

TOWN OF ROSS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF ROSS
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JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Town Manager and
Members of the Town Council
Town of Ross, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross, California, as of and for the year ended June 30, 2009, which collectively comprise the Town of Ross's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ross's management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross as of June 30, 2009, and the respective changes in financial positions thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2010, on our consideration of the Town of Ross internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The non-major governmental fund's combining balance sheet and statement of revenues, expenditures, and changes in fund balance, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
September 16, 2010

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2009, for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's Financial Statements.

FISCAL YEAR 2008-2009 FINANCIAL HIGHLIGHTS

- The Government-wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the Town's assets to be \$10.7 million, liabilities of \$2.0 million and net assets of \$8.6 million.
- Total Town's revenues were \$7.1 million compared with total expenses of \$6.6 million, resulting in an increase in net assets for the fiscal year ended June 30, 2009 of \$.6 million.
- The Town's net capital assets totaled \$1.4 million at June 30, 2009, representing 13.2% of the Town's total assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in three parts:

1. Management's Discussion and Analysis.
2. The Basic Financial Statements, which include the government-wide and fund financial statements, along with the notes to the financial statements.
3. Required supplementary information.

The Basic Financial Statements

The Basic Financial Statements are comprised of Town-wide Financial Statements and Fund Financial Statements. These two sets of financial statements provide the reader two different viewpoints of the Town's financial activities and financial position.

TOWN OF ROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The Government-wide Financial Statements provide a long-term view of the Town of Ross's activities as a whole and comprise the Statement of Net Assets and Statement of Activities and Changes in Net Assets. The Statement of Net Assets provides information about the financial position of the Town as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to the "basis" used by private companies. The Statement of Activities and Changes in Net Assets provides information about the Town's revenues and expenses, also on a full accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the Town's activities. The Statement of Activities and Changes in Net Assets explains in detail the change in net assets for the fiscal year.

All of the Town's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Assets and Statement of Activities and Changes in Net Assets are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities as a whole. In the case of the Town of Ross, there are no business-type activities as of June 30, 2009.

The Fund Financial Statements report the Town's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Town's general fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balance; they exclude capital assets, long-term debt, and other long-term amounts. Major funds account for the major financial activities of the Town and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these funds. Major funds are explained below.

The Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets present information about the following:

Governmental activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, community development and facilities. These services are supported by general Town revenues such as taxes, licenses and permits.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Town as a whole.

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Fund Financial Statements

Fund financial statements provide detailed information about each of the Town's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by the Governmental Accounting Standards Board (GASB) Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the Town for the fiscal year, and may change from year to year as a result of changes in the pattern of the Town's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Notes to the Financial Statements:

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

Required Supplementary Information

The Required Supplementary Information follows the basic financial statements and includes a budgetary comparison schedule that includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

Combining and Individual Fund Statements and Schedules

Combining and individual fund statements and schedules provide information for non-major governmental fund, and special revenue funds.

TOWN OF ROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-wide Analysis

The Town has presented its financial statements in accordance with GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Comparative financial information is provided in tables 1 and 2.

\$1,407,915 or 13.2% of the Town's net assets are capital assets (e.g., land, buildings, general government infrastructure, equipment, etc.). This is a net decrease of \$51,536 from the prior year, largely due to depreciation.

\$7,238,993 or 83.7% of the Town's net assets are unrestricted, which is a net increase of \$606,704 or 9.15%, from the prior year.

Statement of Net Assets Governmental Activities
Table 1

| | 2008 | 2009 | Net Change | % change |
|---|---------------------|---------------------|-------------------|----------|
| ASSETS | | | | |
| Cash and investments | \$ 7,974,402 | \$ 9,121,692 | \$ 1,147,290 | 14.39% |
| Accounts receivables | 332,887 | 122,243 | (210,644) | -63.28% |
| Deposits | 20 | 20 | - | |
| Capital assets, net of accumulated depreciation | 1,459,451 | 1,407,915 | (51,536) | -3.53% |
| Total Assets | <u>9,766,760</u> | <u>10,651,870</u> | <u>885,110</u> | 9.06% |
| LIABILITIES | | | | |
| Accounts payable | 338,344 | 232,941 | (105,403) | -31.15% |
| Accrued liabilities | 110,110 | 121,099 | 10,989 | 9.98% |
| Deposits payable | 724,793 | 999,873 | 275,080 | 37.95% |
| Accrued compensated absences | 501,773 | 651,049 | 149,276 | 29.75% |
| Total Liabilities | <u>1,675,020</u> | <u>2,004,962</u> | <u>329,942</u> | 19.70% |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 1,459,451 | 1,407,915 | (51,536) | -3.53% |
| Unrestricted | 6,632,289 | 7,238,993 | 606,704 | 9.15% |
| Total Net Assets | <u>\$ 8,091,740</u> | <u>\$ 8,646,908</u> | <u>\$ 555,168</u> | 6.86% |

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

**Statement of Activities and Changes in Net Assets
Table 2**

| | 2008 | 2009 | Net Change | % change |
|--|---------------------|---------------------|-------------------|----------------|
| REVENUES | | | | |
| Program revenues: | | | | |
| Charge of services | \$ 1,024,041 | \$ 1,846,041 | \$ 822,000 | 80.27% |
| Operating and capital contributions and grants | 287,890 | 762,933 | 475,043 | 165.01% |
| General revenues: | | | | |
| Property taxes | 2,373,687 | 2,493,608 | 119,921 | 5.05% |
| Other taxes | 1,051,421 | 1,053,896 | 2,475 | 0.24% |
| Investment earnings | 364,984 | 246,900 | (118,084) | -32.35% |
| Other | 673,291 | 717,778 | 44,487 | 6.61% |
| Total Revenues | 5,775,314 | 7,121,156 | 1,345,842 | 23.30% |
| EXPENSES: | | | | |
| General government | 1,079,147 | 1,063,578 | (15,569) | -1.44% |
| Public safety | 2,811,440 | 3,610,938 | 799,498 | 28.44% |
| Public works | 1,164,154 | 1,891,472 | 727,318 | 62.48% |
| Total expenses | 5,054,741 | 6,565,988 | 1,511,247 | 29.90% |
| Increase(Decrease) in net assets | 720,573 | 555,168 | (165,405) | -22.95% |
| Net assets beginning of year | 7,371,167 | 8,091,740 | 720,573 | 9.78% |
| Net assets end of year | \$ 8,091,740 | \$ 8,646,908 | \$ 555,168 | 6.86% |

Statement of Activities

Increases in charges for services were attributable to significant increases in building permits, road impact and drainage impact fees. The increase in contributions and grants was the result of receiving Proposition 1B funds in 2009 and not in 2008.

Increases in expenditures in public works relates to the increases in revenue described above. The increases in public safety were expected due to an increase in personnel.

TOWN OF ROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Major funds

General Fund Highlights

General Fund Revenues - General governmental revenues for the year ended June 30, 2009, increased by \$311,081 or 6.14% over the prior fiscal year.

- Taxes increased approximately \$140,000 or 4.36% over the prior fiscal year.
- Revenues from use of money and property decreased approximately \$67,000 or 12.49% from the prior fiscal year.

General Fund Expenditures – Expenditures for the year ended June 30, 2009, increased by approximately \$837,000 or 18.81% from the prior fiscal year.

- Public Safety increased by approximately \$515,000 or 19.17% over the prior fiscal year as expected due to increased personnel.
- Public Works increased by approximately \$70,000 or 9.53% from the prior fiscal year.

Drainage Fund Highlights

- Drainage fund revenues increased by approximately \$385,000 or 135.76% over the prior fiscal year due to increases in both drainage impact fees and grants related to the Lagunitas Bridge Replacement project, with corresponding expenditures increasing by approximately \$363,000 or 171.12% from the prior fiscal year.

Roadway Fund Highlights

- Roadway fund revenues increased by approximately \$616,000 or 259.95% over the prior fiscal year due to increases in both road impact fees and Proposition 1b funding, with corresponding expenditures increasing by approximately \$173,000 or 123.09% from the prior fiscal year.

General Fund Budgetary Highlights

A comparison of the final budget to actual revenues and expenditures for the General Fund is presented in the required supplementary information section of this report.

Actual revenue exceeded budgeted revenue amounts by \$41,335. All revenue categories exceeded the budget with the exception of Intergovernmental Revenue which had a decrease of \$410,975. The largest increase in the area of revenue was from Licenses and Permits. Along with the other revenue items this accounted for a combined \$452,310 increase over budget.

Total actual expenditures were \$5,289,185 which was \$97,085 over the budgeted amount.

TOWN OF ROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$1,407,915. This figure does not include Town infrastructure such as roads and bridges constructed prior to June 30, 2005 as allowed under current governmental accounting standards. The cumulative historical cost figures before June 30, 2005 may be added in the future at management's discretion. All additional infrastructure from June 30, 2005 forward is recorded and accounted for. Additional detail on capital assets can be found in Note 5 to these financial statements.

Long - Term Obligations

The Town's long-term obligations consist of accrued compensated absences in the amount of \$651,049. Additional information on compensated absences can be found in Note 10 to these financial statements.

Economic Outlook and Next Year's Budget

General Fund Revenues for fiscal year ending June 30, 2010 are anticipated to be relatively flat with no significant change in property values. Parcel taxes should continue at the same level.

General Fund Expenditures for fiscal year ending June 30, 2010 are anticipated to increase modestly due to an increased public safety cost from an increase in public safety personnel.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the Town of Ross's finances for all of the Town of Ross's residents, taxpayers, and customers. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Gary Broad, Town Manager, Town of Ross, P.O. Box 320, Ross, CA 94957.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROSS

STATEMENT OF NET ASSETS JUNE 30, 2009

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and investments | \$ 8,107,192 |
| Restricted assets - cash and investments | 1,014,500 |
| Accounts receivables | 122,243 |
| Deposits | 20 |
| Capital assets, net of accumulated depreciation | 1,407,915 |
| Total Assets | <u>10,651,870</u> |
| LIABILITIES | |
| Accounts payable | 232,941 |
| Accrued liabilities | 121,099 |
| Accrued compensated absences | 651,049 |
| Deposits payable from restricted assets | 999,873 |
| Total Liabilities | <u>2,004,962</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 1,407,915 |
| Unrestricted | 7,238,993 |
| Total Net Assets | <u><u>\$ 8,646,908</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ROSS

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

| | Expenses | Program Revenues | | | (Expense) and Change in Net Assets |
|--------------------------|---------------------|----------------------------|--|--|--|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | Total Governmental Activities |
| Governmental Activities: | | | | | |
| General government | \$ 1,063,578 | \$ 310,342 | \$ 4,000 | \$ - | \$ (749,236) |
| Public safety | 3,610,938 | 13,378 | 71,064 | - | (3,526,496) |
| Public Works | 1,891,472 | 1,522,321 | 34,779 | 653,090 | 318,718 |
| Total Primary Government | <u>\$ 6,565,988</u> | <u>\$ 1,846,041</u> | <u>\$ 109,843</u> | <u>\$ 653,090</u> | <u>(3,957,014)</u> |

General Revenues:

Taxes:

| | |
|-------------------------------|---------------------|
| Property tax | 2,493,608 |
| Sales tax | 672,517 |
| Franchise tax | 138,030 |
| Real property transfer tax | 47,868 |
| Motor vehicle taxes | 195,481 |
| Investment earnings | 246,900 |
| Other revenue | 717,778 |
| Total General Revenues | <u>4,512,182</u> |
| Change in Net Assets | 555,168 |
| Net Assets, Beginning of Year | <u>8,091,740</u> |
| Net Assets, End of Year | <u>\$ 8,646,908</u> |

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF ROSS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

| | General | Drainage | Roadway | Non-Major Governmental Funds | Totals |
|---|---------------------|-------------------|-------------------|------------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 5,408,429 | \$ 839,329 | \$ 790,521 | \$ 1,068,913 | \$ 8,107,192 |
| Restricted assets - cash | 1,014,500 | - | - | - | 1,014,500 |
| Due from other funds | 4,386 | - | - | 35,344 | 39,730 |
| Accounts receivables | 94,767 | 11,015 | 11,058 | 5,403 | 122,243 |
| Deposits | 20 | - | - | - | 20 |
| Total Assets | <u>\$ 6,522,102</u> | <u>\$ 850,344</u> | <u>\$ 801,579</u> | <u>\$ 1,109,660</u> | <u>\$ 9,283,685</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 85,710 | \$ 40,098 | \$ 90,517 | \$ 16,616 | \$ 232,941 |
| Accrued liabilities | 121,099 | - | - | - | 121,099 |
| Due to other funds | 2,346 | 1,317 | 10,972 | 25,095 | 39,730 |
| Deposits payable from restricted assets | 999,873 | - | - | - | 999,873 |
| Total Liabilities | <u>1,209,028</u> | <u>41,415</u> | <u>101,489</u> | <u>41,711</u> | <u>1,393,643</u> |
| FUND BALANCES | | | | | |
| Unreserved/undesignated | <u>5,313,074</u> | <u>808,929</u> | <u>700,090</u> | <u>1,067,949</u> | <u>7,890,042</u> |
| Total Fund Balances | <u>5,313,074</u> | <u>808,929</u> | <u>700,090</u> | <u>1,067,949</u> | <u>7,890,042</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,522,102</u> | <u>\$ 850,344</u> | <u>\$ 801,579</u> | <u>\$ 1,109,660</u> | <u>\$ 9,283,685</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ROSS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

| | |
|---|---------------------|
| Fund Balances of Governmental Funds | \$ 7,890,042 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets of governmental activities are not financial resources and therefore are not reported in the governmental funds | 1,407,915 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds | <u>(651,049)</u> |
| Net Assets of Governmental Activities | <u>\$ 8,646,908</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ROSS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

| | General | Drainage | Roadway | Non-Major Governmental Funds | Total |
|--|---------------------|-------------------|-------------------|------------------------------------|---------------------|
| REVENUES | | | | | |
| Taxes | \$ 3,352,023 | \$ - | \$ - | \$ - | \$3,352,023 |
| Intergovernmental | 310,025 | 253,090 | 434,779 | 122,669 | 1,120,563 |
| Licenses and permits | 505,778 | 412,510 | 416,289 | 82,497 | 1,417,074 |
| Revenue from use of money and property | 467,226 | 4,364 | 1,419 | 17,704 | 490,713 |
| Charges for services | 446,356 | - | - | - | 446,356 |
| Fines and forfeitures | 12,378 | - | - | - | 12,378 |
| Miscellaneous | 282,049 | - | - | - | 282,049 |
| Total Revenues | <u>5,375,835</u> | <u>669,964</u> | <u>852,487</u> | <u>222,870</u> | <u>7,121,156</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 973,433 | - | - | 8,220 | 981,653 |
| Public safety | 3,197,296 | - | - | 153,733 | 3,351,029 |
| Public works | 804,725 | 575,078 | 300,259 | 38,701 | 1,718,763 |
| Capital outlay | 313,731 | - | - | - | 313,731 |
| Total Expenditures | <u>5,289,185</u> | <u>575,078</u> | <u>300,259</u> | <u>200,654</u> | <u>6,365,176</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 86,650 | 94,886 | 552,228 | 22,216 | 755,980 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 155,818 | 155,818 |
| Transfers out | (125,818) | - | - | (30,000) | (155,818) |
| Total Other Financing Sources (Uses) | <u>(125,818)</u> | <u>-</u> | <u>-</u> | <u>125,818</u> | <u>-</u> |
| Net Change in Fund Balances | (39,168) | 94,886 | 552,228 | 148,034 | 755,980 |
| Fund Balances, Beginning of Year | 5,352,242 | 714,043 | 147,862 | 919,915 | 7,134,062 |
| Fund Balances, End of Year | <u>\$ 5,313,074</u> | <u>\$ 808,929</u> | <u>\$ 700,090</u> | <u>\$ 1,067,949</u> | <u>\$ 7,890,042</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF ROSS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ 755,980

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures, but in the Statement of Activities the cost of such assets is allocated over their estimated useful lives as depreciation expense or is allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

| | |
|----------------------------|-----------|
| Cost of assets capitalized | 197,032 |
| Depreciation expense | (248,568) |

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(149,276)

Change in Net Assets of Governmental Activities

\$ 555,168

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 1 – GENERAL

The Town of Ross (the Town) operates under a Council-Mayor form of government and provides the following services as authorized as a general law Town: police and fire protection, streets, public improvements, planning and zoning, and general administrative services.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Town consists of all funds, departments, boards, and agencies that are not legally separate from the Town.

B. Basis of Accounting/Measurement Focus

Government–Wide Financial Statements

The Town’s Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities (including changes in net assets). These statements present summaries of Governmental Activities for the Town. The Town does not currently have any fiduciary or business-type activities.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets and liabilities, including capital assets and excluding infrastructure as well as long-term debt are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of program revenues for the Town are reported in three categories: (1) charges for services, (2) operating contributions and grants, and (3) capital contributions and grants. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and grants include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 with regard to interfund activities, payables, and receivables. Internal balances in the Government-Wide Financial Statements have been eliminated.

Fund Financial Statements

In order to ensure the proper identification of individual revenue sources and expenditures made from those revenues, the accounts of the Town are organized on the basis of individual 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. The Town's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

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 aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in the statements of net assets reflected in the Government-Wide Financial Statements. The Town has presented all major funds that met the qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a "spending" or financial flow measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included on the balance sheets. The reported fund balance is the net current assets, which is considered only to be a measure of available spendable resources. Governmental fund operating statements present a summary of sources and uses of available spendable resources during a period by presenting increases and decreases 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. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. Those revenues susceptible to accrual are property taxes, sales taxes, transient occupancy taxes, utility user taxes, property transfer taxes, interest revenues, and charges for services. Fines, licenses, use of property, and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long term obligations which is recognized when due. Because of their current financial resources focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund expenditures or fund liabilities.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Town except those required to be accounted for in another fund.

The Drainage Fund accounts for expenditures and related financial resources collected through drainage impact fees and other restricted funds collected specifically for drainage maintenance, repair and modification.

The Roadway Fund accounts for expenditures and related financial resources collected through road impact fees and other restricted funds collected specifically for roadway maintenance, repair and modification.

Stewardship, Compliance and Accountability

The Park and General Plan Update special revenue funds had deficit fund balances at year end. Each fund should be able to eliminate its respective deficits with future fund revenues. Otherwise, the general fund would be required to eliminate any remaining deficits.

C. Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget/actual comparisons in this report use this budgetary basis. Budgetary comparison schedules are presented for the General, Drainage, and Roadway Funds. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

D. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|------------------------------------|------------|
| Buildings | 50 Years |
| Vehicles | 4-20 Years |
| Furniture, fixtures, and equipment | 5-25 Years |

E. Interfund Transactions

With Council approval, resources may be transferred from one Town fund to another. Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

The County of Marin assesses all properties and it bills, collects, and distributes property taxes and special assessments as follows:

| | <u>Secured</u> | <u>Unsecured</u> |
|----------------------|----------------------------------|------------------|
| Valuation/lien dates | January 1 | January 1 |
| Levy/due dates | 50% on November 1 and February 1 | July 1 |
| Delinquent as of | December 10 and April 10 | August 1 |

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 tax revenue is recognized in accordance with applicable GASB pronouncements; that is, in the fiscal year for which the taxes have been levied provided they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period. The County of Marin remits the entire amount of the tax levy to the Town (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties.

G. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Since the Town does not have a policy that requires sick leave to be paid upon an employee’s separation from the Town, accumulated sick leave is only recognized as a liability to the extent of twenty-five percent of sick leave accrued at fiscal year end. All vacation pay is accrued when incurred and is reflected in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liabilities have matured, e.g., as a result of employee resignations and retirements.

H. Estimates

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

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Cash and Cash Equivalents

The Town considers cash and cash equivalents as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 3 – CASH AND INVESTMENTS

The Town’s dependence on property tax receipts requires it to maintain significant cash reserves to finance operations during certain portions of the year. The Town pools cash from all sources so that it can safely invest at maximum yields, while individual funds can make expenditures at any time.

All investments are carried at fair value. Investment income is allocated quarterly among funds on the basis of average fund balance in funds that maintain positive average cash balances.

Summary of Deposits and Investments

Cash and cash equivalents as of June 30, 2009, consist of the following:

| | |
|--------------------|---------------------|
| Cash | \$ 110,784 |
| Investments | 9,010,908 |
| Total Governmental | <u>\$ 9,121,692</u> |

Cash and Investments

Cash and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|---------------------|
| Cash and investments | \$ 8,107,192 |
| Restricted cash and investments | 1,014,500 |
| | <u>\$ 9,121,692</u> |

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 3 – CASH AND INVESTMENTS (Continued)

Policies and Practices

The Town is authorized under California Government Code and the Town's investment policy to make direct investments in U.S. Treasury instruments and securities of the U.S. Government, the Local Agency Investment Fund (LAIF), and federally insured deposits in commercial banks and savings and loan associations in the local area. The Town's investments were in compliance with the above provisions as of and for the year ended June 30, 2009.

General Authorizations

The table below identifies the investment types that are authorized for the Town of Ross by the California Government Code and are further limited by the City's investment policy. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|--|----------------------------------|---------------------------------------|--|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| Federal Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Passbook Savings Account Demand Deposits | N/A | None | None |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market's interest rates. The Town manages its exposure to interest rate risk by purchasing only short-term investments as necessary to provide the cash flow and liquidity needed for operations.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2009, the City had the following investments.

| | Fair Value | Maturity in Years |
|-------------------------------------|---------------|----------------------|
| Uncategorized | | |
| RBC Dain Rauscher | \$ 3,735,902 | less than 1 year |
| Local Agency Investment Fund (LAIF) | 5,275,006 | less than 1 year |
| Total Investments | \$ 9,010,908 | |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in RBC Dain Rauscher consist principally of certificates of deposit with various financial institutions and are fully insured by the Federal Deposit Insurance Corporation. The LAIF investment is not reated.

Concentration of Credit Risk

The Town's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Town's deposits may not be returned. The Town's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2009, the Town's bank balance of \$270,714, with a reported balance of \$110,384, is either insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Neither the California Government Code nor the Town's investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in the State Investment Pool

The Town is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in the pool is reported in the accompanying financial statement at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, and is recorded on the amortized cost basis.

NOTE 4 – INTERFUND TRANSFERS

With Council approval, resources may be transferred from one Town fund to another. Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

| | Transfer In | Transfer Out |
|-------------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 125,818 |
| Special Revenue Funds: | | |
| General Plan | - | 30,000 |
| Capital Projects Funds: | | |
| Equipment Replacement | 155,818 | - |
| Total | <u>\$ 155,818</u> | <u>\$ 155,818</u> |

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure on a prospective basis in the Government-wide Statement of Net Assets. The Town elected to use the basic approach as defined by GASB Statement No. 34, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2009.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-----------------|---------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 1 | \$ - | \$ - | \$ 1 |
| Construction in progress | 97,392 | 143,808 | 7,000 | 234,200 |
| Total Capital Assets Not Being Depreciated | 97,393 | 143,808 | 7,000 | 234,201 |
| Capital Assets, Being Depreciated: | | | | |
| Land improvements | 153,631 | - | - | 153,631 |
| Buildings | 1,403,997 | 20,285 | - | 1,424,282 |
| Furniture and fixtures | 251,551 | - | - | 251,551 |
| Office equipment | 53,797 | - | - | 53,797 |
| Safety equipment | 578,938 | - | - | 578,938 |
| Street and park equipment | 112,722 | - | - | 112,722 |
| Vehicles | 1,225,897 | 39,939 | - | 1,265,836 |
| Total Capital Assets Being Depreciated | 3,780,533 | 60,224 | - | 3,840,757 |
| Less Accumulated Depreciation For: | | | | |
| Land improvements | 83,484 | 16,689 | - | 100,173 |
| Buildings | 622,011 | 76,835 | - | 698,846 |
| Furniture and fixtures | 43,448 | 3,274 | - | 46,722 |
| Office equipment | 214,101 | 16,681 | - | 230,782 |
| Safety equipment | 548,619 | 35,146 | - | 583,765 |
| Street and park equipment | 100,274 | 7,052 | - | 107,326 |
| Vehicles | 806,538 | 92,891 | - | 899,429 |
| Total Accumulated Depreciation | 2,418,475 | 248,568 | - | 2,667,043 |
| Total Capital Assets, Being Depreciated, Net | \$ 1,362,058 | \$ (188,344) | \$ - | \$ 1,173,714 |
| Governmental Activities Capital Assets, Net | \$ 1,459,451 | \$ (44,536) | \$ 7,000 | \$ 1,407,915 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------------|
| General government | \$ 76,584 |
| Public safety | 125,699 |
| Public works | 46,285 |
| Total Depreciation Expense - Governmental Activities | \$ 248,568 |

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 6 – PENSION PLAN

A. PERS Plan Description

Plan Description. The Town contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan. CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and all other requirements are established by State statute and Town ordinance. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street Sacramento, California 95814. Effective with the June 30, 2003 actuarial valuation, PERS requires retirement plans with less than 100 active members be included in risk pools. These risk pools are cost-sharing multiple-employer defined benefit retirement plans that pool the risk of all participating members. Both the Town's Miscellaneous and Safety retirement plans are included in these risk pools.

Funding Policy. Active plan members are required by State statute to contribute 0% for miscellaneous employees and 9% for safety employees of their annual covered salary. The Town employer makes the contributions required of Town employees on their behalf and for their account, which amounted to \$155,382 for the year ended June 30, 2009. The Town was required to contribute at an actuarial determined rate of 11.630% of the annual covered payroll for miscellaneous employees and 21.132% of the annual covered payroll for safety employees. The contribution rate is established annually and may be amended by CalPERS.

Included in the employer contribution rates are the amortization of Side Funds, which were created to account for the difference between the funded status of the pool and the funded status of the Town plans at the time of joining the risk pool. As of June 30, 2009, the estimated balance of the Side Fund for the miscellaneous plan was approximately \$111,820 and for the safety plan the balance was approximately \$1,560,549. The Side Funds have a remaining amortization period of 11 years as of June 30, 2009.

Annual Pension Cost. For fiscal year 2008-2009, the Town of Ross's annual pension cost was \$615,752 and was equal to the Town's required and actual contributions. The required contribution for fiscal year 2008-2009 was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75 percent investment rate of return (net of administrative expenses); and (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for both miscellaneous and safety employees depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smoothe the effect of short-term volatility in the market value of investments over a three year period.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – PENSION PLAN (Continued)

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 6/30/2007 | \$ 468,414 | 100% | \$ - |
| 6/30/2008 | 451,163 | 100% | - |
| 6/30/2009 | 615,752 | 100% | - |

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Town is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the Town that the outcome will have no materially adverse effect on the financial position of the Town.

The Town may receive State and Federal funds for specific purposes that are subject to review by the grantor agencies. Such audits could generate expenditure disallowances under the terms of the grants. It is believed that any required reimbursements would not be material.

NOTE 8 - NATURE AND PURPOSE OF REPORTED RESERVES AND DESIGNATIONS

Under provisions of GASB Code Section 1800.121.123, a Town may set up “Reserves” of Fund Equity to segregate fund balances which are not appropriate for expenditures in future periods or which are legally set aside for specific future use. Fund “designations” may also be established to indicate tentative plans for financial resource utilization in a future period.

The Town had no reservations or designations of fund balance at June 30, 2009.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 9 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other government agencies in the Association of Bay Area Government (ABAG), a public entity risk pool currently operating as a common risk management and insurance program for the members. The Town pays an annual premium to ABAG for its general comprehensive liability insurance. The Agreement provides that ABAG will be self-sustaining through member premiums and assessments. ABAG is governed by a Board consisting of elected officials. The Board controls the operations of ABAG including selection of management and approval of operating budgets, independent of any influence by member cities.

Audited and condensed financial information for ABAG is presented below for the year ended June 30, 2009.

| | | |
|----------------------------|----|------------|
| Total assets | \$ | 48,715,107 |
| Total liabilities | \$ | 17,360,134 |
| Net assets | \$ | 31,354,973 |
| Total revenues | \$ | 11,211,127 |
| Total expenses | \$ | 7,218,603 |
| Net decrease in net assets | \$ | 3,992,524 |

Audited financial information for each risk pool may be obtained from ABAG at P.O. Box 2089, Oakland, California 94604-2089

The Town maintains General and Auto Liability coverage through ABAG up to a limit of \$5 million, except for Employee Benefit Plan Administrative Liability which has a limit of \$250,000. Excess liability insurance is provided through ABAG for an additional \$10 million, which is provided by Insurance Company of the State of Pennsylvania and additional \$5 million provided by Lexington Insurance Company, for a total coverage of \$20 million. The Town's deductible for this coverage is \$25,000.

The Town maintains Property Insurance coverage through ABAG up to \$100,000. The Town has a deductible of \$5,000 for property and \$10,000 for vehicles.

NOTE 10 – ACCRUED COMPENSATED ABSENCES

Compensated absences include vacation, compensatory, and sick time. Accrued and unpaid compensated absences are recorded as a liability on the Statement of Net Assets and on the Governmental Funds Statement and are expensed when paid. It is the Town's policy to liquidate any unpaid compensated absences at June 30 from the General Fund with currently available financial resources. The outstanding balance at June 30, 2009 was \$651,049 which reflects a net increase of \$149,276 over the prior year.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 11 – PARTICIPATION IN JOINT POWERS AGREEMENTS

Town of Ross is a Board Member of the Marin Emergency Radio Authority (MERA), a public agency consisting of Marin County, all cities and towns within Marin County, as well as fire districts and other special districts. MERA was founded in February 1997 to develop a proposal for a county-wide regional communications system to replace the existing inoperable and obsolete system with a state-of-the-art digital emergency communications system. As a participant in this JPA and a user of the new system, Town of Ross makes an annual contribution to MERA to help fund the cost of this county-wide system. The contribution for the current year was \$15,591.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2010, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ROSS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 3,333,000 | \$ 3,333,000 | \$ 3,352,023 | \$ 19,023 |
| Intergovernmental | 721,000 | 721,000 | 310,025 | (410,975) |
| Licenses and permits | 355,000 | 355,000 | 505,778 | 150,778 |
| Revenue from use of money and property | 426,000 | 426,000 | 467,226 | 41,226 |
| Charges for services | 436,000 | 436,000 | 446,356 | 10,356 |
| Fines and penalties | 8,500 | 8,500 | 12,378 | 3,878 |
| Miscellaneous | 55,000 | 55,000 | 282,049 | 227,049 |
| Total Revenues | 5,334,500 | 5,334,500 | 5,375,835 | 41,335 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,731,651 | 948,000 | 973,433 | (25,433) |
| Public safety | 2,931,000 | 2,931,000 | 3,197,296 | (266,296) |
| Public works | 784,000 | 784,000 | 804,725 | (20,725) |
| Capital outlay | 529,100 | 529,100 | 313,731 | 215,369 |
| Total Expenditures | 5,975,751 | 5,192,100 | 5,289,185 | (97,085) |
| Excess (Deficiency) of Revenues Over Expenditures | (641,251) | 142,400 | 86,650 | (55,750) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 30,000 | 30,000 | - | (30,000) |
| Transfers out | (655,818) | (655,818) | (125,818) | 530,000 |
| Total Other Financing Sources (Uses) | (625,818) | (625,818) | (125,818) | 500,000 |
| Net Change in Fund Balance | (1,267,069) | (483,418) | (39,168) | 444,250 |
| Fund Balance, Beginning of Year | 5,352,242 | 5,352,242 | 5,352,242 | - |
| Fund Balance, End of Year | \$ 4,085,173 | \$ 4,868,824 | \$ 5,313,074 | \$ 444,250 |

TOWN OF ROSS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL
DRAINAGE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 383,000 | \$ 383,000 | \$ 253,090 | \$ (129,910) |
| Licenses and permits | 140,000 | 140,000 | 412,510 | 272,510 |
| Revenue from use of money and property | 18,000 | 18,000 | 4,364 | (13,636) |
| Total Revenues | <u>541,000</u> | <u>541,000</u> | <u>669,964</u> | <u>128,964</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | <u>635,768</u> | <u>792,048</u> | <u>575,078</u> | <u>216,970</u> |
| Total Expenditures | <u>635,768</u> | <u>792,048</u> | <u>575,078</u> | <u>216,970</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(94,768)</u> | <u>(251,048)</u> | <u>94,886</u> | <u>345,934</u> |
| Net Change in Fund Balance | (94,768) | (251,048) | 94,886 | 345,934 |
| Fund Balance, Beginning of Year | <u>714,043</u> | <u>714,043</u> | <u>714,043</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 619,275</u> | <u>\$ 462,995</u> | <u>\$ 808,929</u> | <u>\$ 345,934</u> |

TOWN OF ROSS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL
ROADWAY FUND
FOR THE YEAR ENDED JUNE 30, 2009**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 400,000 | \$ 440,000 | \$ 434,779 | \$ (5,221) |
| Licenses and permits | 150,000 | 150,000 | 416,289 | 266,289 |
| Revenue from use of money and property | 10,000 | 5,000 | 1,419 | (3,581) |
| Total Revenues | <u>560,000</u> | <u>595,000</u> | <u>852,487</u> | <u>257,487</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | <u>657,555</u> | <u>750,055</u> | <u>300,259</u> | <u>449,796</u> |
| Total Expenditures | <u>657,555</u> | <u>750,055</u> | <u>300,259</u> | <u>449,796</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(97,555)</u> | <u>(155,055)</u> | <u>552,228</u> | <u>707,283</u> |
| Net Change in Fund Balance | (97,555) | (155,055) | 552,228 | 707,283 |
| Fund Balance, Beginning of Year | <u>147,862</u> | <u>147,862</u> | <u>147,862</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 50,307</u> | <u>\$ (7,193)</u> | <u>\$ 700,090</u> | <u>\$ 707,283</u> |

SUPPLEMENTARY INFORMATION

TOWN OF ROSS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

| | Gas Tax | Park Fund | General Plan Update Fund | Building Permit Excess Reserve Fund |
|--|------------------|------------------|--------------------------------|--|
| ASSETS | | | | |
| Cash and investments | \$ 76,931 | \$ (21,720) | \$ 32,470 | \$ 304,787 |
| Due from other funds | - | 35,344 | - | - |
| Accounts receivables | - | - | 2,106 | 1,190 |
| Total Assets | <u>\$ 76,931</u> | <u>\$ 13,624</u> | <u>\$ 34,576</u> | <u>\$ 305,977</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 8,396 | \$ 8,220 |
| Due to other funds | - | - | 10,486 | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>18,882</u> | <u>8,220</u> |
| FUND BALANCES | | | | |
| Unreserved/Undesignated | <u>76,931</u> | <u>13,624</u> | <u>15,694</u> | <u>297,757</u> |
| Total Fund Balances | <u>76,931</u> | <u>13,624</u> | <u>15,694</u> | <u>297,757</u> |
| Total Liabilities and Fund Balances | <u>\$ 76,931</u> | <u>\$ 13,624</u> | <u>\$ 34,576</u> | <u>\$ 305,977</u> |

| Certificated Law Enforcement Executive Program Fund | Community Oriented Policing Services Fund | Equipment Replacement Fund | Total Non-major Governmental Funds |
|--|--|----------------------------------|---|
| \$ 24,820 | \$ 64,383 | \$ 587,242 | \$ 1,068,913 |
| - | - | - | 35,344 |
| 84 | - | 2,023 | 5,403 |
| <u>\$ 24,904</u> | <u>\$ 64,383</u> | <u>\$ 589,265</u> | <u>\$ 1,109,660</u> |
| \$ - | \$ - | \$ - | \$ 16,616 |
| 567 | 8,812 | 5,230 | 25,095 |
| 567 | 8,812 | 5,230 | 41,711 |
| 24,337 | 55,571 | 584,035 | 1,067,949 |
| 24,337 | 55,571 | 584,035 | 1,067,949 |
| <u>\$ 24,904</u> | <u>\$ 64,383</u> | <u>\$ 589,265</u> | <u>\$ 1,109,660</u> |

TOWN OF ROSS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

| | Gas Tax Fund | Park Fund | General Plan Update Fund | Building Permit Excess Reserve Fund |
|--|--------------------|------------------|--------------------------------|--|
| REVENUES | | | | |
| Intergovernmental | \$ 67,784 | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | 82,497 | - |
| Revenue from use of money and property | - | - | 35 | 6,831 |
| Total Revenues | 67,784 | - | 82,532 | 6,831 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | 8,220 |
| Public safety | - | - | - | - |
| Public works | - | - | 38,701 | - |
| Total Expenditures | - | - | 38,701 | 8,220 |
| Excess (Deficiency) of Revenues Over Expenditures | 67,784 | - | 43,831 | (1,389) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (30,000) | - |
| Total Other Financing Sources (Uses) | - | - | (30,000) | - |
| Net Change in Fund Balances | 67,784 | - | 13,831 | (1,389) |
| Fund Balances, Beginning of Year | 9,147 | 13,624 | 1,863 | 299,146 |
| Fund Balances, End of Year | \$ 76,931 | \$ 13,624 | \$ 15,694 | \$ 297,757 |

| Certificated Law Enforcement Executive Program Fund | Community Oriented Policing Services Fund | Equipment Replacement Fund | Total Non-major Governmental Funds |
|--|--|----------------------------------|---|
| \$ - | \$ 54,885 | \$ - | \$ 122,669 |
| - | - | - | 82,497 |
| 859 | 180 | 9,799 | 17,704 |
| 859 | 55,065 | 9,799 | 222,870 |
| - | - | - | - |
| - | - | - | 8,220 |
| 6,856 | 146,877 | - | 153,733 |
| - | - | - | 38,701 |
| 6,856 | 146,877 | - | 200,654 |
| (5,997) | (91,812) | 9,799 | 22,216 |
| - | - | 155,818 | 155,818 |
| - | - | - | (30,000) |
| - | - | 155,818 | 125,818 |
| (5,997) | (91,812) | 165,617 | 148,034 |
| 30,334 | 147,383 | 418,418 | 919,915 |
| \$ 24,337 | \$ 55,571 | \$ 584,035 | \$ 1,067,949 |



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Manager and
Members of the Town Council
Town of Ross
Ross, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross as of and for the year ended June 30, 2009, and have issued our report thereon dated September 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Ross internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Ross internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ross internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses and other deficiencies that we consider to be significant deficiencies as described below.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town of Ross internal control to be material weaknesses:

Corrections to Accounts Receivable and Liability Accounts

Deficiency - Several audit adjustments were required as a result of our audit procedures in order to correct balances recorded in the accounts receivable and liability accounts. Some accounts had not been reconciled, others contained carry over balances that never cleared, and a receivable for a Federal Grant had not been recorded.

Recommendation – We recommend Town management implement year end procedures that include a reconciliation of all balance sheet accounts in order to ensure that the balances reported on the financial statements are valid and supported with supplementary schedules indicating the names and dollar amounts due to or from other parties. In addition, the procedures should include a search for any receivable or payable amounts that should be recorded at year end so that amounts are reported in the correct fiscal year.

Financial Reporting

Deficiency – Town management is responsible for ensuring that financial statements are prepared and published in a timely manner after the completion of the fiscal year. We encountered significant delays in receiving information for completion of the audit which resulted in the delay in completing the financial statements and the related audit report.

Recommendation – We understand Town management has taken steps to reduce the delays in providing audit information by replacing the contract accountant. We look forward to working with the Town in resolving these delays on future audits.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Town of Ross's internal control to be significant deficiencies:

Cash Collection Procedures

Deficiencies – Collections of cash, checks, and money orders received are not always safely secured. One person responsible for collecting funds puts them in a locked drawer, another person leaves them sitting on her desk and another places them in an unlocked drawer.

An independent record of collections received is not always maintained, only the revenue report and copies of the checks. Some deposits are not made timely.

We also noted that the building department holds all of their collections and they are deposited only once a month.

Recommendations – The Town should provide a safe place to secure collections until they are ready for deposit. Ideally, the collections received each day from all departments should be given to the person preparing the deposit on a weekly basis and maintained in a fire proof file cabinet or other secure location.

A receipt or other record should be prepared of collections, preferably by a person independent from the preparation of the deposit and revenue record.

The building department should be encouraged to deposit at least once per week and more often if large checks are received.

Managements Response

Management has taken steps to address all of the audit findings. In particular, we have made a change in our outside accountant in late 2009. The new accountant will be in charge of all accounting and preparation for the annual audit. In preparation for the audit, all accounts should be reconciled properly on a timely basis. This change will expedite our timeframe for completing the annual audit. Management expects to be fully caught-up, including completion of the June 30, 2010 audit, before the end of the calendar year 2010.

With the assistance of the new accountant, we have implemented new practices. Building department revenue, and all Town revenue, is now being received and deposited on a weekly basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Ross are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Varrinek, Trine, Day & Co., L.L.P.

Pleasanton, California
September 16, 2010



INDEPENDENT AUDITORS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

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

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the Town of Ross, for the year ended June 30, 2009. These procedures, which were agreed to by the Town of Ross (the Town), and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the Town of Ross in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The Town of Ross management is responsible for the Appropriations Limit Calculation.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the worksheets used by the Town to calculate its appropriations limit, and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Town Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Town Council.

Findings: No exceptions were noted as a result of our procedures.

2. For the Appropriations Limit Calculation, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information in the Appropriations Limit Calculation to corresponding information in worksheets used by the Town.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit in the Appropriations Limit Calculation to the prior year appropriations limit adopted by the Town Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Appropriations Limit Calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by *Article XIII-B of the California Constitution*.

This report is intended solely for the use of the Town Council and management and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California
September 16, 2010