

TOWN OF ROSS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

TOWN OF ROSS

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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, 2012, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents. These financial statements are the responsibility of the Town'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements do not include financial data for the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for the component unit. The Town has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America, is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of the Town of Ross as of June 30, 2012, or the changes in financial position thereof for the year then ended.

Further, 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 of Ross, California, as of June 30, 2012, and the respective changes in financial position 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 our report dated February 18, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for other post employment benefits, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual non-major fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California
February 18, 2013

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2012, for the Town of Ross. The Management's Discussion and Analysis is to be read in conjunction with the Town's Financial Statements.

FISCAL YEAR 2011-2012 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 \$12.7 million, liabilities of \$1.7 million and net assets of \$11 million.
- The Fund Financial Statements show total Town's revenues were \$5.7 million compared with total expenses of \$6.1 million, resulting in a decrease in fund balance for the fiscal year ended June 30, 2012 of \$.4 million.
- The Town's net capital assets totaled \$4.95 million at June 30, 2012, representing 44.8% of the Town's total net 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.

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 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.

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

All of the Town's activities are required to be grouped into government activities and business-type activities. In the case of the Town of Ross, there are no business-type activities as of June 30, 2012.

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; the balance sheets 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 supplementary schedules presenting the detail for each of these funds. Major funds are explained in footnote 2.

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 and public works. These services are supported by charges for services and 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.

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. Each major fund is presented individually and non-major funds are summarized and presented in a single column. Supplementary schedules present the detail of these non-major funds. Major funds 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 on the balance sheets 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.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Required Supplementary Information

The Required Supplementary Information follows the basic financial statements and includes a budgetary comparison schedule and a schedule of funding progress for retiree health benefits.

Supplementary Information

Supplementary information follows the required supplementary information. Combining and individual fund statements provide information for non-major governmental funds.

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.

**Statement of Net Assets Governmental Activities
Table 1**

	2012	2011	Net Change	% change
ASSETS				
Cash and investments	\$ 7,525,690	\$ 7,551,975	\$ (26,285)	-0.35%
Receivables	256,314	944,134	(687,820)	-72.85%
Deposits and prepaid expenses	-	25	(25)	-100.00%
Capital assets, net of accumulated depreciation	4,954,451	4,217,087	737,364	17.49%
Total Assets	<u>12,736,455</u>	<u>12,713,221</u>	<u>23,234</u>	0.18%
LIABILITIES				
Accounts payable	163,708	368,577	(204,869)	-55.58%
Accrued liabilities	96,979	74,356	22,623	30.43%
Deposits payable	901,092	1,058,939	(157,847)	-14.91%
Accrued compensated absences	331,031	472,045	(141,014)	-29.87%
Deferred revenue	1,323	-	(1,323)	100.00%
Other Post Employment Benefits	174,088	111,200	62,888	56.55%
Total Liabilities	<u>1,668,221</u>	<u>2,085,117</u>	<u>(416,896)</u>	-19.99%
NET ASSETS				
Invested in capital assets, net of related debt	4,954,451	4,217,087	737,364	17.49%
Unrestricted	<u>6,113,783</u>	<u>6,411,017</u>	<u>(297,234)</u>	-4.64%
Total Net Assets	<u>\$ 11,068,234</u>	<u>\$ 10,628,104</u>	<u>\$ 440,130</u>	4.14%

TOWN OF ROSS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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

	2012	2011	Net Change	% change
REVENUES				
Program revenues:				
Charge for services	\$ 691,522	\$ 662,556	\$ 28,966	4.37%
Operating and capital contributions and grants	634,762	2,832,744	(2,197,982)	-77.59%
General revenues:				
Property taxes	3,121,700	3,120,049	1,651	0.05%
Other taxes	875,470	882,571	(7,101)	-0.80%
Investment earnings	103,484	146,124	(42,640)	-29.18%
Other	284,356	368,894	(84,538)	-22.92%
Total Revenues	<u>5,711,294</u>	<u>8,012,938</u>	<u>(2,301,644)</u>	-28.72%
EXPENSES:				
General government	941,221	1,145,909	(204,688)	-17.86%
Public safety	3,610,511	3,606,493	4,018	0.11%
Public works	1,151,819	1,063,480	88,339	8.31%
Total expenses	<u>5,703,551</u>	<u>5,815,882</u>	<u>(112,331)</u>	-1.93%
Increase(Decrease) in net assets	<u>7,743</u>	<u>2,197,056</u>	<u>(2,189,313)</u>	99.65%
Net assets beginning of year (2012 restated)	<u>11,060,491</u>	<u>8,431,048</u>	<u>2,629,443</u>	31.19%
Net assets end of year	<u>\$ 11,068,234</u>	<u>\$ 10,628,104</u>	<u>\$ 440,130</u>	4.14%

Statement of Activities

Charges for services were relatively flat. Operating and capital contributions and grants were down as major construction projects, mainly the Lagunitas Bridge and Sir Francis Drake Roadway Rehabilitation, were completed as of the end of the prior fiscal year and current year projects were smaller in scale and in the beginning phases.

General Government expenditures were down because of a decrease in compensated absences payable and a decrease in depreciation expense. Public safety expenditures stayed flat while Public Works went up due mostly to an increase in depreciation expense.

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Major funds

General Fund Highlights from the Fund Financial Statements:

General Fund Revenues - General Fund revenues for the year ended June 30, 2012, decreased by \$214,844 or 4% over the prior fiscal year.

- Taxes remained about the same as the prior fiscal year.
- Revenues from use of money and property decreased by \$37,873 or 10% from the prior fiscal year.
- Revenues from building permits increased by 15% and construction penalties increased by 17.01% from prior year.
- Revenue from reimbursements of Town costs decreased by 82% mostly due to the decrease in workers compensation claim reimbursements and a one-time receipt from the County of Marin.

General Fund Expenditures – Expenditures for the year ended June 30, 2012, decreased by approximately \$453,155 or 8% from the prior fiscal year.

- Public Safety decreased by \$108,617 or 3% over the prior fiscal year.
- Public Works decreased by \$44,517 or 5% from the prior fiscal year.
- General Government decreased by \$27,957 or 3% from prior fiscal year.
- Capital Expenditures decreased by \$272,064 or 87% from prior fiscal year.

Drainage Fund Highlights

- Drainage fund revenues decreased by \$1,548,310 or 89% over the prior fiscal year. Expenditures decreased by \$1,417,345 or 76% from the prior fiscal year. These decreases were primarily related to major projects that were completed in the prior fiscal year, namely the Lagunitas Bridge.

Roadway Fund Highlights

- Roadway fund revenues decreased by \$309,973 or 62% over the prior fiscal year. Expenditures decreased by \$311,261 or 62% from the prior fiscal year.

Equipment Replacement Fund Highlights

- Equipment Replacement fund revenues decreased by \$314 or 10% over the prior fiscal year. Expenditures increased by \$2,667 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 revenues were \$5,109,789 which was \$46,824 less than the budgeted amount.

Total actual expenditures were \$5,240,936 which was \$93,568 under the budgeted amount.

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$4,954,451. 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 \$331,031 and other post employment benefits of \$174,088. Additional information on compensated absences and can be found in Notes 10 and 12 to these financial statements.

Economic Outlook and Next Year's Budget

General Fund revenues for fiscal year ending June 30, 2012 are anticipated to be relatively flat with no significant change in property values. The voters did not pass the Municipal Services Tax for the fiscal year ended June 30, 2013. Accordingly, expenditures are cut and transfers from the Facilities Fund and Equipment Replacement Fund into the General Fund are planned to replace this revenue in next year's budget.

As discussed in Note 13, fire services after June 30, 2012 will be provided by the Ross Valley Fire Department.

The Town paid off the PERS side funds discussed in Note 6 in December, 2012 which will result in substantial savings to the Town in years to come. The side fund was paid off by borrowing money from the County of Marin at a lower interest rate than was being charged by PERS and by using reserves from the Facilities Fund.

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 Rob Braulik, 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, 2012**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 6,624,598
Restricted assets - cash and investments	901,092
Accounts receivables	242,963
Interest receivables	13,351
Capital assets, net of accumulated depreciation	4,954,451
Total Assets	<u>12,736,455</u>
LIABILITIES	
Accounts payable	163,708
Accrued liabilities	96,979
Accrued compensated absences (current portion)	94,409
Accrued compensated absences (long-term)	236,622
Accrued Other Post Employment Benefits, payable (long-term)	174,088
Deposits payable from restricted assets	901,092
Deferred inflow of resources	1,323
Total Liabilities	<u>1,668,221</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,954,451
Unrestricted	6,113,783
Total Net Assets	<u>\$ 11,068,234</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, 2012**

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Governmental Activities
Governmental Activities:					
General government	\$ 941,221	\$ 145,214	\$ 12,326	\$ 25,866	\$ (757,815)
Public safety	3,610,511	12,430	127,750	-	(3,470,331)
Public works	1,151,819	533,878	74,427	394,393	(149,121)
Total Primary Government	<u>\$ 5,703,551</u>	<u>\$ 691,522</u>	<u>\$ 214,503</u>	<u>\$ 420,259</u>	<u>(4,377,267)</u>

General Revenues:

Taxes:

Property tax	3,121,700
Municipal services tax	638,490
Sales tax	28,760
Franchise tax	149,054
Real property transfer tax	52,904
Motor vehicle taxes	6,262
Investment earnings	103,484
Other revenue	284,356
Total General Revenues	<u>4,385,010</u>
Change in Net Assets	7,743
Net Assets, Beginning	10,628,104
Prior Period Adjstment (see note 15)	432,387
Net Assets, Beginning - As Restated	<u>11,060,491</u>
Net Assets, End of Year	<u>\$ 11,068,234</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF ROSS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Totals
ASSETS						
Cash and investments	\$4,514,177	\$135,616	\$589,004	\$ 794,458	\$ 591,343	\$6,624,598
Restricted assets - cash	901,092	-	-	-	-	901,092
Accounts receivables	71,011	160,667	1,200	-	10,085	242,963
Interest receivables	11,367	127	554	748	555	13,351
Total Assets	<u>\$5,497,647</u>	<u>\$ 296,410</u>	<u>\$ 590,758</u>	<u>\$ 795,206</u>	<u>\$ 601,983</u>	<u>\$7,782,004</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 117,344	\$ 37,887	\$ 6,385	\$ -	\$ 2,092	\$ 163,708
Accrued liabilities	96,979	-	-	-	-	96,979
Deposits payable from restricted assets	901,092	-	-	-	-	901,092
Deferred revenue	1,323	-	-	-	-	1,323
Total Liabilities	<u>1,116,738</u>	<u>37,887</u>	<u>6,385</u>	<u>-</u>	<u>2,092</u>	<u>1,163,102</u>
FUND BALANCES						
Restricted	-	258,523	584,373	-	599,891	1,442,787
Committed	184,806	-	-	-	-	184,806
Assigned	-	-	-	795,206	-	795,206
Unassigned	4,196,103	-	-	-	-	4,196,103
Total Fund Balances	<u>4,380,909</u>	<u>258,523</u>	<u>584,373</u>	<u>795,206</u>	<u>599,891</u>	<u>6,618,902</u>
Total Liabilities and Fund Balances	<u>\$5,497,647</u>	<u>\$ 296,410</u>	<u>\$ 590,758</u>	<u>\$ 795,206</u>	<u>\$ 601,983</u>	<u>\$7,782,004</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, 2012**

Fund Balances of Governmental Funds	\$ 6,618,902
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	4,954,451
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(331,031)
Net other postemployment employment benefits obligations are not due payable in the current period and therefore are not reported in the governmental funds	<u>(174,088)</u>
Net Assets of Governmental Activities	<u><u>\$ 11,068,234</u></u>

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

TOWN OF ROSS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Total
REVENUES						
Taxes	\$ 3,972,463	\$ -	\$ -	\$ -	\$ -	\$3,972,463
Intergovernmental	45,501	58,796	54,000	-	174,427	332,724
Licenses and permits	545,133	129,431	134,670	-	25,866	835,100
Revenue from use of money and property	328,442	444	1,534	2,859	1,977	335,256
Charges for services	131,384	-	-	-	-	131,384
Fines and forfeitures	11,850	-	-	-	-	11,850
Miscellaneous	75,016	-	-	-	17,500	92,516
Total Revenues	<u>5,109,789</u>	<u>188,671</u>	<u>190,204</u>	<u>2,859</u>	<u>219,770</u>	<u>5,711,293</u>
EXPENDITURES						
Current:						
General government	941,334	-	-	-	1,150	942,484
Public safety	3,441,371	-	-	-	130,754	3,572,125
Public works	817,613	13,678	63,149	-	55,802	950,242
Capital outlay	40,618	427,823	129,172	2,667	21,522	621,802
Total Expenditures	<u>5,240,936</u>	<u>441,501</u>	<u>192,321</u>	<u>2,667</u>	<u>209,228</u>	<u>6,086,653</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,147)</u>	<u>(252,830)</u>	<u>(2,117)</u>	<u>192</u>	<u>10,542</u>	<u>(375,360)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	100,158	63,132	163,290
Transfers out	(163,290)	-	-	-	-	(163,290)
Total Other Financing Sources (Uses)	<u>(163,290)</u>	<u>-</u>	<u>-</u>	<u>100,158</u>	<u>63,132</u>	<u>-</u>
Net Change in Fund Balances	(294,437)	(252,830)	(2,117)	100,350	73,674	(375,360)
Fund Balances, Beginning of Year	<u>4,675,346</u>	<u>511,353</u>	<u>586,490</u>	<u>694,856</u>	<u>526,217</u>	<u>6,994,262</u>
Fund Balances, End of Year	<u>\$ 4,380,909</u>	<u>\$ 258,523</u>	<u>\$ 584,373</u>	<u>\$ 795,206</u>	<u>\$ 599,891</u>	<u>\$ 6,618,902</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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (375,360)

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	621,802
Depreciation expense	(316,826)

Compensated absences expenses incurred and 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. Amounts paid for previously accrued compensated absences are recorded as expenditures in the governmental funds, but reduce the accrual on the Statement of Net Assets and are not included as an expense in the Statement of Activities.

141,014

Other post employment benefits expense 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.

(62,888)

Change in Net Assets of Governmental Activities

\$ 7,743

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, 2012

NOTE 1 – GENERAL

The Town of Ross (the Town) operates under a Council-Manager 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.

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.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Equipment Replacement Fund accounts for funds set aside to purchase equipment, fire trucks, and police vehicles. Since the Town will no longer have its own Fire Department in Fiscal Year 2013 the plans for this fund in future years is to use this fund to set aside anticipated future contributions to the Town of Ross share of Ross Valley Fire Department replacement fire apparatus, to fund future capital contributions for replacement of Public Works/Building vehicles and equipment and to fund an ongoing program for necessary Town technology equipment replacement.

Stewardship, Compliance and Accountability

There were no excess of expenditures over appropriations in individual funds during fiscal year 2011/12.

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 and Building Improvements	5-30 Years
Vehicles	5-10 Years
Furniture, fixtures, and equipment	3-10 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, 2012**

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/Unsecured</u>
Valuation dates	July 1
Lien/levy dates	November 1
Due dates	50% on November 1 and February 1
Delinquent as of	December 10 and April 10

	<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 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 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. The Town does not have a policy that requires sick leave to be paid upon an employee’s termination from the Town. As an estimate of the ultimate amount that may be paid out if an individual separates in good standing, accumulated sick leave is only recognized as a liability to the extent of twenty-five percent of sick leave calculated at fiscal year end and reflected in the government-wide financial statements. 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.

Following is a summary of the Town’s sick leave pay out policies:

Miscellaneous Employees: Upon retirement, in good standing: 50% of accumulated unused sick leave, not to exceed 90 days.

Fire MOU for members: At retirement into PERS, in good standing: all accumulated sick leave equal to 50% of then accrued sick leave, up to a maximum of 900 hours.

Police Employees: At retirement into PERS, in good standing: 50% of unused sick leave, for FY 2011-2012 up to a maximum of 720 hours total, for FY 2012-13 up to a maximum of 660 hours total.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

K. Fund Balances

The Town of Ross complies with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in the fiscal year 2011. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Please refer to Note 8 for more information.

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, 2012, consist of the following:

Cash	\$ 710,612
Investments	6,815,078
Total Governmental	<u>\$ 7,525,690</u>

Cash and Investments

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 6,624,598
Restricted cash and investments	901,092
	<u>\$ 7,525,690</u>

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

General Authorizations

The table below identifies the investment types that are authorized for the Town of Ross by the California Government Code. 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	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	N/A	None	None
Registered State Bonds, Notes, Warrants	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
Federal Agency Securities	5 years	N/A	None	None
Banker's Acceptance	180 days	N/A	40%	30%
Commercial Paper	270 days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	None
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements	92 days	N/A	20% of base	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None
Passbook Savings Account Demand Deposits	N/A	N/A	None	None
Medium Term Corporate Notes	5 years	A	30%	N/A
Mortgage Pass-Through Securities	5 years	AA	20%	N/A
Mutual Funds	N/A	Top Ranking of 2 NRSRO (a)	20%	10%
Money Market Mutual Funds	N/A	Top Ranking of 2 NRSRO (a)	20%	N/A

(a) Nationally Recognized Statistical Rating Organization

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, 2012

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2012, the Town had the following investments:

	Fair Value	Maturity in Years			
		≤ 1 year	≤ 2 year	3 to 5 years	> 5 years *
Uncategorized					
Certificates of Deposit	\$ 1,650,987	\$ 450,000	\$ 454,080	\$ 746,907	\$ -
Government Mortgage Back Securities	1,980,484	-	55,044	140,445	1,784,995
Money Market Funds	419,267	419,267	-	-	-
Local Agency Investment Fund (LAIF)	2,764,340	2,764,340	-	-	-
Total Investments	<u>\$ 6,815,078</u>	<u>\$ 3,633,607</u>	<u>\$ 509,124</u>	<u>\$ 887,352</u>	<u>\$ 1,784,995</u>

* - Investing in securities with maturities in excess of five years at the date of purchase is not allowed under the Town's investment policy. Subsequent to June 30, 2012, management of the Town has succeeded in liquidating these investments with no gain or loss.

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. The certificates of deposits are with various financial institutions and are fully insured by the Federal Deposit Insurance Corporation. The LAIF investment is not rated. Mortgage backed securities are government sponsored, therefore they are rated at or above AA. Money Market Funds have an S&P rating of AAAM.

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, 2012, the Town's bank balance of \$704,867 with a reported balance of \$710,612, 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, 2012**

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	\$ -	\$ 163,290
Capital Projects Funds:		
Equipment Replacement Fund	100,158	-
Special Revenue Funds:		
Park Fund	28,705	-
Asset Forfeiture	34,427	-
Total	<u>\$ 163,290</u>	<u>\$ 163,290</u>

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012.

	Beginning Balance	Additions & Adjustments	Retirements & Adjustments	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	52,954	222,083	(31,144)	243,893
Total Capital Assets Not Being Depreciated	<u>52,956</u>	<u>222,083</u>	<u>(31,144)</u>	<u>243,895</u>
Capital Assets, Being Depreciated:				
Land improvements	3,574,612	392,771	432,387	4,399,770
Buildings	1,445,064	-	-	1,445,064
Furniture and fixtures	44,041	-	(686)	43,355
Office equipment	99,681	14,170	(866)	112,985
Safety equipment	447,308	21,255	(5,703)	462,860
Street and park equipment	94,733	-	(15,319)	79,414
Vehicles	962,418	2,667	(25,653)	939,432
Total Capital Assets Being Depreciated	<u>6,667,857</u>	<u>430,863</u>	<u>384,160</u>	<u>7,482,880</u>
Less Accumulated Depreciation For:				
Land improvements	277,725	163,207	-	440,932
Buildings	842,827	65,878	-	908,705
Furniture and fixtures	43,514	526	(686)	43,354
Office equipment	94,187	4,155	(866)	97,476
Safety equipment	444,947	3,457	(5,703)	442,701
Street and park equipment	90,973	940	(15,319)	76,594
Vehicles	709,552	78,663	(25,653)	762,562
Total Accumulated Depreciation	<u>2,503,725</u>	<u>316,826</u>	<u>(48,227)</u>	<u>2,772,324</u>
Total Capital Assets, Being Depreciated, Net	<u>4,164,132</u>	<u>114,037</u>	<u>432,387</u>	<u>4,710,556</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,217,088</u>	<u>\$ 336,120</u>	<u>\$ 401,243</u>	<u>\$ 4,954,451</u>

*Prior period adjustment, see Note 15.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – CAPITAL ASSETS (Continued)

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

General government	\$ 36,835
Public safety	94,148
Public works	185,843
Total Depreciation Expense - Governmental Activities	<u>\$ 316,826</u>

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 provides 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, 2008 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 7.0% 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 \$163,923 for the year ended June 30, 2012. The Town was required to contribute at an actuarial determined rate of 11.164% of the annual covered payroll for miscellaneous employees and 30.433% 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, 2012, the estimated balance of the Side Fund for the miscellaneous plan was approximately \$1,430,688 and for the safety plan the balance was approximately \$97,943. The Side Funds have a remaining amortization period of 11 years as of June 30, 2012.

Annual Pension Cost. For fiscal year 2011-2012, the Town of Ross's annual pension cost was \$744,696 and was equal to the Town's required and actual contributions. The required contribution for fiscal year 2011-2012 was determined as part of the June 30, 2009, 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 3.55% 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 smoother 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, 2012**

NOTE 6 – PENSION PLAN (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 712,709	100%	\$ -
6/30/2011	699,719	100%	-
6/30/2012	744,696	100%	-

NOTE 7 – 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 that is likely to have a material 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 – FUND BALANCES

As described in Note 2, the Town of Ross complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Town Council, highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by Town Council.

Assigned – includes amounts that the Town of Ross intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – FUND BALANCES (Continued)

Fund balances are composed of the following elements:

	General Fund	Drainage Fund	Roadway Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total
Restricted						
Asset Forfeiture	\$ -	\$ -	\$ -	\$ -	\$ 34,521	\$ 34,521
Grants for Safety	-	-	-	-	69,074	69,074
Streets and Roadway Projects and Related	-	-	584,373	-	197,532	781,905
Drainage Projects and Related	-	258,523	-	-	-	258,523
Capital Improvements, Inspection Services and Related	-	-	-	-	281,718	281,718
General Plan Compliance Costs	-	-	-	-	17,046	17,046
Total Restricted	-	258,523	584,373	-	599,891	1,442,787
Committed						
Legal Defense	184,806	-	-	-	-	184,806
Total Committed	184,806	-	-	-	-	184,806
Assigned						
Capital Projects/Equip. Replacement	-	-	-	795,206	-	795,206
Total Assigned	-	-	-	795,206	-	795,206
Unassigned						
For economic uncertainties	1,500,000	-	-	-	-	1,500,000
For Facilities	1,354,650	-	-	-	-	1,354,650
Remaining unassigned	1,341,453	-	-	-	-	1,341,453
Total Unassigned	4,196,103	-	-	-	-	4,196,103
Total	\$4,380,909	\$ 258,523	\$ 584,373	\$ 795,206	\$ 599,891	\$ 6,618,902

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town policy is to first apply restricted funds to projects or programs that meet the criteria of the funds purpose and to supplement with unrestricted committed, assigned or unassigned funds as needed.

Minimum Fund Balance Policy

The town establishes an emergency reserve in the General Fund for economic uncertainties in order to protect the town against revenue shortfalls or unpredicted one-time expenditures. The reserve consists of unassigned amounts in the General Fund to cover at least three months of operational expenditures.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2011, most recent statement available:

Total assets	\$	47,150,382
Total liabilities		20,617,172
Net assets		26,533,210
Total revenues		9,672,545
Total expenses		14,935,442
Change in net assets		(5,262,897)

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 \$10 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 to cover losses above \$100,000. The Town has a deductible of \$5,000 for property and \$5,000 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. The outstanding balance at June 30, 2012 was \$331,031 which reflects a net decrease of \$141,014 over the prior year.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 11 – PARTICIPATION IN JOINT POWERS AGREEMENTS

The Town of Ross participates in the following Joint Powers Agreements:

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 \$14,196 for operating expenses and \$19,364 for bond and note payments.

Ross Valley Paramedic Authority – The Ross Valley Paramedic Authority (“RVPA”) was created in December 1982 by the Towns of Corte Madera, Fairfax, Ross, and San Anselmo, Kentfield Fire Protection District, City of Larkspur, County of Marin, and Sleepy Hollow Fire Protection District to provide paramedic services to these eight public agencies. The RVPA is controlled by an eight member board consisting of one member from each of the participating entities. The Executive Director is Larkspur Fire Chief Robert Sinnott, who volunteers his time to serve as the administrator on behalf of the City of Larkspur. The RVPA contracts with the County of Marin for paramedic service, including management. In addition, several member fire departments now staff a paramedic on some fire engines to increase service levels, working with the ambulance staff. Audited financial statements may be obtained by mailing a request to Robert Sinnott at City of Larkspur, 400 Magnolia Avenue, Larkspur, CA 94939.

RVPA’s operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. During fiscal year ended June 30, 2012, the tax was \$42 per living unit and per 1,500 square feet of structure on parcels in non-residential use. The City of Larkspur maintains the books and records of the RVPA.

Marin Telecommunications Agency – The Marin Telecommunications Agency is a joint powers authority administering the Comcast cable franchise agreement and developing policy related to telecommunications services in Marin County, including cable, broadband, and related services. It was formed in 1998 to negotiate and administer cable television for its member agencies. It is governed by an eleven member Board of Directors composed of representatives from the County of Marin and the cities/towns of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon.

The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by mailing a request to Marin General Services Authority at 555 Northgate Drive, Suite 230, San Rafael, CA 94903.

Marin General Services Authority – The Marin General Services Authority (“MGSA”) was created in 2005 by the cities, towns, and County of Marin and two Community Service Districts to offer various public services effectively and efficiently throughout the county in a uniform manner with minimal overhead expense including abandoned vehicle abatement, and taxicab regulation, and information management services. The MGSA has administrative authority for Marin Map JPA which provides geographic information systems.

The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by mailing a request to Marin General Services Authority at 555 Northgate

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 11 – PARTICIPATION IN JOINT POWERS AGREEMENTS (Continued)

Drive, Suite 230, San Rafael, CA 94903. The Town's member contributions for the current fiscal year were \$3,730.

Marin Major Crimes Task Force - The Marin Major Crimes Task Force was formed in 1977 at the recommendation of the Marin County Police Chiefs Association. It is a cooperative effort linking ten out of eleven of Marin's cities and the county to provide a central investigative unit capable of crossing jurisdictional boundaries for the stated purposes of assisting each other in the detection, apprehension and prosecution of highly mobile criminal activity and combating its influence throughout Marin. The unit is intended to supplement and augment the efforts of the existing local law enforcement agencies to better deal with major criminal activity that no single jurisdiction can effectively deal with alone. The Town's member contribution for the current fiscal year was \$12,419 based on population and assessed value.

Marin Hazardous & Solid Waste Management Authority - The Marin Hazardous & Solid Waste Management Authority was formed in 1996 under a joint powers agreement between the County of Marin and eleven cities and towns within Marin. The purpose of the Authority is to administer and enforce hazardous waste and solid waste management plans, as mandated by law.

The governing board of the Authority consists of one appointed official from each of the member agencies. The Authority has contracted with Marin County Department of Public Works for administrative services and the City of San Rafael for hazardous waste management services.

Revenue for the Authority mostly comes from solid waste management fees and grants. There were no member contributions in the current fiscal year.

Marin County Stormwater Pollution Prevention Program (MCSTOPPP) – MCSTOPPP was formed in 1993 between the County of Marin and eleven cities and towns within Marin. The Town of Ross became a member in 2005. The goal of MCSTOPPP is to prevent storm water pollution, protect and enhance water quality in creeks and wetlands, preserve beneficial uses of local waterways, and comply with State and Federal regulations. MCSTOPPP is administered by the Marin County Flood Control and Water Conservation District with staffing provided by the Marin County Department of Public Works. The Marin General Services Authority provides budgetary and programmatic oversight. Member contributions are calculated using square miles and population factors. The Town's contribution for the current fiscal year was \$6,651.

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The Town's single employer defined benefit postemployment healthcare plan provides health care benefits to eligible retirees in accordance with a Board resolution. Eligible employees retiring at or after age 50 with a minimum of 5 years of CalPERS service or disability may opt to continue health care coverage, with a portion of the monthly premium paid for by the Town. Coverage discontinues either at the request of the retiree or by defaulting on the employee portion of the premium.

The Town contracts with CalPERS to administer its retiree health benefit plan. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The Town chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Policy: The Town’s annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (UAAL) (or funding excess) over a period not to exceed 30 years on a closed basis. The current ARC is \$69,000. The plan members receiving benefits currently don’t make any contributions.

Annual OPEB Cost and Net OPEB Asset/Obligation: The Town’s annual OPEB cost (expense) is calculated based on the ARC. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB asset/obligation to the Plan:

Net OPEB obligation, beginning of year	\$ 111,200
Interest (at 4%) on net OPEB obligation	4,448
Obligation including interest	<u>115,648</u>
Annual required contribution	69,000
Contributions made	<u>(10,560)</u>
Net OPEB obligation, end of year	<u><u>\$ 174,088</u></u>

Funded Status and Funding Progress: The schedule of funding progress and funded status of the plan as of June 30, 2012 and the two preceding years is as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 61,000	\$ 6,000	10%	\$ 55,000
6/30/2011	66,200	10,000	15%	111,200
6/30/2012	73,448	10,560	14%	174,088

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment. Annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan member to the point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2009
Actuarial cost method	Entry age, Normal Cost
Amortization method	Level percentage of payroll
Amortization period	30 years
Investment rate of return	4.25%
Salary Increase	3.25%
Inflation	3.00%
PERS Minimum Employer Contribution	4.50%

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2013, the date which the financial statements were available to be issued.

On July 1, 2012, the Town entered into a Joint Powers Agreement with Town of Fairfax, Town of San Anselmo, and the Sleepy Hollow Fire Protection District to merge the Ross Fire Department with the Ross Valley Fire Department to provide fire services to the Town. All costs shall be fairly and equitably allocated among all members of the JPA, of which, the Town's percentage share will be 23.37%. All Ross Fire Department personnel, with the sole exception of the Fire Chief, will cease to be Town employees effective July 1, 2012 and will be hired by the Ross Valley Fire Department as part of the Town's transition from municipal to regional fire services. Ross shall not assume or be liable for any obligation of the JPA, whether absolute, contingent, known, unknown, or otherwise incurred by the JPA prior to the agreement date.

The JPA shall be responsible for OPEB liabilities and the payment of the ARC for employees of the JPA beginning on the agreement date. All OPEB and ARC liability for the Town's retirees and employees who do not transfer to the JPA will remain with Ross and will not transfer the JPA. Ross shall remain liable for its Employer Side Fund.

On this agreement date, all Town obligations to the Ross Fire Department and/or any of its employees under any and all current Memoranda of Understanding, compensation resolutions and/or side letters will cease. Ross employee's sick leave, vacation leave, and compensatory time balance will transfer to the JPA.

The Town shall remain liable for its payments under the outstanding Marin Emergency Radio Authority (MERA) bonds as of the agreement date.

Regarding Ross Fire Department's capital assets, the Town's fire station located at 33 Sir Francis Drake Blvd, Ross, CA, shall continue to be owned by the Town but shall be used by the JPA in accordance with the JPA agreement. The Lease Agreement dated July 1, 2011 between Ross and the Ross Valley Paramedic Authority (RVPA) for use of a portion of the Ross Fire Station shall be assigned to the JPA, which shall receive the RVPA rent payments and assume all costs and liabilities associated with the rental agreement. Maintenance obligations for the Ross Fire Station shall remain the obligation of the Town. The use and control, but not the ownership of, the fire apparatus vehicles, firefighting equipment, station furnishing, and office equipment will transfer to the

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 13 – SUBSEQUENT EVENTS (Continued)

JPA. The JPA will be responsible for the maintenance, repair, and replacement of these assets. Any proceeds from the sale, transfer, exchange of these assets shall become the Town's property.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

Implemented

GASB Statement No. 64

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The Town implemented the provisions of this Statement in fiscal year ending June 30, 2012, with no impact to the financial statements.

Upcoming

GASB Statement No. 60

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement also requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Town will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and does not believe it will have a significant impact on the financial statements.

GASB Statement No. 61

In November, 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This pronouncement is effective for periods beginning after June 15, 2012. Earlier application is encouraged. The Town will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and does not believe it will have a significant impact on the financial statements.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No 62

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective in fiscal year 2012-2013. This statement incorporates certain accounting and financing reporting guidance into GASB's authoritative literature, included in the following pronouncements issued on or before Nov. 30th, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. However, governments can apply post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Town will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

GASB Statement No. 63

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The Town will be required to implement the provisions of this Statement in fiscal year ending June 30, 2013, and is currently evaluating the impact on the financial statements.

Statement No. 65

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards the reclassify as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged. The Town has not determined its effect on the financial statements.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Statement No. 66

In March, 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of Statement 66 are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged. The Town has not determined its effect on the financial statements.

Statement No. 67

In June, 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regards to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of Statement 67 are effective for financial statements for periods beginning after June 15, 2013, with earlier application encouraged. This statement pertains to Pension Plans not the Town directly. However, management will be monitoring the implementation of this statement by Plan administrators to determine the impact on the Town.

Statement No. 68

In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The provisions of Statement 68 are effective for financial statements for periods beginning after June 15, 2014, with earlier application encouraged. The Town has not determined its effect on the financial statements.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Primary Government. A prior period adjustment of \$432,387 was made to correct the balances of capital assets that were incorrectly reported in prior years. This adjustment did not have any impact on the Governmental funds.

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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,973,002	\$ 3,973,002	\$ 3,972,463	\$ (539)
Intergovernmental	105,439	105,439	45,501	(59,938)
Licenses and permits	465,900	465,900	545,133	79,233
Revenue from use of money and property	362,000	362,000	328,442	(33,558)
Charges for services	135,122	135,122	131,384	(3,738)
Fines and penalties	9,000	9,000	11,850	2,850
Miscellaneous	106,150	106,150	75,016	(31,134)
Total Revenues	<u>5,156,613</u>	<u>5,156,613</u>	<u>5,109,789</u>	<u>(46,824)</u>
EXPENDITURES				
Current:				
General government	856,206	856,206	941,334	(85,128)
Public safety	3,464,081	3,464,081	3,441,371	22,710
Public works	882,592	882,592	817,613	64,979
Capital outlay	131,625	131,625	40,618	91,007
Total Expenditures	<u>5,334,504</u>	<u>5,334,504</u>	<u>5,240,936</u>	<u>93,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(177,891)</u>	<u>(177,891)</u>	<u>(131,147)</u>	<u>46,744</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(128,158)</u>	<u>(162,585)</u>	<u>(163,290)</u>	<u>(705)</u>
Total Other Financing Sources (Uses)	<u>(128,158)</u>	<u>(162,585)</u>	<u>(163,290)</u>	<u>(705)</u>
Net Change in Fund Balance	(306,049)	(340,476)	(294,437)	46,039
Fund Balance, Beginning of Year	<u>4,675,346</u>	<u>4,675,346</u>	<u>4,675,346</u>	-
Fund Balance, End of Year	<u>\$ 4,369,297</u>	<u>\$ 4,334,870</u>	<u>\$ 4,380,909</u>	<u>\$ 46,039</u>

TOWN OF ROSS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET (UNAUDITED) AND ACTUAL
DRAINAGE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 104,500	\$ 104,500	\$ 58,796	\$ (45,704)
Licenses and permits	75,000	75,000	129,431	54,431
Revenue from use of money and property	-	-	444	444
Total Revenues	<u>179,500</u>	<u>179,500</u>	<u>188,671</u>	<u>9,171</u>
EXPENDITURES				
Current:				
Public works	30,000	30,000	13,678	16,322
Capital outlay	585,000	585,000	427,823	157,177
Total Expenditures	<u>615,000</u>	<u>615,000</u>	<u>441,501</u>	<u>173,499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(435,500)</u>	<u>(435,500)</u>	<u>(252,830)</u>	<u>182,670</u>
Net Change in Fund Balance	(435,500)	(435,500)	(252,830)	182,670
Fund Balance, Beginning of Year	511,353	511,353	511,353	-
Fund Balance, End of Year	<u>\$ 75,853</u>	<u>\$ 75,853</u>	<u>\$ 258,523</u>	<u>\$ 182,670</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 190,000	\$ 190,000	\$ 54,000	\$ (136,000)
Licenses and permits	75,000	75,000	134,670	59,670
Revenue from use of money and property	-	-	1,534	1,534
Total Revenues	<u>265,000</u>	<u>265,000</u>	<u>190,204</u>	<u>(74,796)</u>
EXPENDITURES				
Current:				
Public works	108,200	108,200	63,149	45,051
Capital outlay	235,000	235,000	129,172	105,828
Total Expenditures	<u>343,200</u>	<u>343,200</u>	<u>192,321</u>	<u>150,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(78,200)</u>	<u>(78,200)</u>	<u>(2,117)</u>	<u>76,083</u>
Net Change in Fund Balance	(78,200)	(78,200)	(2,117)	76,083
Fund Balance, Beginning of Year	<u>586,490</u>	<u>586,490</u>	<u>586,490</u>	-
Fund Balance, End of Year	<u>\$ 508,290</u>	<u>\$ 508,290</u>	<u>\$ 584,373</u>	<u>\$ 76,083</u>

TOWN OF ROSS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET (UNAUDITED) AND ACTUAL
EQUIPMENT REPLACEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 2,859	\$ 2,859
Total Revenues	<u>-</u>	<u>-</u>	<u>2,859</u>	<u>2,859</u>
EXPENDITURES				
Current:				
Public works	35,000	35,000	-	35,000
Capital outlay	50,000	50,000	2,667	47,333
Total Expenditures	<u>85,000</u>	<u>85,000</u>	<u>2,667</u>	<u>82,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(85,000)</u>	<u>(85,000)</u>	<u>192</u>	<u>85,192</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,158	100,158	100,158	-
Total Other Financing Sources (Uses)	<u>100,158</u>	<u>100,158</u>	<u>100,158</u>	<u>-</u>
Net Change in Fund Balance	15,158	15,158	100,350	85,192
Fund Balance, Beginning of Year	<u>694,856</u>	<u>694,856</u>	<u>694,856</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 710,014</u>	<u>\$ 710,014</u>	<u>\$ 795,206</u>	<u>\$ 85,192</u>

TOWN OF ROSS

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST
EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
6/30/09	\$ -	\$ 417,000	\$ 417,000	0.00%	\$ 2,220,000	18.78%

SUPPLEMENTARY INFORMATION

TOWN OF ROSS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Special Revenue							Total Non-major Governmental Funds
	Gas Tax	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Asset Forfeiture	Certificated Law Enforcement Executive Program Fund	Citizens Option for Public Safety	
ASSETS								
Cash and investments	\$ 191,359	\$ -	\$ 15,032	\$ 281,453	\$ 34,489	\$ -	\$ 69,010	\$ 591,343
Accounts receivables	8,085	-	2,000	-	-	-	-	10,085
Interest receivables	180	-	14	265	32	-	64	555
Total Assets	\$ 199,624	\$ -	\$ 17,046	\$ 281,718	\$ 34,521	\$ -	\$ 69,074	\$ 601,983
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 2,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,092
Total Liabilities	2,092	-	-	-	-	-	-	2,092
FUND BALANCES								
Restricted	197,532	-	17,046	281,718	34,521	-	69,074	599,891
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	197,532	-	17,046	281,718	34,521	-	69,074	599,891
Total Liabilities and Fund Balances	\$ 199,624	\$ -	\$ 17,046	\$ 281,718	\$ 34,521	\$ -	\$ 69,074	\$ 601,983

TOWN OF ROSS

NON-MAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue							Total Non-major Governmental Funds
	Gas Tax Fund	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Asset Forfeiture	Certificated Law Enforcement Executive Program Fund	Citizens Option for Public Safety	
REVENUES								
Intergovernmental	\$ 74,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 174,427
Licenses and permits	-	-	25,866	-	-	-	-	25,866
Revenue from use of money and property	515	-	51	1,092	94	13	212	1,977
Miscellaneous	-	17,500	-	-	-	-	-	17,500
Total Revenues	74,942	17,500	25,917	1,092	94	13	100,212	219,770
EXPENDITURES								
Current:								
General government	-	-	-	1,150	-	-	-	1,150
Public safety	-	-	-	-	-	3,367	127,387	130,754
Public works	37,176	-	18,626	-	-	-	-	55,802
Capital outlay	-	17,765	-	-	-	3,757	-	21,522
Total Expenditures	37,176	17,765	18,626	1,150	-	7,124	127,387	209,228
Excess (Deficiency) of Revenues Over Expenditures	37,766	(265)	7,291	(58)	94	(7,111)	(27,175)	10,542
OTHER FINANCING SOURCES (USES)								
Transfers in	-	28,705	-	-	34,427	-	-	63,132
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	28,705	-	-	34,427	-	-	63,132
Net Change in Fund Balances	37,766	28,440	7,291	(58)	34,521	(7,111)	(27,175)	73,674
Fund Balances, Beginning of Year	159,766	(28,440)	9,755	281,776	-	7,111	96,249	526,217
Fund Balances, End of Year	\$ 197,532	\$ -	\$ 17,046	\$ 281,718	\$ 34,521	\$ -	\$ 69,074	\$ 599,891