

**TOWN OF ROSS**

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

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**TOWN OF ROSS**  
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**JUNE 30, 2013**

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

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ross, California (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross, California, as of June 30, 2013, 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.

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### ***Emphasis of Matter***

As discussed in Note 2, the financial statements referred to above include only the primary government of the Town of Ross, California, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town's legal entity. These primary government financial statements do not include financial data for the Ross Park and Recreation Committee, the Town's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Town, as of June 30, 2013, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Ross Park and Recreation Committee as of and for the year ended August 31, 2012 and our report thereon, dated July 26, 2013, expressed an unmodified opinion on those financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other postemployment benefit plan schedule of funding progress, 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.

#### ***Other Information***

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. Such 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 combining statements and individual fund schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014, on our consideration of the Town of Ross, California'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 on 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* in considering the Town of Ross, California's internal control over financial reporting and compliance.

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

Pleasanton, California  
February 24, 2014

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2013, for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's Financial Statements.

### FISCAL YEAR 2012-2013 FINANCIAL HIGHLIGHTS

- The Town paid off its CalPERS side fund debt in the amount of \$1.5 million in December 2012. This payoff resulted in immediate savings to the Town in the form of lower CalPERS employer rates. CalPERS was charging an interest rate of 7.5% on this debt. The Town paid off the debt with Town funds of \$579K and \$921K borrowed from the County of Marin at rates graduating from 3.5% to 4%. This payoff resulted in the following additions to expenditures in fiscal year ended June 30, 2013:

○ Public Safety	\$1,401,737
○ General Government	47,519
○ Public Works	47,519
	<u>\$1,496,777</u>
- The Government-wide Statement of Net Position, the first statement of the Basic Financial Statements, shows Town assets of \$12.4 million, liabilities of \$2.3 million for a net position of \$10.1 million.
- The Fund Financial Statements show total Town revenues were \$6 million and total expenditures of \$6.9 million, resulting in a deficit of \$897K. This deficit was the result of paying off the CalPERS side fund in the amount of \$1.5 million. After adding in \$959K in proceeds from debt, the fund balance is \$63K higher than it was at the beginning of the year.
- In June of 2012 the voters did not pass a Public Safety parcel tax resulting in a loss of revenue in fiscal year ended June 30, 2013 in the approximate amount of \$640K. To make up for the loss of revenue, expenditures were cut across the board, the school resource officer position was eliminated, capital expenditures were kept to a minimum, and operating expenditures were transferred to special revenue funds where allowed. Citizens voluntarily contributed \$55K in lieu of paying the parcel tax. In addition, in anticipation of this lost revenue, \$287K was transferred from the Equipment Replacement Fund to the General Fund to cover ordinary operating expenses. Another \$284K was transferred from the Town's Facilities Fund which is part of the General Fund to help cover the anticipated deficit.
- A parcel of Town owned real estate was sold for \$150K.
- Building activity and construction penalties were up over prior years resulting in positive variances in licenses and permits and charges for services.

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### 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** are comprised of Government-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.

**Government-wide Financial Statements** provide a long-term view of the Town's activities as a whole and comprise the Statement of Net Position and Statement of Activities and Changes in Net Position. The Statement of Net Position 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 Position provides information about the Town's revenues and expenses, on a full accrual basis, with the emphasis on measuring net revenues or expenses for each of the Town's activities. This statement also explains in detail the change in net position for the fiscal year.

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.

All of the Town's activities are required to be grouped into governmental activities and business-type activities. In the case of the Town of Ross, there are no business-type activities as of June 30, 2013.

**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. Unlike the government-wide financial statements, 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.

Fund Financial Statements measure only current revenue and expenditures on the modified accrual basis, which means they measure only current financial resources and uses. 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 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.

**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.

## TOWN OF ROSS

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

**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** follows the required supplementary information. Combining and individual fund statements and schedules provide information on non-major governmental funds.

#### Government-wide Analysis

The Town has presented its financial statement 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 Position Governmental Activities  
Table 1**

	2013	2012	Net Change	% change
<b>ASSETS</b>				
Cash and investments	\$ 7,395,888	\$ 7,525,690	\$ (129,802)	-1.72%
Receivables	198,305	256,314	(58,009)	-22.63%
Deposits and prepaid expenses	500	-	500	100.00%
Capital assets, net of accumulated depreciation	4,855,088	4,954,451	(99,363)	-2.01%
Total Assets	<u>12,449,781</u>	<u>12,736,455</u>	<u>(286,674)</u>	-2.25%
<b>LIABILITIES</b>				
Accounts payable	161,986	163,708	(1,722)	-1.05%
Accrued liabilities	102,523	96,979	5,544	5.72%
Interest payable	18,197	-	(18,197)	100.00%
Deposits payable	648,753	901,092	(252,339)	-28.00%
Accrued compensated absences	239,386	331,031	(91,645)	-27.68%
Deferred revenue	-	1,323	1,323	-100.00%
Long term debt				
Due within one year	205,851	-	205,851	100.00%
Due in more than one year	742,995	-	742,995	100.00%
Other Post Employment Benefits	215,768	174,088	41,680	23.94%
Total Liabilities	<u>2,335,459</u>	<u>1,668,221</u>	<u>667,238</u>	40.00%
<b>NET POSITION</b>				
Net investment in capital assets	4,827,019	4,954,451	(127,432)	-2.57%
Restricted	1,647,276	1,442,787	204,489	14.17%
Unrestricted	3,640,027	4,670,996	(1,030,969)	-22.07%
Total Net Position	<u>\$ 10,114,322</u>	<u>\$ 11,068,234</u>	<u>\$ (953,912)</u>	-8.62%



## TOWN OF ROSS

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

#### Analysis of Statement of Net Position

Capital assets, net of accumulated depreciation, decreased fiscal year ended because of transfer of fire assets to Ross Valley Fire Department Joint Power Authority (JPA) on July 1, 2012. Accrued compensated absences decreased also because of the transfer of fire personnel to the new JPA. Long-term debt increased because \$921K was borrowed from County of Marin to payoff CalPERS side fund debt and the Town entered into a purchase lease to buy a police vehicle. The main reason for the \$953,947 decrease in net position is due to the payoff of the CalPERS side fund.

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

	2013	2012	Net Change	% change
<b>REVENUES</b>				
Program revenues:				
Charge for services	\$ 1,128,975	\$ 691,522	\$ 437,453	63.26%
Operating and capital contributions and grants	916,279	634,762	281,517	44.35%
General revenues:				
Property taxes	3,216,296	3,121,700	94,596	3.03%
Other taxes	273,270	875,470	(602,200)	-68.79%
Investment earnings	12,317	103,484	(91,167)	-88.10%
Other	407,234	284,356	122,878	43.21%
Total Revenues	<u>5,954,371</u>	<u>5,711,294</u>	<u>243,077</u>	4.26%
<b>EXPENSES:</b>				
General government	938,506	941,221	(2,715)	-0.29%
Public safety	4,944,954	3,610,511	1,334,443	36.96%
Public works	1,006,626	1,151,819	(145,193)	-12.61%
Interest on long-term debt	18,197	-	18,197	100.00%
Total expenses	<u>6,908,283</u>	<u>5,703,551</u>	<u>1,204,732</u>	21.12%
<b>Increase(Decrease) in net position</b>	<u>(953,912)</u>	<u>7,743</u>	<u>(961,655)</u>	12419.67%
<b>Net position beginning of year</b>	<u>11,068,234</u>	<u>11,060,491</u>	<u>7,743</u>	0.07%
<b>Net position end of year</b>	<u>\$ 10,114,322</u>	<u>\$ 11,068,234</u>	<u>\$ (953,912)</u>	-8.62%

#### Analysis of Statement of Activities and Changes in Net Position

Charges for services are up due to the increase in building activity and an increase in construction penalties. Operating and capital contributions and grants are up because of an increase in construction development fees of \$55K, a \$105K receipt from Ross School for ball field improvements, and an increase in grants received from Transportation Authority of Marin of \$154K.

Property taxes are up 3.03% mostly due an improved real estate market. Other taxes are down 68.79% mostly due to fact that no parcel taxes were received fiscal year ended 6/30/13. Investment earnings are down 88.1% as a result of low interest rates and changes in the portfolio to comply with State law. Other revenue is up due to sale of town owned parcel of real estate for \$150K.

## TOWN OF ROSS

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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General Fund expenditures were almost identical to the prior year. Public Safety expense is up because of the one-time expenditure to pay off the side fund in the amount of \$1.4 million. Public works expenditures are down due to savings realized in the reorganization of the department. Interest on long-term debt is mostly on money borrowed from the County of Marin to pay off the CalPERS side fund.

Again, the main reason for the \$953,912 decrease in net position is due to the payoff of the CalPERS side fund.

#### GOVERNMENTAL FUNDS – MAJOR FUNDS HIGHLIGHTS

General Fund revenues for the year ended June 30, 2013 increased by \$136K over the prior year even though no parcel taxes were received.

- Taxes decreased \$503K mostly due to decrease in parcel taxes of \$640K.
- Licenses and permits were up \$294K mostly due to one-time revenues from construction penalties.
- Revenues from use of money and property decreased \$114K due to low interest rates and change in composition of the investment portfolio.
- Charges for services was up \$140K because of increases in planning revenue.
- Miscellaneous revenue was up \$316K due to sale of town owned parcel for \$150K, a contribution from Ross School for ball field improvements of \$105K, and one-time contributions from residents of \$55K.

General Fund expenditures for the year ended June 30, 2013 increased by \$1.1million over the prior year.

- General Government decreased by \$62K or 7% over the prior fiscal year.
- Public Safety increased by \$1.2 million or 35% from the prior fiscal year.
- Public Works decreased by \$73K or 9% from prior fiscal year.
- Capital Expenditures decreased by \$16K or 39% from prior fiscal year.

#### Drainage Fund Highlights

- Drainage fund revenues increased by \$18K or 10% over the prior fiscal year. Expenditures decreased by \$290K or 66% from the prior fiscal year. These decreases in expenditures were primarily related to projects that were completed in the prior fiscal year, namely the Corte Madera creek bank stabilization next to the Lagunitas Bridge and Laurel Grove culvert replacement.

#### Roadway Fund Highlights

- Roadway fund revenues increased by \$121K or 64% over the prior fiscal year mostly due to money received from Transportation Authority of Marin for the Bolinas Safe Pathways project. Expenditures decreased by \$73K or 38% from the prior fiscal year.

#### Equipment Replacement Fund Highlights

- A police vehicle was purchased in the amount of \$38K and financed by a lease. The lease payment in the year ended June 30, 2012 was paid out of the Asset Forfeiture Fund.

**TOWN OF ROSS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

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**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 \$5,245,857 which was \$942,631 more than the budgeted amount. The variance was primarily the result of one-time revenues from construction penalties, sale of parcel of land, receipt from Ross School for ball field improvements, and citizen contributions. Also contributing to the positive variance was an increase in permit and planning revenue as a result of the increase in building activity.

Actual expenditures were \$6,310,082 which was \$1,365,361 over budget. The variance was primarily caused by the payment of the CalPERS side fund debt in the amount of \$1,496,777.

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$4,855,088. 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 notes payable to the County of Marin in the amount of \$920,777, the vehicle capital lease of \$28,069, accrued compensated absences in the amount of \$239,386 and other post employment benefits (OPEB) of \$215,768. Additional information on long-term debt, compensated absences, and OPEB can be found in Notes 6, 11, and 13 to these financial statements, respectively.

**Economic Outlook and Next Year's Budget**

General Fund tax revenues for fiscal year ending June 30, 2014 are anticipated be relatively flat with no significant change except for the addition of revenue from a Public Safety parcel tax. Building related revenue is up due to an increase in construction activity and an improved real estate market. General fund expenditures are budgeted \$125K more than the prior year.

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. However, PERS is currently considering changing actuarial assumptions which are likely to offset these savings in future years.

The Town Council has decided to make Ross Recreation a department of the Town. The financial activity of Ross Recreation will impact the financial statements for the year ended June 30, 2014.

New police and fire memorandums of understanding have been reached for the new fiscal year. The police MOU for the period July 1, 2013 to June 30, 2015 calls for 3% raises in exchange for a 3% employee contribution to the employee share of PERS.

## **TOWN OF ROSS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013**

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#### **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 POSITION JUNE 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 6,747,135
Restricted assets - cash and investments	648,753
Accounts receivables	193,009
Interest receivables	5,296
Deposits	500
Capital assets, net of accumulated depreciation	4,855,088
Total Assets	<u>12,449,781</u>
<b>LIABILITIES</b>	
Accounts payable	161,986
Accrued liabilities	102,523
Interest payable	18,197
Accrued compensated absences (current portion)	92,412
Accrued compensated absences (long-term)	146,974
Accrued Other Post Employment Benefits, payable (long-term)	215,768
Deposits payable from restricted assets	648,753
Long term debt:	
Due within one fiscal year	205,851
Due in more than one fiscal year	742,995
Total Liabilities	<u>2,335,459</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,827,019
Restricted for:	
Capital projects	539,443
Highways and streets	1,026,598
Public safety	14,263
Other purpose	66,972
Unrestricted	3,640,027
Total Net Position	<u>\$ 10,114,322</u>

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

**TOWN OF ROSS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Governmental Activities
Governmental Activities:					
General government	\$ 938,506	\$ 240,377	\$ 55,968	\$ 25,683	\$ (616,478)
Public safety	4,944,956	19,227	147,494	-	(4,778,235)
Public works	1,006,625	869,371	61,877	625,257	549,880
Interest on long-term debt	18,197	-	-	-	(18,197)
<b>Total Governmental Activities</b>	<b>\$ 6,908,284</b>	<b>\$ 1,128,975</b>	<b>\$ 265,339</b>	<b>\$ 650,940</b>	<b>(4,863,030)</b>

General Revenues:

Taxes:

Property tax	3,216,296
Sales tax	35,777
Franchise tax	156,217
Real property transfer tax	80,024
Motor vehicle taxes	1,252
Investment earnings	12,317
Other revenue	407,235

Total General Revenues 3,909,118

Change in Net Position (953,912)

Net Position, Beginning 11,068,234

Net Position, End of Year \$ 10,114,322

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



## **FUND FINANCIAL STATEMENTS**

**TOWN OF ROSS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 4,632,836	\$299,067	\$760,053	\$ 508,899	\$ 546,280	\$ 6,747,135
Restricted assets - cash	648,753	-	-	-	-	648,753
Due from other funds	21,766	-	-	-	-	21,766
Accounts receivables	71,883	59,729	19,715	-	41,682	193,009
Interest receivables	4,060	170	449	299	318	5,296
Deposits	500	-	-	-	-	500
Total Assets	<u>\$ 5,379,798</u>	<u>\$ 358,966</u>	<u>\$ 780,217</u>	<u>\$ 509,198</u>	<u>\$ 588,280</u>	<u>\$ 7,616,459</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 103,565	\$ 45,620	\$ 3,775	\$ -	\$ 9,026	\$ 161,986
Accrued liabilities	102,523	-	-	-	-	102,523
Due to other funds	-	-	-	-	21,766	21,766
Deposits payable from restricted assets	648,753	-	-	-	-	648,753
Total Liabilities	<u>854,841</u>	<u>45,620</u>	<u>3,775</u>	<u>-</u>	<u>30,792</u>	<u>935,028</u>
<b>FUND BALANCES</b>						
Restricted	-	313,346	776,442	-	557,488	1,647,276
Committed	184,806	-	-	-	-	184,806
Assigned	-	-	-	509,198	-	509,198
Unassigned	4,340,151	-	-	-	-	4,340,151
Total Fund Balances	<u>4,524,957</u>	<u>313,346</u>	<u>776,442</u>	<u>509,198</u>	<u>557,488</u>	<u>6,681,431</u>
Total Liabilities and Fund Balances	<u>\$ 5,379,798</u>	<u>\$ 358,966</u>	<u>\$ 780,217</u>	<u>\$ 509,198</u>	<u>\$ 588,280</u>	<u>\$ 7,616,459</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 POSITION  
JUNE 30, 2013**

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Fund Balances of Governmental Funds	\$ 6,681,431
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets of governmental activities are not financial resources and therefore are not reported in the governmental funds	4,855,088
Interest Payable due to long-term debt therefore not reported in the governmental funds	(18,197)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(239,386)
Net other postemployment employment benefits obligations are not due payable in the current period and therefore are not reported in the governmental funds	(215,768)
Long-term debt is not due and payable in the current period and therefore is not reported in the governmental funds	<u>(948,846)</u>
Net Position of Governmental Activities	<u>\$ 10,114,322</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, 2013

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 3,469,846	\$ -	\$ -	\$ -	\$ -	\$ 3,469,846
Intergovernmental	41,503	50,879	154,439	-	161,877	408,698
Licenses and permits	838,965	155,170	154,769	-	25,683	1,174,587
Revenue from use of money and property	214,700	697	1,925	1,486	1,589	220,397
Charges for services	271,882	-	-	-	-	271,882
Fines and forfeitures	18,127	-	-	-	-	18,127
Miscellaneous	390,834	-	-	-	-	390,834
<b>Total Revenues</b>	<b>5,245,857</b>	<b>206,746</b>	<b>311,133</b>	<b>1,486</b>	<b>189,149</b>	<b>5,954,371</b>
<b>EXPENDITURES</b>						
Current:						
General government	878,842	-	-	-	-	878,842
Public safety	4,662,080	-	-	-	154,832	4,816,912
Public works	744,368	10,804	10,740	-	66,297	832,209
Capital outlay	24,792	141,117	108,324	38,492	-	312,725
Debt service:						
Principal retirement	-	-	-	-	10,423	10,423
<b>Total Expenditures</b>	<b>6,310,082</b>	<b>151,921</b>	<b>119,064</b>	<b>38,492</b>	<b>231,552</b>	<b>6,851,111</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,064,225)	54,825	192,069	(37,006)	(42,403)	(896,740)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds long-term debt	920,777	-	-	38,492	-	959,269
Transfers in	287,494	-	-	-	-	287,494
Transfers out	-	-	-	(287,494)	-	(287,494)
<b>Total Other Financing Sources (Uses)</b>	<b>1,208,271</b>	<b>-</b>	<b>-</b>	<b>(249,002)</b>	<b>-</b>	<b>959,269</b>
<b>Net Change in Fund Balances</b>	<b>144,046</b>	<b>54,825</b>	<b>192,069</b>	<b>(286,008)</b>	<b>(42,403)</b>	<b>62,529</b>
Fund Balances, Beginning of Year	4,380,911	258,521	584,373	795,206	599,891	6,618,902
Fund Balances, End of Year	\$ 4,524,957	\$ 313,346	\$ 776,442	\$ 509,198	\$ 557,488	\$ 6,681,431

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

**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, 2013**

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Net Change in Fund Balances - Total Governmental Funds \$ 62,529

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	312,726
Depreciation expense	(270,287)
Loss on Disposal of Assets	(141,803)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	(967,043)
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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 Position and are not included as an expense in the Statement of Activities.	91,645
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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.	<u>(41,680)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (953,912)</u></u>
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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, 2013

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### **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. The financial statements do not include financial data for Ross Recreation, a component unit of the Town of Ross.

#### **B. Basis of Accounting/Measurement Focus**

##### **Government-Wide Financial Statements**

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities (including changes in net position). 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 Position. The Statement of Activities presents changes in net position. 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, 2013

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### *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 position reflected in the Government-Wide Financial Statements. The Town has presented all major funds that meet 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, 2013

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### *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

General Fund expenditures exceeded appropriations by \$1,365,361 due to the payoff of the Cal PERS side fund. These expenditures were approved by Town Council; However, there was no corresponding budget amendment.

#### **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, Roadway, and Equipment Replacement Funds. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

#### **D. Capital Assets**

The Town defines capital assets as assets with an estimated useful life that extends beyond a single reporting period and an initial cost above the following thresholds:

Buildings and Building Improvements	\$	25,000
Electronic equipment		1,000
Infrastructure		50,000
Land and land improvements		25,000
Machinery, equipments and vehicles		5,000 *

\* Other than the electronic equipment

Leased assets are capitalized using the present value of the future lease payments. Contributed capital assets are valued at their estimated market value on the date of contribution. 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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation on all assets is provided on the straight-line basis using mid-year convention. Department heads or their designees assign a useful life to all assets using the following general guidelines:

Buildings and building improvements	5-25 Years
Electronic equipment	3-5 Years
Infrastructure	10-50 Years
Land improvements	5-50 Years
Machinery, equipments and vehicles	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.

**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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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 retires 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.

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

#### **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 2013. 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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

---

#### ***NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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.

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 9 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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 3 – CASH AND INVESTMENTS (Continued)

#### Summary of Deposits and Investments

Cash and cash equivalents as of June 30, 2013, consist of the following:

Cash	\$ 507,419
Investments	6,888,469
Total Governmental	<u>\$ 7,395,888</u>

#### Cash and Investments

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 6,747,135
Restricted cash and investments	648,753
	<u>\$ 7,395,888</u>

#### 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)	None	N/A

(a) Nationally Recognized Statistical Rating Organization

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 3 – CASH AND INVESTMENTS (Continued)

#### 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.

As of June 30, 2013, the Town had the following investments:

	Fair Value	Maturity in Years			
		≤ 1 year	≤ 2 year	3 to 5 years	> 5 years *
<b>Uncategorized</b>					
Certificates of Deposit	\$ 1,300,598	\$ 1,050,598	\$ -	\$ 250,000	\$ -
Government Mortgage Back Securities	150,503	20,965	7,041	122,496	-
Cash	200,528	-	-	-	-
Money Market Funds	38,661	38,661	-	-	-
Local Agency Investment Fund (LAIF)	5,198,179	5,198,179	-	-	-
Total Investments	<u>\$ 6,888,469</u>	<u>\$ 6,308,403</u>	<u>\$ 7,041</u>	<u>\$ 372,496</u>	<u>\$ -</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.

#### 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, 2013, the Town's bank balance of \$483,174 with a reported balance of \$507,419, 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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**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.

**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	\$ 287,494	\$ -
Capital Projects Funds:		
Equipment Replacement Fund	-	287,494
Total	<u>\$ 287,494</u>	<u>\$ 287,494</u>

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 Position. 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, 2013.

	Beginning Balance	Additions & Adjustments	Retirements & Adjustments	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	243,893	174,978	(26,395)	392,476
<b>Total Capital Assets Not Being Depreciated</b>	<b>243,895</b>	<b>174,978</b>	<b>(26,395)</b>	<b>392,478</b>
Capital Assets, Being Depreciated:				
Land improvements	4,399,770	100,859	-	4,500,629
Buildings	1,445,064	-	(10,446)	1,434,618
Furniture and fixtures	43,355	10,052	(3,012)	50,395
Office equipment	112,985	14,740	(3,332)	124,393
Safety equipment	462,860	-	(417,748)	45,112
Street and park equipment	79,414	-	(13,645)	65,769
Vehicles	939,432	38,492	(677,990)	299,934
<b>Total Capital Assets Being Depreciated</b>	<b>7,482,880</b>	<b>164,143</b>	<b>(1,126,173)</b>	<b>6,520,850</b>
Less Accumulated Depreciation For:				
Land improvements	440,932	163,502	-	604,434
Buildings	908,705	63,754	(10,446)	962,013
Furniture and fixtures	43,354	1,005	(3,012)	41,347
Office equipment	97,476	6,877	(3,332)	101,021
Safety equipment	442,701	2,511	(408,735)	36,477
Street and park equipment	76,594	940	(13,645)	63,889
Vehicles	762,562	31,698	(545,201)	249,059
<b>Total Accumulated Depreciation</b>	<b>2,772,324</b>	<b>270,287</b>	<b>(984,371)</b>	<b>2,058,240</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>4,710,556</b>	<b>(106,144)</b>	<b>(141,802)</b>	<b>4,462,610</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,954,451</b>	<b>\$ 68,834</b>	<b>\$ (168,197)</b>	<b>\$ 4,855,088</b>

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

General government	\$ 37,964
Public safety	46,185
Public works	186,138
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 270,287</b>



**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 - LONG-TERM DEBT**

Following is a summary of the changes in long term obligations for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long Term Portion
County of Marin Tax and Revenue Anticipation Notes	\$ -	\$ 920,777	\$ -	\$ 920,777	\$ 197,000	\$ 723,777
Ford Credit Municipal Finance Program Lease	-	38,492	10,423	28,069	8,851	19,218
Totals	\$ -	\$ 959,269	\$ 10,423	\$ 948,846	\$ 205,851	\$ 742,995

**A. Tax and Revenue Anticipation Notes**

In December 2012, the Town Council approved to refinance the Town's Side Fund debt and payoff the existing CalPERS Miscellaneous and Public Safety Side Fund debt in total amount of \$1,496,777. The Side Fund payoff was financed by issuing Tax and Revenue Anticipation Notes to Marin County for a total amount of \$920,777 and by drawing down the Facilities Reserve by \$576,000. At the time of the payoff, the Town had Side Fund obligation of \$95,038 for Miscellaneous employees and \$1,401,739 for Public Safety employees. The Town was paying down this obligation at the CalPERS investment rate of 7.50%.

The Town issued five separate promissory notes to Marin County with an individual value ranging from \$172,777 to \$197,000 at an interest rate to be 3.50% for the first three years, 3.75% in year four and 4.00% in year five. This arrangement will cause the Town to save approximately \$500,000 in interest.

**Repayment Schedule**

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 197,000	\$ 6,895	\$ 203,895
2015	189,000	13,230	202,230
2016	184,000	19,320	203,320
2017	178,000	25,365	203,365
2018	172,777	31,532	204,309
Total	\$ 920,777	\$ 96,342	\$ 1,017,119

**B. Capital Lease**

On September 17, 2012, the Town entered into a lease/purchase agreement with Ford Motor Credit Company in the amount of \$38,492 at a fixed interest rate of 5.60 percent annually. The agreement matures on September 17, 2015. The agreement was to finance the acquisition of a vehicle for the Town's police department as a replacement to a six years old police patrol car.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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### NOTE 6 - LONG-TERM DEBT (Continued)

#### Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 8,851	\$ 1,572	\$ 10,423
2015	9,347	1,076	10,423
2016	9,870	553	10,423
Total	<u>\$ 28,069</u>	<u>\$ 3,201</u>	<u>\$ 31,269</u>

### NOTE 7 - 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 for both miscellaneous and safety employees. 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.

*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 \$98,102 for the year ended June 30, 2013. The Town was required to contribute at an actuarial determined rate of 11.404% of the annual covered payroll for miscellaneous employees and 29.931% of the annual covered payroll for safety employees through December 20, 2012, the date the side fund was paid off, and at an actuarial rate of 9.716% for miscellaneous and 20.999% for safety after the side fund was paid off. 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, 2013, the Town has zero balance in the Side Fund. As described in the Note 6 above, in December 2012, the Town paid off the CalPERS Miscellaneous and Public Safety Side Fund in a total amount of \$1,496,777.

*Annual Pension Cost.* For fiscal year 2012-2013, the Town of Ross's annual pension cost, not including the side fund payoff, was \$426,227 and was equal to the Town's required and actual contributions. The required contribution for fiscal year 2012-2013 was determined as part of the June 30, 2010, 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%.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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### NOTE 7 – PENSION PLAN (Continued)

The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three year period.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 699,719	100%	\$ -
6/30/2012	744,696	100%	-
6/30/2013	426,227	100%	-

### NOTE 8 – 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 9 – 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 2013. 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, 2013**

**NOTE 9 – 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
<b>Restricted</b>						
Asset Forfeiture	\$ -	\$ -	\$ -	\$ -	\$ 24,170	\$ 24,170
Grants for Safety	-	-	-	-	14,263	14,263
Streets and Roadway Projects and Related	-	-	776,442	-	250,156	1,026,598
Drainage Projects and Related	-	313,346	-	-	-	313,346
Capital Improvements, Inspection Services and Related	-	-	-	-	226,097	226,097
General Plan Compliance Costs	-	-	-	-	42,802	42,802
Total Restricted	-	313,346	776,442	-	557,488	1,647,276
<b>Committed</b>						
Legal Defense	184,806	-	-	-	-	184,806
Total Committed	184,806	-	-	-	-	184,806
<b>Assigned</b>						
Capital Projects/Equip. Replacement	-	-	-	509,198	-	509,198
Total Assigned	-	-	-	509,198	-	509,198
<b>Unassigned</b>						
For economic uncertainties	1,500,000	-	-	-	-	1,500,000
For Facilities	549,272	-	-	-	-	549,272
Remaining unassigned	2,290,879	-	-	-	-	2,290,879
Total Unassigned	4,340,151	-	-	-	-	4,340,151
<b>Total</b>	<b>\$4,524,957</b>	<b>\$313,346</b>	<b>\$776,442</b>	<b>\$509,198</b>	<b>\$557,488</b>	<b>\$6,681,431</b>

**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, 2013

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### **NOTE 10 – 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, 2012, most recent statement available:

Total assets	\$	45,141,862
Total liabilities		24,677,330
Net position		20,464,532
Total revenues		9,110,482
Total expenses		15,179,160
Change in net position		(6,068,678)

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 11 – 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 Position and on the Governmental Funds Statement and are expensed when paid. The outstanding balance at June 30, 2013 was \$239,386 which reflects a net decrease of \$91,645 over the prior year.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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#### ***NOTE 12 – 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 \$7,535 for operating expenses and \$19,385 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, 2013, the tax was \$45.50 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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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#### **NOTE 12 – PARTICIPATION IN JOINT POWERS AGREEMENTS (Continued)**

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. The Town's member contributions for the current fiscal year were \$4,630.

**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 \$6,743.

**Ross Valley Fire Department** – 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 are fairly and equitably allocated among all members of the JPA, of which, the Town's percentage share is 23.37%. During fiscal year 2012-13, the Town made \$1,670,097 payments towards service provided by the Ross Valley Fire Department.

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

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 13 – 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.

*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 27 years on a closed basis. The current ARC is \$55,000. 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	\$ 174,088
Interest (at 4%) on net OPEB obligation	6,964
Obligation including interest	<u>181,052</u>
Adjustment to NOO	(7,000)
Annual required contribution	55,000
Contributions made	<u>(13,284)</u>
Net OPEB obligation, end of year	<u><u>\$ 215,768</u></u>

*Funded Status and Funding Progress:* The schedule of funding progress and funded status of the plan as of June 30, 2013 and the two preceding years is as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 66,200	\$ 10,000	15%	\$ 111,200
6/30/2012	73,448	10,560	14%	174,088
6/30/2013	54,964	13,284	24%	215,768

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.



# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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### **NOTE 13 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

*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.

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

Valuation Date	June 30, 2012
Actuarial cost method	Entry age, Normal Cost
Amortization method	Level percentage of payroll
Amortization period	27 years
Investment rate of return	4.00%
Salary Increase	3.25%
Inflation	3.00%
PERS Minimum Employer Contribution	4.50%

### **NOTE 14 – SUBSEQUENT EVENTS**

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

### **NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS**

#### Implemented

#### **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 implemented the provisions of this Statement in fiscal year ended June 30, 2013, with no significant impact on the financial statements.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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#### **NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

##### **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. The Town implemented the provisions of this Statement in fiscal year ended June 30, 2013, with no significant impact on the financial statements.

##### **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. 30<sup>th</sup>, 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. The Town implemented the provisions of this Statement in fiscal year ended June 30, 2013.

##### **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 implemented the provisions of this Statement in fiscal year ended June 30, 2013.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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#### **NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

##### Upcoming

##### **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.

##### **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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

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#### *NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)*

##### **GASB Statement No. 69**

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Town has not determined its effect on the financial statements.

##### **GASB Statement No. 70**

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The Town has not determined its effect on the financial statements.

##### **GASB Statement No. 71**

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The Town has not determined its effect on the financial statements.

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,384,567	\$ 3,384,567	\$ 3,469,846	\$ 85,279
Intergovernmental	39,500	39,500	41,503	2,003
Licenses and permits	381,700	381,700	838,965	457,265
Revenue from use of money and property	316,909	316,909	214,700	(102,209)
Charges for services	125,200	125,200	271,882	146,682
Fines and penalties	10,000	10,000	18,127	8,127
Miscellaneous	45,350	45,350	390,834	345,484
<b>Total Revenues</b>	<b>4,303,226</b>	<b>4,303,226</b>	<b>5,245,857</b>	<b>942,631</b>
<b>EXPENDITURES</b>				
Current:				
General government	782,320	782,320	878,842	(96,522)
Public safety	3,389,903	3,389,903	4,662,080	(1,272,177)
Public works	751,498	751,498	744,368	7,130
Capital outlay	21,000	21,000	24,792	(3,792)
<b>Total Expenditures</b>	<b>4,944,721</b>	<b>4,944,721</b>	<b>6,310,082</b>	<b>(1,365,361)</b>
Excess (Deficiency) of Revenues Over Expenditures	(641,495)	(641,495)	(1,064,225)	(422,730)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds long-term debt	-	-	920,777	920,777
Transfers in	287,494	287,494	287,494	-
<b>Total Other Financing Sources (Uses)</b>	<b>287,494</b>	<b>287,494</b>	<b>1,208,271</b>	<b>920,777</b>
<b>Net Change in Fund Balance</b>	<b>(354,001)</b>	<b>(354,001)</b>	<b>144,046</b>	<b>498,047</b>
Fund Balance, Beginning of Year	4,380,911	4,380,911	4,380,911	-
Fund Balance, End of Year	\$ 4,026,910	\$ 4,026,910	\$ 4,524,957	\$ 498,047

**TOWN OF ROSS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
DRAINAGE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 169,516	\$ 169,516	\$ 50,879	\$ (118,637)
Licenses and permits	75,000	75,000	155,170	80,170
Revenue from use of money and property	700	700	697	(3)
Total Revenues	<u>245,216</u>	<u>245,216</u>	<u>206,746</u>	<u>(38,470)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	50,827	50,827	10,806	40,021
Capital outlay	370,000	370,000	141,117	228,883
Total Expenditures	<u>420,827</u>	<u>420,827</u>	<u>151,923</u>	<u>268,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(175,611)</u>	<u>(175,611)</u>	<u>54,823</u>	<u>230,434</u>
Net Change in Fund Balance	(175,611)	(175,611)	54,823	230,434
Fund Balance, Beginning of Year	258,523	258,523	258,523	-
Fund Balance, End of Year	<u>\$ 82,912</u>	<u>\$ 82,912</u>	<u>\$ 313,346</u>	<u>\$ 230,434</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
ROADWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 154,439	\$ (295,561)
Licenses and permits	75,000	75,000	154,769	79,769
Revenue from use of money and property	1,000	1,000	1,925	925
Total Revenues	<u>526,000</u>	<u>526,000</u>	<u>311,133</u>	<u>(214,867)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	47,500	47,500	10,740	36,760
Capital outlay	548,000	548,000	108,324	439,676
Total Expenditures	<u>595,500</u>	<u>595,500</u>	<u>119,064</u>	<u>476,436</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,500)</u>	<u>(69,500)</u>	<u>192,069</u>	<u>261,569</u>
Net Change in Fund Balance	(69,500)	(69,500)	192,069	261,569
Fund Balance, Beginning of Year	<u>584,373</u>	<u>584,373</u>	<u>584,373</u>	-
Fund Balance, End of Year	<u>\$ 514,873</u>	<u>\$ 514,873</u>	<u>\$ 776,442</u>	<u>\$ 261,569</u>



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
EQUIPMENT REPLACEMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 1,486	\$ 486
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,486</u>	<u>486</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	23,423	23,423	38,492	(15,069)
Total Expenditures	<u>23,423</u>	<u>23,423</u>	<u>38,492</u>	<u>(15,069)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(22,423)</u>	<u>(22,423)</u>	<u>(37,006)</u>	<u>(14,583)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds long-term debt	23,423	23,423	38,492	15,069
Transfers out	(287,494)	(287,494)	(287,494)	-
Total Other Financing Sources (Uses)	<u>(264,071)</u>	<u>(264,071)</u>	<u>(249,002)</u>	<u>15,069</u>
Net Change in Fund Balance	<u>(286,494)</u>	<u>(286,494)</u>	<u>(286,008)</u>	<u>486</u>
Fund Balance, Beginning of Year	795,206	795,206	795,206	-
Fund Balance, End of Year	<u>\$ 508,712</u>	<u>\$ 508,712</u>	<u>\$ 509,198</u>	<u>\$ 486</u>

**TOWN OF ROSS**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST  
EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
6/30/09	\$ -	\$ 417,000	\$ 417,000	0.00%	\$ 2,220,000	18.78%
6/30/12	-	547,000	417,000	0.00%	1,564,000	34.97%

**SUPPLEMENTARY INFORMATION**

**TOWN OF ROSS**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Special Revenue						Total Non-major Governmental Funds
	Gas Tax	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Asset Forfeiture	Citizens Option for Public Safety	
<b>ASSETS</b>							
Cash and investments	\$ 244,010	\$ -	\$ 42,785	\$ 234,980	\$ 24,157	\$ 348	\$ 546,280
Accounts receivables	6,001	-	-	-	-	35,681	41,682
Interest receivables	145	-	17	143	13	-	318
<b>Total Assets</b>	<b>\$ 250,156</b>	<b>\$ -</b>	<b>\$ 42,802</b>	<b>\$ 235,123</b>	<b>\$ 24,170</b>	<b>\$ 36,029</b>	<b>\$ 588,280</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 9,026	\$ -	\$ -	\$ 9,026
Due to other funds	-	-	-	-	-	21,766	21,766
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,026</b>	<b>-</b>	<b>21,766</b>	<b>30,792</b>
<b>FUND BALANCES</b>							
Restricted	250,156	-	42,802	226,097	24,170	14,263	557,488
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>250,156</b>	<b>-</b>	<b>42,802</b>	<b>226,097</b>	<b>24,170</b>	<b>14,263</b>	<b>557,488</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 250,156</b>	<b>\$ -</b>	<b>\$ 42,802</b>	<b>\$ 235,123</b>	<b>\$ 24,170</b>	<b>\$ 36,029</b>	<b>\$ 588,280</b>

**TOWN OF ROSS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue						Total Non-major Governmental Funds
	Gas Tax Fund	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Asset Forfeiture	Citizens Option for Public Safety	
<b>REVENUES</b>							
Intergovernmental	\$ 61,877	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 161,877
Licenses and permits	-	-	25,683	-	-	-	25,683
Revenue from use of money and property	652	-	73	771	72	21	1,589
Miscellaneous	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>62,529</b>	<b>-</b>	<b>25,756</b>	<b>771</b>	<b>72</b>	<b>100,021</b>	<b>189,149</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	154,832	154,832
Public works	9,905	-	-	56,392	-	-	66,297
Debt service:							
Principal retirement	-	-	-	-	10,423	-	10,423
<b>Total Expenditures</b>	<b>9,905</b>	<b>-</b>	<b>-</b>	<b>56,392</b>	<b>10,423</b>	<b>154,832</b>	<b>231,552</b>
<b>Net Change in Fund Balances</b>	<b>52,624</b>	<b>-</b>	<b>25,756</b>	<b>(55,621)</b>	<b>(10,351)</b>	<b>(54,811)</b>	<b>(42,403)</b>
Fund Balances, Beginning of Year	197,532	-	17,046	281,718	34,521	69,074	599,891
<b>Fund Balances, End of Year</b>	<b>\$ 250,156</b>	<b>\$ -</b>	<b>\$ 42,802</b>	<b>\$ 226,097</b>	<b>\$ 24,170</b>	<b>\$ 14,263</b>	<b>\$ 557,488</b>

