

Town of Fairfax

Fairfax, California

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

For the year ended June 30, 2014

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Town of Fairfax

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Town of Fairfax

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairfax (Town), California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes in financial position listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2014 and required a format change in the Statement of Net Position and certain nomenclature changes to the financial statements and required previously reported deferred charges to be expensed in the current year:

Statement 65 – *Items Previously Reported as Assets and Liabilities*. See Notes 1M to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Maze & Associates

Pleasant Hill, California
February 12, 2015

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, 2014. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

GOVERNMENT-WIDE HIGHLIGHTS

- The Government-Wide Statement of Net Assets appears as the first statement of the Basic Financial Statements and is summarized in this Management's Discussion and Analysis section. The statement shows the Town's assets to be \$11,689,775, liabilities of \$7,608,799 and net assets of \$4,080,976 at June 30, 2014. This compares with assets of \$10,785,638, liabilities of \$7,855,794 and net assets of \$2,929,844 at June 30, 2013.
- 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 \$1,151,132 for the fiscal year ended June 30, 2014 as compared to a decrease of \$207,827 for the fiscal year ended June 30, 2013. Revenues for fiscal 2014 increased by \$1,668,953 from the prior year primarily due to increased sales tax & property revenue, increased operating grants, and increases in charges for services from the improving economy. Expenses for the same period increased by \$309,994, mainly as a result of increased expenditures general government, public safety, planning & building and interest on long term debt, offset by decreases in public works costs.
- The Town's long-term debt (including current portion & unamortized premium) totaled \$6,298,218 as of June 30, 2014, which includes the outstanding balance on the Measure K bonds. Additionally, the Town has accrued \$313,223 of non-current claims payable.

FUND HIGHLIGHTS

At the close of fiscal year 2014, the Town's governmental funds reported a combined ending fund balance of \$3,091,034 as compared to \$2,551,274 at June 30, 2013. 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 2013-2014, the Town accomplished the following key project and tasks:

- Adopted 2010 Housing Element
- Adopted 2013 edition of the Building and Fire codes
- Completed reconstruction of the ball field restrooms
- Incorporated a new five-year Capital Improvement Program (CIP) and five-year general fund forecast into the FY13-14 budget
- Closed-out FEMA projects related to the 2005 flood
- Completed the Bike Spine and Sir Francis Drake Striping projects
- Repaved portions of Toyon and Scenic roads
- Secured funding for and began preliminary design and assessments of five bridges in Town
- Completed Pastori Bank Stabilization project
- Secured grant funding for affordable housing projects in Town
- Secured grant funding for the renovation of the Parkade parking lot
- Approved MOU's with employee bargaining groups

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

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

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

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

- Gas Tax Fund
- Special Police Fund
- Open Space Fund
- Youth Recreation Fund
- Measure I Municipal Services Fund
- Measure K Capital Projects Fund

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

- Grants Fund
- Town Fund
- Fairfax Creek Restoration Fund

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

- Measure K Debt Service Series 2006 Fund
- Measure K Debt Service Series 2008 Fund
- Measure K Debt Service Series 2012 Fund

Agency Funds

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

Business-type Funds

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

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets

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

	Governmental Activities		Percentage Change
	2014	2013	
Cash and investments	\$ 3,096,627	\$ 2,645,428	17.1%
Capital assets, net	8,108,550	7,508,472	8.0%
Other assets	484,598	631,738	-23.3%
Total assets	11,689,775	10,785,638	8.4%
Current liabilities	1,310,581	1,326,208	-1.2%
Non-current liabilities	6,298,218	6,529,586	-3.5%
Total liabilities	7,608,799	7,855,794	-3.1%
Invested in capital assets, net	1,810,332	978,886	84.9%
Restricted	993,344	1,098,385	-9.6%
Unrestricted	1,277,300	852,573	49.8%
Net assets	\$ 4,080,976	\$ 2,929,844	39.3%

Net assets invested in capital assets (e.g. land, buildings, equipment, and infrastructure) of \$1,810,332 at the end of fiscal year 2014 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 \$993,344 at the end of fiscal 2014 represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets is available to finance day-to-day operations without constraints.

Changes in Net Assets

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

	Governmental Activities		Percentage Change
	2014	2013	
Revenues:			
Program revenues:			
Charges for services	\$ 1,313,861	\$ 1,055,188	24.5%
Operating grants & contributions	988,922	268,473	268.4%
General revenues:			
Taxes	7,244,937	6,769,616	7.0%
Intergovernmental			0.0%
Use of Money & Property	8,559	3,929	117.8%
Miscellaneous	298,271	88,391	237.4%
Transfers	-	-	
Total revenues	9,854,550	8,185,597	20.4%
Expenses:			
General government	1,475,603	1,234,820	19.5%
Public safety	4,750,361	4,690,800	1.3%
Public works	1,165,878	1,334,928	-12.7%
Planning & Building	583,422	512,454	13.8%
Parks and recreation	403,615	378,949	6.5%
Debt Service	324,539	241,473	34.4%
Total expenses	8,703,418	8,393,424	3.7%
Change in net assets	1,151,132	(207,827)	-653.9%
Net assets - beginning of year	2,929,844	3,137,671	-6.6%
Net assets - end of year	\$ 4,080,976	\$ 2,929,844	39.3%

Net assets increased \$1,151,132 during the fiscal year ended June 30, 2014. Total revenues for fiscal year 2014 were \$9,854,550 as compared to \$8,185,597 for fiscal year 2013. The approximately \$1,668,953 increase in revenues is mainly attributed to broad increases in sales & property taxes, , charges for services and investment earnings. One time revenues from operating grants & contributions represented 43% of the increase.

Total expenses for the year ended June 30, 2014 were \$8,703,418 compared with \$8,393,424 for the same period in 2013. The approximate \$309,994 increase in expenses primarily reflects increased expenditures in costs for general government, public safety, planning and building and interest expenses on debt service offset by expenditures in public works projects.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

The general fund is the chief operating fund of the Town of Fairfax. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,926,888.

General Fund revenue during the FY 2013-14 year totaled 7,462,904 which was more than the final budgeted amount by \$647,904, or 8.7%. This revenue increase primarily relates to the Town's projection of property & sales tax revenue, permits & licenses, and service charges was exceeded by the actual receipts.

General Fund expenditures for FY 2013-14 totaled \$7,605,181, and were higher than the final budgeted amount by \$174,215 or 2.3%. This is related to an increase in public safety, planning & building, and capital outlay expenditures; and a decrease in general government, public works and recreation expenses.

2008 Series Debt Service Fund

The 2008 Series Debt Service Fund provides debt service for the refunded 2002 series of Measure K General Obligation bonds which were issues to fund capital improvements to community facilities, streets, and storm drains within the town between 2000 and 2006. At the end of the current fiscal year, the unassigned fund balance of the fund was \$383,384.

2012 Series Debt Service Fund

The 2012 Series Debt Service Fund provides debt service for the refunded 2006 series of Measure K General Obligation bonds which were issues to fund capital improvements to community facilities, streets, and storm drains within the town between 2000 and 2006. At the end of the current fiscal year, the unassigned fund balance of the fund was \$387,496.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

While the general economic outlook is favorable, the Town is continuing to look at ways of reducing expenses and maintaining adequate revenues. Over the past several years the Town has experienced the continued necessity to stem the growth of expenditures, and thus one Police Officer position and one Administrative Assistant position remain frozen and unfilled. Several positions have been consolidated in the Public Works Department including the Public Works Director/Town Manager.

Next year's budget keeps the same staffing levels with negotiated labor cost increases. Pension reforms adopted by the state have reduced the cost of pension benefits for new employees. Pension costs were further reduced in Fiscal Year 2013-14 by having employees pick up their full cost of employees' share of pension contributions. Employees also agreed to reduce retiree health benefits for new employees as well as have new employees share in the cost of medical benefits.

Property and sales tax revenues which constitute the majority of the Town's revenues are expected to increase over the next few years due to a rising housing market and an improving economic recovery in the Bay Area and Northern California. Revenue from the increased half cent sales tax has brought a needed stability to the Town's budget. As a result, the Town was able to expand youth and senior programs, contribute toward the regional efforts to purchase local open space, and begin work to maintenance local pedestrian trails. The Town does need to continue to keep it citizens aware of the necessity of renewing special purpose revenue sources such as Measure I, which provides matching funds for public works projects as well as funding for youth programs, and fire & police staffing.

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

TOWN OF FAIRFAX
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS	<u>Governmental-Type Activities</u>
Cash and investments (Note 2)	\$2,133,209
Restricted cash and investments (Note 2)	963,418
Accounts receivable	402,379
Interest receivable	873
Taxes receivable	81,346
Land and construction in progress (Note 4)	706,017
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>7,402,533</u>
Total Assets	<u>11,689,775</u>
LIABILITIES	
Accounts payable	301,305
Accrued payroll	170,224
Deposits	18,662
Interest payable	92,735
Compensated absences payable (Note 5):	
Due within one year	27,237
Due in more than one year	313,223
Claims payable (Note 9)	
Due within one year	166,475
Net OPEB liability (Note 8)	
Due in more than one year	220,720
Long-term debt (Note 5):	
Due within one year	352,813
Due in more than one year	5,849,622
Unamortized bond premium	<u>95,783</u>
Total Liabilities	<u>7,608,799</u>
NET POSITION (Note 1K)	
Net investment in capital assets	<u>1,810,332</u>
Restricted for:	
Special projects	25,329
Debt service	<u>968,015</u>
Total Restricted Net Position	<u>993,344</u>
Unrestricted	<u>1,277,300</u>
Total Net Position	<u><u>\$4,080,976</u></u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$1,463,703	\$473,958	\$52,596	(\$937,149)
Public safety	4,756,960	158,221	112,870	(4,485,869)
Public works	1,171,179	2,132	191,613	(372,196)
Planning and building	583,422	590,401		6,979
Parks and recreation	403,615	89,149		(287,861)
Interest and fiscal charges	324,539			(324,539)
Total Governmental Activities	\$8,703,418	\$1,313,861	\$357,079	(6,400,635)
General revenues:				
Property taxes				4,957,650
Special assessments				596,373
Sales taxes				1,192,601
Other taxes				498,313
Investment earnings				8,559
Miscellaneous				298,271
Total General Revenues				7,551,767
Change in Net Position				1,151,132
Net Position-Beginning				2,929,844
Net Position-Ending				\$4,080,976

See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	2008 Series Debt Service	2012 Series Debt Service	Non-Major Governmental Funds	Total
ASSETS					
Cash and investments (Note 2)	\$1,973,412			\$159,797	\$2,133,209
Restricted cash and investments (Note 2)		\$383,384	\$382,899	197,135	963,418
Receivables (net of allowances):					
Accounts	276,402		4,697	121,280	402,379
Taxes	81,346				81,346
Interest	873				873
Due from other funds (Note 3A)	67,626				67,626
Total Assets	\$2,399,659	\$383,384	\$387,596	\$478,212	\$3,648,851
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$289,780		\$100	\$11,425	\$301,305
Accrued payroll	168,574			1,650	170,224
Deposits payable	14,417			4,245	18,662
Due to other funds (Note 3A)				67,626	67,626
Total Liabilities	472,771		100	84,946	557,817
Fund Balances (Note 1L):					
Nonspendable					
Restricted		\$383,384	387,496	222,442	993,322
Committed				224,887	224,887
Assigned				22	22
Unassigned	1,926,888			(54,085)	1,872,803
Total Fund Balances	1,926,888	383,384	387,496	393,266	3,091,034
Total Liabilities and Fund Balances	\$2,399,659	\$383,384	\$387,596	\$478,212	\$3,648,851

See accompanying notes to financial statements

TOWN OF FAIRFAX
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet	\$3,091,034
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	8,108,550
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LONG-TERM ASSETS AND LIABILITIES

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

Long-term debt	(6,202,435)
Unamortized bond premium	(95,783)
Interest payable	(92,735)
Claims payable	(166,475)
Net OPEB liability	(220,720)
Compensated absences	(340,460)
	(3,018,613)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$4,080,976
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See accompanying notes to financial statements

TOWN OF FAIRFAX
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	2008 Series Debt Service	2012 Series Debt Service	Non-major Governmental Funds	Total
REVENUES					
Property taxes	\$3,801,180	\$186,544	\$199,591		\$4,187,315
Special assessments	596,373			\$160,015	756,388
Sales taxes	1,093,028				1,093,028
Permits licenses and fees	583,090				583,090
Fines, forfeitures and penalties	102,153				102,153
From other agencies	674,333	1,927	2,062	1,684,556	2,362,878
Motor vehicle in-lieu fees	2,239				2,239
Franchise fees	352,370				352,370
Services charges	186,762			30,299	217,061
Use of money and property	33,661			13,255	46,916
Other revenue	37,715	34,970		78,427	151,112
Total Revenues	7,462,904	223,441	201,653	1,966,552	9,854,550
EXPENDITURES					
Current:					
General government	1,344,195				1,344,195
Public safety	4,664,196				4,664,196
Public works	519,646				519,646
Planning and building	581,496				581,496
Parks and recreation	271,235			133,670	404,905
Capital outlay	133,665			1,194,751	1,328,416
Debt service:					
Principal	84,670	87,000	98,500	65,000	335,170
Interest and fiscal charges	6,078	80,991	81,240	79,100	247,409
Total Expenditures	7,605,181	167,991	179,740	1,472,521	9,425,433
REVENUES OVER (UNDER) EXPENDITURES	(142,277)	55,450	21,913	494,031	429,117
OTHER FINANCING SOURCES (USES)					
Capital lease financing (Note 5)	110,643				110,643
Transfers in (Note 3)	565,516	3,970		742,947	1,312,433
Transfers out (Note 3)	(294,166)			(1,018,267)	(1,312,433)
Total Other Financing Sources (Uses)	381,993	3,970		(275,320)	110,643
Net change in fund balance	239,716	59,420	21,913	218,711	539,760
FUND BALANCE (DEFICIT)					
Beginning of the year	1,687,172	323,964	365,583	174,555	2,551,274
End of the year	<u>\$1,926,888</u>	<u>\$383,384</u>	<u>\$387,496</u>	<u>\$393,266</u>	<u>\$3,091,034</u>

See accompanying notes to financial statements

TOWN OF FAIRFAX
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$539,760

Depreciable capital assets, net of accumulated depreciation (Note 4)
 are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,
 in the Statement of Activities the cost of those assets is capitalized and allocated over
 their estimated useful lives and reported as depreciation expense.

The capitalized expenditures are therefore added back to fund balance	1,135,547
(Capitalized expenditures is the net of total capital outlay of \$1,328,416 and non-capitalized capital outlay expenditures of \$192,869)	
Depreciation expense is deducted from the fund balance	(535,469)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	335,170
Capital lease financing is deducted from fund balance	(110,643)

ACCRUAL OF NON-CURRENT ITEMS

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

Deferred charges	(87,665)
Compensated absences	(60,344)
Net OPEB asset	25,087
Claims payable	(100,846)
Interest payable	3,694
Unamortized bond premium	<u>6,841</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$1,151,132

See accompanying notes to financial statements

BASIC FINANCIAL STATEMENTS

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Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Blended Component Unit – The Fairfax Financing Authority

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Accounting and Measurement Focus (Continued)

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

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

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

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

Governmental Fund Financial Statements

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

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

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

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

C. Recognition of Interest Liability

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Use of Restricted and Unrestricted Net Position

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

E. Cash, Cash Equivalents and Investments

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

F. Capital Assets

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

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

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

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Tax Levy Collection and Maximum Rates

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

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

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

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

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

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

I. Post Employment Benefits Other than Pensions

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

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

K. Net Position

Government-Wide Financial Statements

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

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

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

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

L. Fund Balances

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

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

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

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

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

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

Detailed classifications of the Town's Fund Balances, as of June 30, 2014, are below:

Fund Balance Classifications	General Fund	2008 Debt Service	2012 Debt Service	Non-Major Governmental Funds	Total
Restricted for:					
Special projects				\$25,307	\$25,307
Debt service		\$383,384	\$387,496	197,135	968,015
Total Restricted Fund Balances		383,384	387,496	222,442	993,322
Committed for:					
Pavilion renovation				150,000	150,000
Special projects				74,887	74,887
Total Committed Fund Balances				224,887	224,887
Assigned for:					
Special projects				22	22
Total Assigned Fund Balances				22	22
Unassigned:					
General Fund	\$1,926,888				1,926,888
Other governmental fund deficit residuals				(54,085)	(54,085)
Total Unassigned Fund Balances	1,926,888			(54,085)	1,872,803
Total Fund Balances	\$1,926,888	\$383,384	\$387,496	\$393,266	\$3,091,034

General Fund Reserve Policy

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 65 – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2012. The Town has implemented GASB 65 and has expensed deferred charges which were previously reported as assets to the Statement of Net Position in prior years.

Deferred Outflows/Inflows of Resources

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

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

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, 2014:

	Governmental Activities
	<hr/>
Cash and investments	\$2,133,209
Restricted cash and investments	963,418
	<hr/>
Grand Total	<u><u>\$3,096,627</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

2. CASH AND INVESTMENTS (Continued)

Cash and investments were categorized as follows at June 30, 2014:

	Credit Quality Ratings	Fair Value	Days to Maturity
Town Treasury Deposits:			
Deposits	Not Rated	\$276,109	N/A
Petty cash	Not Rated	300	N/A
Total Town Treasury Deposits		<u>276,409</u>	
Town Treasury Investments:			
Local Agency Investment Fund	Not Rated	2,820,218	N/A
Total Cash and Investments		<u>\$3,096,627</u>	

B. Cash Deposits

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

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

2. CASH AND INVESTMENTS (Continued)

C. Investments

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

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

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

D. Investments in Local Agency Investment Funds

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. At June 30, 2014, the average life on investment funds invested by LAIF was 232 days.

3. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2014, the General Fund had short-term receivables from Non-Major Governmental Funds in the amount of \$67,626. These amounts are expected to be repaid in the next fiscal year from future revenues.

B. Interfund Transfers

Transfers during the fiscal year ended June 30, 2014, were comprised of the following:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$565,516
2008 Series Debt Service Fund	Non-Major Governmental Funds	3,970
Non-Major Governmental Funds	General Fund	294,166
	Non-Major Governmental Funds	<u>448,781</u>
Total Interfund Transfers		<u><u>\$1,312,433</u></u>

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

4. CAPITAL ASSETS

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

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

A. Government-Wide Financial Statements

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

	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$255,988				\$255,988
Construction in progress	288,657	\$1,024,906		(\$863,534)	450,029
Total capital assets not being depreciated	544,645	1,024,906		(863,534)	706,017
Capital assets being depreciated:					
Buildings	341,183			52,934	394,117
Other improvements	1,843,207			465,257	2,308,464
Vehicles	609,332	110,641	(\$88,796)		631,177
Machinery and equipment	719,177			22,038	741,215
Infrastructure	10,971,081			323,305	11,294,386
Total capital assets being depreciated	14,483,980	110,641	(88,796)	863,534	15,369,359
Less accumulated depreciation for:					
Buildings	(282,163)	(3,414)			(285,577)
Other improvements	(475,305)	(101,337)			(576,642)
Vehicles	(471,083)	(43,782)	88,796		(426,069)
Machinery and equipment	(593,673)	(22,304)			(615,977)
Infrastructure	(5,697,929)	(364,632)			(6,062,561)
Total accumulated depreciation	(7,520,153)	(535,469)	88,796		(7,966,826)
Net capital assets being depreciated	6,963,827	(424,828)			7,402,533
Governmental activity capital assets, net	\$7,508,472	\$600,078			\$8,108,550

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

4. CAPITAL ASSETS (Continued)

Depreciation expense for governmental activities depreciation expenses on capital assets for the year ended June 30, 2014, were as follows:

	Depreciation Expense
General Government	\$43,105
Public Safety	34,484
Public Works	457,880
Total Governmental Activities	\$535,469

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2014:

Governmental Activity Debt:	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due within One Year	Due in More than One Year
2006 General Obligation Bonds 4.00-6.00%, due 8/1/2027	\$1,765,000	\$1,465,000		(\$65,000)	\$1,400,000	\$70,000	\$1,330,000
2008 General Obligation Revenue Bonds 1.50-4.70% due 8/1/2025	2,231,000	1,942,000		(87,000)	1,855,000	96,000	1,759,000
2012 Revenue Bonds 2.00-3.00%, due 8/21/2027	2,880,000	2,775,000		(98,500)	2,676,500	115,000	2,561,500
Capital Leases:							
Solar Panel Lease	249,000	166,000		(16,600)	149,400	16,600	132,800
Police Vehicle Lease	35,664	9,659		(9,659)			
2012 Ford Trucks	75,686	37,787		(18,379)	19,408	19,408	
Dodge Chargers Lease	43,241	31,516		(9,929)	21,587	10,494	11,093
2014 Ford Trucks	110,643		\$110,643	(30,103)	80,540	25,311	55,229
Total Government Activity Debt - Gross		6,426,962	110,643	(335,170)	6,202,435	352,813	5,849,622
Unamortized Premium		102,624		(6,841)	95,783		95,783
Total Government Activity Debt - Net		<u>\$6,529,586</u>	<u>\$110,643</u>	<u>(\$342,011)</u>	<u>\$6,298,218</u>	<u>\$352,813</u>	<u>\$5,945,405</u>

2006 General Obligation Bonds

2006 General Obligation Bonds in the principal amount of \$1,765,000 were issued on February 1, 2007, by the Town. These bonds were used to fund capital improvements to the community facilities, streets and storm drains within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing on or after August 1, 2017, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. Bonds maturing on August 1, 2026, are subject to early redemption without premium on or after August 1, 2025, from the mandatory sinking fund redemptions. Term bonds maturing August 1, 2031, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2028. The bonds are general obligations of the Town repayable from ad valorem property taxes levied by the Town. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

5. LONG-TERM OBLIGATIONS (Continued)

2008 General Obligation Revenue Bonds

2008 General Obligation Bonds in the principal amount of \$2,231,000 were issued on August 21, 2008, by the Fairfax Financing Authority. These Bonds were used to repay the 2000 General Obligations Bonds as well as to fund certain capital projects within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing on or after August 1, 2017, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. Bonds maturing on August 1, 2026, are subject to early redemption without premium on or after August 1, 2025, from the mandatory sinking fund redemptions. Term bonds maturing August 1, 2031, are also subject to mandatory early redemptions from the sinking fund payments commencing August 1, 2028. The bonds are general obligations of the Town repayable from ad valorem property taxes levied by the Town. Annual principal and interest payments on the bonds are expected to require less than 10 percent of property tax revenues.

2012 Revenue Bonds

2012 Revenue Bonds in the principal amount of \$2,880,000 were issued on March 1, 2012, by the Fairfax Financing Authority. These Bonds were used to repay the 2002 General Obligations Bonds as well as to fund certain capital projects within the Town. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing on or after August 1, 2021, are subject to call on any interest payment date at par, plus a premium of 1% to 2% of the principal amount. 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. The Bonds are general obligations of the Town repayable from ad valorem property taxes levied by the Town.

Capital Leases

The Town had entered into several capital leases as of June 30, 2014. Under these lease agreements, ownerships of the assets are passed to the Town at the end of the leases. Since these leases are in essence financing arrangements, the costs of the acquiring the assets and the amounts of the leases have been included in the Town's financial statements.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

5. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

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

For The Year Ending June 30	Principal	Interest	Total
2015	\$352,813	\$226,223	\$579,036
2016	359,510	212,645	572,155
2017	369,012	199,017	568,029
2018	369,600	184,142	553,742
2019	388,600	169,442	558,042
2020 - 2024	2,389,400	585,228	2,974,628
2025 - 2029	1,973,500	110,984	2,084,484
	<u>6,202,435</u>	<u>1,687,681</u>	<u>7,890,116</u>
Unamortized Premium	95,783		95,783
	<u>\$6,298,218</u>	<u>\$1,687,681</u>	<u>\$7,985,899</u>

Compensated Absences

Compensated absences include vacation and sick leave. It is the policy of the Town to pay 100% of the accumulated vacation leave when an employee retires or terminates. The Town recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2014:

	Governmental Activities
Beginning Balance	\$280,116
Additions	112,015
Payments	<u>(51,671)</u>
Ending Balance	<u>\$340,460</u>
Current Portion	<u>\$27,237</u>

6. OTHER FUND DISCLOSURES

Deficit Fund Balance

At June 30, 2014, the following funds had a deficit fund balance:

	Deficits
Non-Major Funds:	
Youth Recreation Special Revenue Fund	\$27,775
Town Capital Projects Fund	26,310

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

7. EMPLOYEE RETIREMENT PLANS

Substantially all Town employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the separate Safety (police) and Miscellaneous (all other). Benefit provisions under the Plans are established by State statute and Town ordinance. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Town must contribute these amounts. The Town's labor contracts require it to pay employee contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Safety Tier 1	Safety Tier 2	Miscellaneous Tier 1	Miscellaneous Tier 2
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for Life	Monthly for life	Monthly for life
Retirement age	50	55	55	50
Monthly benefits, as a % of annual salary	3%	2.4% - 3%	2.0% - 2.5%	1.426% - 2.366%
Required employee contribution rates	9%	9%	8%	7%
Required employer contribution rates	55.960%	22.502%	18.208%	11.104%

*Rates include amortization of side fund

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

7. EMPLOYEE RETIREMENT PLANS (Continued)

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$783,933	100%	\$0
June 30, 2013	861,992	100%	0
June 30, 2014	964,694	100%	0

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

As required by State law, effective July 1, 2005, the Town's Safety and Miscellaneous Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the Town true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Town satisfied its Safety and Miscellaneous Plans' unfunded liabilities by agreeing to contribute to the Side Funds through an addition to its normal contribution rates. As of the latest actuarial, the balance of the Side Fund for Safety was \$1,493,940 which will be repaid over the next 6 years. The balance of the Side Fund for Miscellaneous was \$202,041 which will be repaid over the next 5 years.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

7. EMPLOYEE RETIREMENT PLANS (Continued)

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

Safety Plan Tier 1:

Actuarial					
Valuation Date	Entry Age Accrued Liability	Market Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll
2011	\$13,239,702	\$9,000,560	\$4,239,142	68.0%	\$766,237
2012	13,526,201	8,692,145	4,834,056	64.3%	691,888
2013	13,425,209	9,150,414	4,274,795	68.2%	707,404

Safety Plan Tier 2:

Actuarial					
Valuation Date	Entry Age Accrued Liability	Market Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll
2011	\$73,661	\$59,132	\$14,529	80.4%	\$135,909
2012	113,591	86,098	27,493	75.8%	315,413
2013	220,951	178,061	42,890	80.6%	352,704

Miscellaneous Plan Tier 1:

Actuarial					
Valuation Date	Entry Age Accrued Liability	Market Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll
2011	\$8,244,574	\$6,106,678	\$2,137,896	74.1%	\$1,073,262
2012	8,374,754	5,851,085	2,523,669	69.9%	891,797
2013	9,164,572	6,812,084	2,352,488	74.3%	768,810

Miscellaneous Plan Tier 2:

Actuarial					
Valuation Date	Entry Age Accrued Liability	Market Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll
2011	\$1,430	\$1,170	\$260	81.8%	\$76,412
2012	17,832	13,762	4,070	77.2%	80,613
2013	52,686	42,818	9,868	81.3%	433,136

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

7. EMPLOYEE RETIREMENT PLANS (Continued)

Assembly Bill (AB) 340 pension reform created the Public Employees’ Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA.

The table below provides information on the benefit formula compensation information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for any safety and miscellaneous employees that meet the definition of a new member under PEPRA.

Benefit Formula	Miscellaneous 2% at Age 62	Safety 2.7% at Age 57
Final Compensation Period	3 Year Final Compensation	3 Year Final Compensation
Employer Contribution Rate as a percentage payroll	6.70% of Reportable Compensation	12.25% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	6.50% of Reportable Compensation	12.25% of Reportable Compensation

8. OTHER PENSION EMPLOYMENT BENEFIT

Plan Description and Funding Policy

The Town provides full health insurance benefits to employees who retire with at least 25 years of service (20 years in Management). The Town will pay the one-party Kaiser Basic And Medicare-coordinated premiums for such retirees. For those with 10 or more years of service, there are partial benefits. For Public Safety Employees hired after 7/1/2013 they are only eligible for partial retiree benefits (25% - 10 years of service, 50% - 20 years of service) miscellaneous employees hired after 7/1/2013 are no longer eligible for retiree benefits. For retirees not eligible for the premium-based benefit, the Town will pay the CalPers minimum employer contribution towards premiums, which is \$119 for fiscal year 2014. The cost of the benefits provided by the Plan is currently being paid along with the annual required contribution. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated.

As of June 30, 2014, 9 participants were eligible to receive retirement health care benefits.

Concurrent with implementing GASB Statement No. 45, the Town Council passed a resolution to participate the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of Town Council. This Trust is not considered a component unit by the Town and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees’ Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

8. OTHER PENSION EMPLOYMENT BENEFIT (Continued)

Actuarial Assumptions

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

The annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.5% investment return; (b) 3% projected annual salary increase, (c) 2.75% annual general inflation rate and (d) 5% health care cost trend rate increases, starting 2015.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least once every three years as results are compared to past expectations and new estimates are made about the future. The Town's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed thirty year amortization period.

Funding Progress and Funded Status

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

Annual required contribution (ARC)	\$109,900
Add: interest on net OPEB obligation	19,483
Less: adjustments on OPEB obligation	<u>(16,913)</u>
Annual OPEB cost	112,470
Contributions made	<u>(137,557)</u>
Decrease in net OPEB obligation	(25,087)
Net OPEB obligation at June 30, 2013	<u>245,807</u>
Net OPEB obligation at June 30, 2014	<u><u>\$220,720</u></u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

8. OTHER PENSION EMPLOYMENT BENEFIT (Continued)

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Pension Cost Contributed	Net OPEB Obligation
6/30/12	\$133,903	\$10,560	8%	\$195,074
6/30/13	119,937	69,204	58%	245,807
6/30/14	112,470	137,557	122%	220,720

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

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

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

9. RISK MANAGEMENT

A. Risk Pool

The Town is a participant in the Bay Cities Joint Powers Insurance Authority (BCJPIA), which covers general liability claims in an amount up to \$1,000,000. The Town has a deductible or uninsured liability of up to \$50,000 per claim. Once the Town’s deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit. Other coverage includes excess insurance for claims over \$1,000,000.

The Town also participates in the BCJPIA for worker’s compensation insurance. BCJPIA participates in the Local Agency Worker’s Compensation Excess Insurance Joint Powers Authority’s (LAWCX) risk pool which in turn purchases coverage above \$1,000,000. The Town has a deductible or uninsured liability of up to \$150,000 per claim. BCJPIA pool covers claims from \$150,000 to \$1,000,000. Claims from \$1,000,000 up to statutory are covered by LAWCX. Once the Town’s deductible is met, then BCJPIA Plan becomes responsible for payment of all claims up to the limit.

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

B. Liability for Uninsured Claims

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

	June 30	
	2014	2013
Balance at beginning of year	\$65,629	\$135,965
Change in liability for prior fiscal year claims and claims incurred but not reported	201,692	
Claims paid	(100,846)	(70,336)
Balance at end of year	<u>\$166,475</u>	<u>\$65,629</u>
Due in one year	<u>\$166,475</u>	<u>\$65,629</u>

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

10. JOINT VENTURES

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

A. *Ross Valley Fire Service*

The Ross Valley Fire Service (Fire Service) was established under a 1982 Joint Exercise of Powers Agreement between the Town of Fairfax and the Town of San Anselmo for the purpose of providing fire protection, emergency medical, and related services within the Fairfax and San Anselmo area. Members of the Fire Service pay their pro rata share of the total annual contributions. Financial statements for the Fire Service may be obtained by mailing a request to the Ross Valley Fire Service, 777 San Anselmo Avenue, San Anselmo, California 94960.

B. *Ross Valley Paramedic Authority (Authority)*

The Authority is a joint powers agreement formed on December 14, 1982, by the Town of Fairfax, Town of Corte Madera, Kentfield Fire Protection District, Town of Larkspur, County of Marin, Town of Ross, Town of San Anselmo, and Sleepy Hollow Fire Protection District for the purpose of providing paramedic services. The Authority is controlled by an eight member board consisting of a member from each entity. Services are provided by the County of Marin Fire District to the Authority. The Authority's operations are financed by its members, through property taxes on each residential unit and commercial property. The books and records are maintained by the Town of Larkspur. Financial statements for the Ross Valley Paramedic Authority may be obtained by mailing a request to the Ross Valley Paramedic Authority, 4000 Magnolia Avenue, Larkspur, California 94939.

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

The Cable Authority was established as a Joint Powers Authority between the towns of Fairfax, Ross, San Anselmo, Tiburon and Corte Madera, and the cities of Larkspur, Mill Valley, Sausalito, San Rafael, and Belvedere, and the County of Marin. The Agreement provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on the number of cable television subscribers. Audited financial statements may be obtained by mailing a request to the Marin Telecommunications Agency at Marin County Auditor-Controller, County of Marin, 3501 Civic Center Drive, Room 225, San Rafael, CA 94903.

D. *Marin General Services Authority (MGSA)*

The MGSA was established on April 26, 2005, to replace the Marin Street Light Acquisition Authority. All the original members of the Marin Street Light Acquisition Authority are eligible for membership. The Authority is established to finance, implement, and manage various municipal services with the member agencies including taxicab regulation and information management services. All assets and funds of the Marin Street Light Acquisition Authority were transferred to the MGSA. The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by a request to the Marin General Services Authority at Marin County Auditor-Controller, County of Marin, 3501 Civic Center Drive, Room 225, San Rafael, CA 94903.

Town of Fairfax
Notes to Basic Financial Statements
For the year ended June 30, 2014

10. JOINT VENTURES (Continued)

E. Marin Emergency Radio Authority (MERA)

The Town is a member of MERA, along with the County of Marin and twenty-four local government agencies. The purpose of MERA is to plan, finance, implement, own, and operate a multi-jurisdictional and countywide public safety and emergency radio system. To finance this system, in 1999 MERA issued approximately \$27 million in revenue bonds. Audited financial statements may be obtained by a request to the Marin Emergency Radio Authority at Marin County Auditor-Controller, County of Marin, 3501 Civic Drive, Room 225, San Rafael, CA 94903.

F. Marin County Major Crimes Task Force

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

11. COMMITMENTS AND CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Fairfax
Required Supplementary Information
For the year ended June 30, 2014

1. BUDGETARY PRINCIPLES

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

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

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

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

Expenditures over Appropriations

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

	<u>Expenditures in Excess of Budget</u>
General Fund	\$174,215
Youth Recreation Special Revenue Fund	37,124
Storm Capital Projects Fund	138,810

TOWN OF FAIRFAX
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$3,422,200	\$3,614,800	\$3,801,180	\$186,380
Special assessments	617,000	612,000	596,373	(15,627)
Sales tax	730,000	934,500	1,093,028	158,528
Permits licenses and fees	483,600	464,000	583,090	119,090
Fines, forfeitures and penalties	60,000	75,000	102,153	27,153
From other agencies	590,000	608,600	674,333	65,733
Motor vehicle in-lieu fees	20,000	1,000	2,239	1,239
Franchise fees	333,000	365,000	352,370	(12,630)
Services charges	60,100	71,100	186,762	115,662
Use of money and property	32,000	33,500	33,661	161
Other revenue	53,000	35,500	37,715	2,215
Total Revenues	6,400,900	6,815,000	7,462,904	647,904
EXPENDITURES				
Current:				
General government	1,248,763	1,362,921	1,344,195	18,726
Public safety	4,441,128	4,619,532	4,664,196	(44,664)
Public works and facilities	441,740	522,210	519,646	2,564
Planning and building	542,034	531,115	581,496	(50,381)
Parks and recreation	231,728	283,470	271,235	12,235
Capital outlay	10,000	18,000	133,665	(115,665)
Debt service:				
Principal	81,908	88,718	84,670	4,048
Interest and fiscal charges	20,000	5,000	6,078	(1,078)
Total Expenditures	7,017,301	7,430,966	7,605,181	(174,215)
REVENUES OVER (UNDER) EXPENDITURES	(616,401)	(615,966)	(142,277)	473,689
OTHER FINANCING SOURCES (USES)				
Capital lease financing	64,908	64,908	110,643	45,735
Transfers in	1,988,300	2,167,579	565,516	(1,602,063)
Transfers (out)	(202,396)	(1,686,822)	(294,166)	1,392,656
Total other financing sources (uses)	1,850,812	545,665	381,993	(163,672)
Net change in fund balance	\$1,234,411	(\$70,301)	239,716	\$310,017
FUND BALANCE				
Beginning of year			1,687,172	
End of year			\$1,926,888	

SUPPLEMENTARY INFORMATION

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	Measure K	Special Police	Youth Recreation	Measure I	Gas Tax	Open Space
ASSETS						
Cash and investments	\$10,249				\$200	\$10,390
Restricted cash and investments						
Accounts receivable		\$21,344		\$3,570		
Total Assets	\$10,249	\$21,344		\$3,570	\$200	\$10,390
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable			\$5,255			
Accrued payroll			1,650			
Deposits payable						
Due to other funds		\$16,876	20,870	\$3,570		
Total Liabilities		16,876	27,775	3,570		
Fund balances:						
Restricted	\$10,249	4,468			\$200	\$10,390
Committed						
Assigned						
Unassigned			(27,775)			
Total Fund Balances (Deficits)	10,249	4,468	(27,775)		200	10,390
Total Liabilities and Fund Balances	\$10,249	\$21,344		\$3,570	\$200	\$10,390

CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS		
Storm Capital Projects Fund	Town Capital Projects Fund	Pavilion Renovation	Grants Capital Projects Fund	Measure K 2000 Series	2006 Series	Total
\$22			\$138,936			\$159,797
					\$197,135	197,135
			96,366			121,280
<u>\$22</u>			<u>\$235,302</u>		<u>\$197,135</u>	<u>\$478,212</u>
			6,170			\$11,425
			4,245			1,650
	\$26,310					4,245
						67,626
	26,310		10,415			84,946
					\$197,135	222,442
\$22			\$224,887			224,887
	(26,310)					22
						(54,085)
22	(26,310)		224,887		197,135	393,266
<u>\$22</u>			<u>\$235,302</u>		<u>\$197,135</u>	<u>\$478,212</u>

TOWN OF FAIRFAX
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	Measure K	Special Police	Youth Recreation	Measure I	Gas Tax	Open Space
REVENUES						
Property taxes:						
Special assessments						
From other agencies		\$97,567	\$14,805	\$456,383	\$236,272	\$26,605
Service charges			30,299			
Use of money and property			13,255			
Other revenue			29,398			
Total Revenues		<u>97,567</u>	<u>87,757</u>	<u>456,383</u>	<u>236,272</u>	<u>26,605</u>
EXPENDITURES						
Current:						
Parks and recreation			132,984			686
Capital outlay						43,890
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures			<u>132,984</u>			<u>44,576</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>97,567</u>	<u>(45,227)</u>	<u>456,383</u>	<u>236,272</u>	<u>(17,971)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$15,000		23,000			7,596
Transfers (out)		(125,000)	(5,000)	(442,294)	(253,500)	
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>(125,000)</u>	<u>18,000</u>	<u>(442,294)</u>	<u>(253,500)</u>	<u>7,596</u>
NET CHANGE IN FUND BALANCES	<u>15,000</u>	<u>(27,433)</u>	<u>(27,227)</u>	<u>14,089</u>	<u>(17,228)</u>	<u>(10,375)</u>
FUND BALANCE (DEFICIT)						
Beginning of the year	<u>(4,751)</u>	<u>31,901</u>	<u>(548)</u>	<u>(14,089)</u>	<u>17,428</u>	<u>20,765</u>
End of the year	<u>\$10,249</u>	<u>\$4,468</u>	<u>(\$27,775)</u>	<u>\$200</u>	<u>\$200</u>	<u>\$10,390</u>

CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS		Total Nonmajor Governmental Funds
Storm Capital Projects Fund	Town Capital Projects Fund	Pavilion Renovation	Grants Capital Projects Fund	Measure K 2000 Series	2006 Series	
					\$160,015	\$160,015
\$19,507	\$138,339		\$693,425		1,653	1,684,556
	49,029					30,299
						13,255
						78,427
19,507	187,368		693,425		161,668	1,966,552
						133,670
338,810	84,924		727,127			1,194,751
					65,000	65,000
					79,100	79,100
338,810	84,924		727,127		144,100	1,472,521
(319,303)	102,444		(33,702)		17,568	494,031
313,570	78,781		305,000			742,947
	(15,000)	(\$150,000)	(23,503)	(\$3,970)		(1,018,267)
313,570	63,781	(150,000)	281,497	(3,970)		(275,320)
(5,733)	166,225	(150,000)	247,795	(3,970)	17,568	218,711
5,755	(192,535)	150,000	(22,908)	\$3,970	179,567	174,555
\$22	(\$26,310)		\$224,887		\$197,135	\$393,266

TOWN OF FAIRFAX
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	MEASURE K			SPECIAL POLICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
From other agencies				\$100,000	\$97,567	(\$2,433)
Service charges						
Use of money and property						
Other revenue						
Total Revenues				<u>100,000</u>	<u>97,567</u>	<u>(2,433)</u>
EXPENDITURES						
Current:						
Parks and recreation						
Capital outlay						
Total Expenditures						
REVENUES OVER (UNDER) EXPENDITURES				<u>100,000</u>	<u>97,567</u>	<u>(2,433)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)		\$15,000	\$15,000			
Transfers (out)				(125,000)	(125,000)	
Total other financing sources (uses)		<u>15,000</u>	<u>15,000</u>	<u>(125,000)</u>	<u>(125,000)</u>	
NET CHANGE IN FUND BALANCES		<u>15,000</u>	<u>\$15,000</u>	<u>(\$25,000)</u>	<u>(27,433)</u>	<u>(\$2,433)</u>
FUND BALANCE (DEFICIT)						
Beginning of the year		<u>(4,751)</u>			<u>31,901</u>	
End of the year		<u>\$10,249</u>			<u>\$4,468</u>	

YOUTH RECREATION			MEASURE I			GAS TAX		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$14,805	\$14,805	\$460,000	\$456,383	(\$3,617)	\$198,485	\$236,272	\$37,787
\$36,000	30,299	(5,701)						
16,000	13,255	(2,745)						
37,000	29,398	(7,602)						
<u>89,000</u>	<u>87,757</u>	<u>(1,243)</u>	<u>460,000</u>	<u>456,383</u>	<u>(3,617)</u>	<u>198,485</u>	<u>236,272</u>	<u>37,787</u>
95,860	132,984	(37,124)						
<u>95,860</u>	<u>132,984</u>	<u>(37,124)</u>						
<u>(6,860)</u>	<u>(45,227)</u>	<u>(38,367)</u>	<u>460,000</u>	<u>456,383</u>	<u>(3,617)</u>	<u>198,485</u>	<u>236,272</u>	<u>37,787</u>
18,000	23,000	5,000						
<u>(5,000)</u>	<u>(5,000)</u>		<u>(460,000)</u>	<u>(442,294)</u>	<u>17,706</u>	<u>(259,000)</u>	<u>(253,500)</u>	<u>5,500</u>
<u>13,000</u>	<u>18,000</u>	<u>5,000</u>	<u>(460,000)</u>	<u>(442,294)</u>	<u>17,706</u>	<u>(259,000)</u>	<u>(253,500)</u>	<u>5,500</u>
<u>\$6,140</u>	<u>(27,227)</u>	<u>(\$33,367)</u>	<u>14,089</u>	<u>\$14,089</u>	<u>(\$60,515)</u>	<u>(17,228)</u>	<u>\$43,287</u>	<u>(Continued)</u>
	<u>(548)</u>		<u>(14,089)</u>			<u>17,428</u>		
	<u>(\$27,775)</u>					<u>\$200</u>		

TOWN OF FAIRFAX
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	OPEN SPACE			STORM CAPITAL PROJECTS FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
From other agencies	\$15,000	\$26,605	\$11,605	\$48,631	\$19,507	(\$29,124)
Service charges						
Use of money and property						
Other revenue	6,000		(6,000)			
Total Revenues	<u>21,000</u>	<u>26,605</u>	<u>5,605</u>	<u>48,631</u>	<u>19,507</u>	<u>(29,124)</u>
EXPENDITURES						
Current:						
Parks and Recreation	5,000	686	4,314			
Capital outlay	45,958	43,890	2,068	200,000	\$338,810	(138,810)
Total Expenditures	<u>50,958</u>	<u>44,576</u>	<u>6,382</u>	<u>200,000</u>	<u>338,810</u>	<u>(138,810)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(29,958)</u>	<u>(17,971)</u>	<u>11,987</u>	<u>(151,369)</u>	<u>(319,303)</u>	<u>(167,934)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (in)	3,596	7,596	4,000	151,369	313,570	162,201
Transfers (out)						
Total other financing sources (uses)	<u>3,596</u>	<u>7,596</u>	<u>4,000</u>	<u>151,369</u>	<u>313,570</u>	<u>162,201</u>
NET CHANGE IN FUND BALANCES	<u>(\$26,362)</u>	<u>(10,375)</u>	<u>\$15,987</u>	<u></u>	<u>(5,733)</u>	<u>(\$5,733)</u>
FUND BALANCE (DEFICIT)						
Beginning of the year		<u>20,765</u>			<u>5,755</u>	
End of the year		<u>\$10,390</u>			<u>\$22</u>	