<u>\$ 141,526</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, Open Space Special Revenue Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
From other agencies	\$ 3,000	\$ 3,000	\$ 5,645	\$ 2,645
<b>Total revenues</b>	<u>3,000</u>	<u>3,000</u>	<u>5,645</u>	<u>2,645</u>
<b>EXPENDITURES</b>				
Current:				
Parks and Recreation	1,000	1,000	1,000	-
<b>Total expenditures</b>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>4,645</u>	<u>\$ 2,645</u>
<b>FUND BALANCE</b>				
Beginning of year			1,333	
End of year			<u>\$ 5,978</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, Measure K 2000 Series Debt Service Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes:				
Special assessments	\$ 151,550	\$ 151,550	\$ 238,607	\$ 87,057
<b>Total revenues</b>	<u>151,550</u>	<u>151,550</u>	<u>238,607</u>	<u>87,057</u>
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Principle	25,000	25,000	25,000	-
Interest and fiscal charges	<u>117,421</u>	<u>117,421</u>	<u>117,421</u>	<u>-</u>
<b>Total expenditures</b>	<u>142,421</u>	<u>142,421</u>	<u>142,421</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 9,129</u>	<u>\$ 9,129</u>	96,186	<u>\$ 87,057</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>221,663</u>	
End of year			<u>\$ 317,849</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, 2002 Series Debt Service Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes:				
Special assessments	\$ 186,190	\$ 186,190	\$ 303,643	\$ 117,453
<b>Total revenues</b>	<u>186,190</u>	<u>186,190</u>	<u>303,643</u>	<u>117,453</u>
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Principle	35,000	35,000	35,000	-
Interest and fiscal charges	<u>143,313</u>	<u>143,313</u>	<u>143,313</u>	<u>-</u>
<b>Total expenditures</b>	<u>178,313</u>	<u>178,313</u>	<u>178,313</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 7,877</u>	<u>\$ 7,877</u>	125,330	<u>\$ 117,453</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>312,353</u>	
End of year			<u>\$ 437,683</u>	

**Town of Fairfax**  
**Budgetary Comparison Schedule, 2006 Series Debt Service Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 95,260	\$ 95,260	\$ 1,361	\$ (93,899)
<b>Total revenues</b>	<u>95,260</u>	<u>95,260</u>	<u>1,361</u>	<u>(93,899)</u>
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Principle	55,000	55,000	-	55,000
Interest and fiscal charges	91,650	91,650	92,400	(750)
<b>Total expenditures</b>	<u>146,650</u>	<u>146,650</u>	<u>92,400</u>	<u>54,250</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (51,390)</u>	<u>\$ (51,390)</u>	(91,039)	<u>\$ (148,149)</u>
<b>FUND BALANCE</b>				
Beginning of year			(23,635)	
End of year			<u>\$ (114,674)</u>	

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# AGENCY FUNDS

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Agency Funds are used to account for assets held by the City in a fiduciary capacity or as an agent for individuals, government entities and others.

*Pavilion Renovation Fund* - accounts for assets held by the Town to be used for the renovation of the Pavilion.

**Town of Fairfax**  
**Agency Funds**  
**Statements of Changes in Assets and Liabilities**  
**For the year ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b><u>PAVILION RENOVATION</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 154,245	\$ 11,201	\$ (39)	\$ 165,407
<b>Total assets</b>	<b>\$ 154,245</b>	<b>\$ 11,201</b>	<b>\$ (39)</b>	<b>\$ 165,407</b>
<b>LIABILITIES</b>				
Special deposits	\$ 154,245	\$ 11,201	\$ (39)	\$ 165,407
<b>Total liabilities</b>	<b>\$ 154,245</b>	<b>\$ 11,201</b>	<b>\$ (39)</b>	<b>\$ 165,407</b>