Annual Financial Report
June 30, 2019
Town of Ross

This page left blank intentionally.

TOWN OF ROSS
TABLE OF CONTENTS
JUNE 30, 2019

This page left blank intentionally.

EideBailly
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council
of the Town of Ross
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, 2019, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

What inspires you, inspires us. | eidebailly.com

260 Sheridan Ave., Ste. 440 | Palo Alto, CA 94306-2011 | T 650.462.0400 | F 650.462.0500 | EOE

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, other postemployment benefit plan (OPEB) schedule of changes in net OPEB liabilities, contributions and related ratios, the schedule of proportionate share of the net pension liability, contributions and related ratios, 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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major fund financial statements 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 are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's 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's internal control over financial reporting and compliance.

Eide Bailly LLP

Palo Alto, California
December 4, 2019

INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2019 for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's financial statements.

FISCAL YEAR 2018-2019 FINANCIAL HIGHLIGHTS

The Fund Financial Statements shows total Town revenues of $9.8 million and total expenditures of $8.6 million. The total fund balance is $1.2 million more than the prior year.

The government-wide statement of net position, the first statement of the basic financial statements, shows the Town's assets of $22.6 million, deferred outflows of resources of $1.6 million, liabilities of $5.7 million, deferred inflows of resources of $.5 million, and a net position of $18.0 million. Net position is $2.3 million more than the prior year.

In November 2016 the residents of Ross approved Measure K, which extends the parcel tax eight years until June 30, 2025 at a rate of $970 per parcel with annual cost of living adjustments. In fiscal year ended June 30, 2019 the rate was $1,004.

Capital project highlights: Wellington and Fallen Leaf Avenues were paved and rehabilitated to improve safety for all users. The Natalie Greene Coffin Park underwent a major restoration including the rehabilitation of Three Bear Hut. The installation of new planning and building tracking software was completed. Work continues on the Winship Bridge replacement project which is funded by the Federal Highway Bridge Program.

The Town continues to pay down the unfunded pension liability over and above what is required. In fiscal year ended June 30, 2019 this payment was $200 thousand to a Section 115 Public Agencies Post-Employment Trust for pension obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in four 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.
4. Other 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. 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 provides information about the Town's revenues and expenses, on a full accrual basis, with the emphasis on measuring net revenues and 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, planning and building, public safety, public works, and recreation. These services are supported by charges for services and general Town revenues such as taxes, investment income, and rental revenue.

All of the Town's activities are required to be grouped into governmental activities. The Town has no business-type activities as of June 30, 2019.

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 Note 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.

Required Supplementary Information follows the basic financial statements and includes budgetary comparison schedules for major funds, schedule retiree health benefits contributions and changes in that liability, a schedule of proportionate share of the net pension liability, and a schedule of pension contributions.

Supplementary Information follows the required supplementary information which includes the combining and individual fund statements and schedules that provide information on non-major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statements for accounting and financial reporting for State and local governments and include the basic financial statements and management's discussion and analysis. Comparative financial information is provided in Tables 1 and 2.

Table 1
Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Net change	% Change
ASSETS				
Cash and investments	$ 14,018,634	$ 12,876,385	$ 1,142,249	8.87%
Receivables	259,615	169,972	89,643	52.74%
Deposits and prepaid items	5,112	17,021	(11,909)	-69.97%
Net OPEB Asset	182,894	129,269	53,625	41.48%
Capital assets, net	8,176,081	7,672,501	503,580	6.56%
Total assets	22,642,336	20,865,148	1,777,188	8.52%
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions and OPEB	1,565,840	3,273,361	(1,707,521)	-52.16%
LIABILITIES				
Accounts payable	281,322	276,180	5,142	1.86%
Accrued and other liabilities	93,097	100,301	(7,204)	-7.18%
Prepaid fees	33,431	39,136	(5,705)	-14.58%
Permit deposits payable	1,230,469	1,259,176	(28,707)	-2.28%
Unearned revenue	184,249	144,585	39,664	27.43%
Accrued compensated absences	326,032	307,309	18,723	6.09%
Capital lease:				
Due within one year	619	590	29	4.92%
Due in more than one year	186,986	187,606	(620)	-0.33%
Net pension liability	3,367,736	4,310,380	(942,644)	-21.87%
Total liabilities	5,703,941	6,625,263	(921,322)	-13.91%
DEFERRED INFLOWS OF RESOURCES				
Related to pensions and OPEB	469,100	1,807,551	(1,338,451)	-74.05%
NET POSITION				
Net investment in capital assets	7,988,476	7,484,305	504,171	6.74%
Restricted	2,980,225	2,663,859	316,366	11.88%
Unrestricted	7,066,434	5,557,531	1,508,903	27.15%
Total net position	$ 18,035,135	$ 15,705,695	$ 2,329,440	14.83%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2
Condensed Statement of Activities

	Fiscal Year Ended			
	June 30, 2019	June 30, 2018	Net change	% Change
REVENUES				
Program Revenues:				
Charge for services	$ 2,156,761	$ 2,649,082	$ (492,321)	-18.58%
Operating and capital contributions	1,001,970	815,457	186,513	22.87%
General revenues:				
Property taxes	4,616,337	4,380,642	235,695	5.38%
Public safety tax	836,670	808,280	28,390	3.51%
Other taxes	348,171	340,217	7,954	2.34%
Gain on sale of capital assets	25,000	-	25,000	100.00%
Investment earnings	311,192	158,954	152,238	95.77%
Other	497,597	592,275	(94,678)	-15.99%
Total revenues	9,793,698	9,744,907	48,791	0.50%
EXPENSES				
General Government	868,989	1,077,590	(208,601)	-19.36%
Planning	374,100	317,676	56,424	17.76%
Public safety	3,659,662	3,536,730	122,932	3.48%
Public works/Building	1,697,452	2,085,343	(387,891)	-18.60%
Recreation	854,641	1,078,543	(223,902)	-20.76%
Interest on long-term debt	9,410	9,438	(28)	-0.30%
Total expenses	7,464,254	8,105,320	(641,066)	-7.91%
Change in net position	2,329,444	1,639,587	689,857	42.08%
Net position beginning of year	15,705,691	14,066,108	1,639,583	11.66%
Net position end of year	$ 18,035,135	$ 15,705,695	$ 2,329,440	14.83%

Net position increased by $2.3 million in the current year. Revenues increased by $49,000 over the prior year. Expenses decreased by $641,000 over the prior year primarily due to pension adjustments.

GOVERNMENTAL FUNDS – MAJOR FUNDS HIGHLIGHTS

General Fund Revenues for the year ended June 30, 2019 decreased by $287,000 over the prior year. Taxes were up $236,000. Revenue from the use of money and property increased $145,000. The discontinuance of the Ross Preschool resulted in $285,000 less revenue. Construction time completion penalties were $217,000 less than the prior year. Insurance proceeds regarding the 6 Redwood property decreased $248,000. Public safety parcel tax funds of $837,000 were transferred into the General Fund to partially offset the cost of police and fire services and $40,000 was transferred in from the General Plan Update Fund to offset the cost of implementing new Design Review guidelines.

General Fund Expenditures for the year ended June 30, 2019 decreased $629,000 from the prior year. The optional contribution to pay down CalPERS unfunded liability was decreased from $820,000 in the prior year to $200,000.

General Government decreased $175,000 or 17% primarily due to the decrease in the cost of work on the Town's real estate at 6 Redwood. Planning decreased $7,000 or 2%.

Public Safety decreased $289,000 or 7% over the prior fiscal year primarily due to a decrease of $495,000 to pay down the unfunded accrued liability over the prior year. Payments to Ross Valley Fire Department increased $131,000.

Public Works/Building decreased $195,000 or 13% primarily because of a decrease in expenditures related to building administrative and plan review outside contract services.

Recreation Expenditures decreased $275,000 or 24% less than the prior fiscal year primarily due to the discontinuance of The Ross Preschool.

Capital Expenditures increased $311,000 with the major project being the rehabilitation of Natalie Coffin Greene Park including the restoration of the Three Bear Hut.

Drainage Fund Highlights

Drainage Fund revenues increased $71,000 or 25% from the prior fiscal year with drainage impact fees increasing by $50,000. Expenditures of $150,000 were primarily for the ongoing Winship Bridge replacement project and initial expenses for the Bolinas Avenue drainage project.

Roadway Fund Highlights

Roadway Fund revenues increased $130,000 or 63% more than the prior fiscal year. Road impact fees increased $79,000. Expenditures of $282,000 increased $83,000 or 42% more than the prior fiscal year. Most of the expenditures this year were for the rehabilitation of Wellington and Fallen Leaf Avenues which was funded with impact fees and Transportation Authority of Marin Measure A funds. The Bike/Ped Master Plan was updated with a grant from the Transportation Authority of Marin.

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 of $7.9 million were over budget by $571,000 primarily because of positive variances for property taxes, building and public works revenue, and interest income.

Actual expenditures of $7.9 million were under budget by $229,000. All departments were under budget except for Public Safety which was over budget by $25,000 primarily because of station repairs. Capital expenditures were over budget by $66,000 due to additional enhancements of the new building and planning permit tracking software and the purchase of an electric vehicle.

CAPITAL ASSETS

The Town's investment in capital assets for its governmental activities as of June 30, 2019 is $8.2 million. This figure does not include the Town’s 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 infrastructures from June 30, 2005 forward are 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 obligations consist of a capital lease in the amount of $188,000, accrued compensated absences in the amount of $326,000, and a net pension liability of $3.4 million. Additional information on long-term debt, pension, compensated absences, and OPEB can be found in Notes 2, 6, 7, 11, and 13 to these financial statements, respectively.

ECONOMIC OUTLOOK AND NEXT YEAR’S BUDGET

General Fund property tax revenues for fiscal year ending June 30, 2020 are anticipated to be 4% higher than the prior year actual and 6% higher than the prior year budget. Total General Fund revenues are estimated to be 4% less than the prior year actual and 4% more than the prior year budget. General Fund expenditures are estimated to be 6% higher than the prior year budget.

The police MOU approved in June 2019 is effective from the July 1, 2019 through June 30, 2022. The MOU calls for annual raises of 3% each year.

In November 2016 the residents of Ross approved Measure K which extends the Public Safety parcel tax eight years until June 30, 2025 at a rate of $970 per parcel with annual cost of living adjustments. The rate set for fiscal year ending June 30, 2020 is $1,039 per parcel.

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 Joe Chinn, 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, 2019

	Governmental Activities
ASSETS	
Cash and investments	$ 12,788,165
Restricted assets - cash and investments	1,230,469
Accounts receivables	230,764
Interest receivables	28,851
Prepaid items	5,112
Net OPEB asset	182,894
Capital assets, net of accumulated depreciation	8,176,081
Total Assets	22,642,336
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,565,840
Total Deferred Outflows of Resources	1,565,840
LIABILITIES	
Accounts payable	281,322
Accrued and other liabilities	93,097
Prepaid fees	33,431
Deposits payable from restricted assets	1,230,469
Unearned revenue	184,249
Accrued compensated absences	
Due within one fiscal year	108,677
Due in more than one fiscal year	217,355
Capital lease payable to Ross School	
Due within one fiscal year	619
Due in more than one fiscal year	186,986
Net pension liability	3,367,736
Total Liabilities	5,703,941
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	469,100
NET POSITION	
Net investment in capital assets	7,988,476
Restricted for:	
Drainage projects	1,361,601
Highways and streets (roadway and gas tax)	1,283,835
Public safety (COPS)	41,648
General plan	293,141
Unrestricted	7,066,434
Total Net Position	$ 18,035,135

See accompanying Notes to the Financial Statements.

TOWN OF ROSS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Governmental Activities
Governmental Activities:					
General government	$ 868,989	$ 10,825	$ -	$ -	$ (858,164)
Planning	374,100	141,634	-	83,760	(148,706)
Public safety	3,659,662	42,411	179,937	-	(3,437,314)
Public works/Building	1,697,452	1,180,339	141,167	567,859	191,913
Recreation	854,641	781,552	29,247	-	(43,842)
Interest on long-term debt	9,410	-	-	-	(9,410)
Total Governmental Activities	$ 7,464,254	$ 2,156,761	$ 350,351	$ 651,619	(4,305,523)

General Revenues:	
Taxes:	
Property tax	4,616,337
Public safety tax	836,670
Sales tax	75,510
Franchise tax	189,755
Real property transfer tax	82,906
Investment earnings	311,192
Gain on sale of capital assets	25,000
Other revenue	497,597
Total General Revenues	6,634,967
Change in Net Position	2,329,444
Net position - beginning of year	15,705,691
Net position - end of year	$ 18,035,135

See accompanying Notes to the Financial Statements.

FUND FINANCIAL STATEMENTS

TOWN OF ROSS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General	Drainage	Roadway	Non-Major Governmental Funds	Totals
ASSETS					
Cash and investments	$ 9,849,943	$ 1,338,195	$ 934,308	$ 665,719	$ 12,788,165
Restricted cash and investments	1,230,469	-	-	-	1,230,469
Accounts receivables	181,623	40,851	-	8,290	230,764
Interest receivables	9,947	8,597	5,982	4,325	28,851
Prepaid items	5,112	-	-	-	5,112
Total Assets	$ 11,277,094	$ 1,387,643	$ 940,290	$ 678,334	$ 14,283,361
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 255,280	$ 26,042	$ -	$ -	$ 281,322
Accrued and other liabilities	93,097	-	-	-	93,097
Prepaid fees	33,431	-	-	-	33,431
Deposits payable	1,230,469	-	-	-	1,230,469
Unearned revenue	184,249	-	-	-	184,249
Total Liabilities	1,796,526	26,042	-	-	1,822,568
FUND BALANCES					
Nonspendable	5,112	-	-	-	5,112
Restricted	-	1,361,601	940,290	678,334	2,980,225
Assigned	101,597	-	-	-	101,597
Unassigned	9,373,859	-	-	-	9,373,859
Total Fund Balances	9,480,568	1,361,601	940,290	678,334	12,460,793
Total Liabilities and Fund Balances	$ 11,277,094	$ 1,387,643	$ 940,290	$ 678,334	$ 14,283,361

See accompanying Notes to the Financial Statements.

TOWN OF ROSS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Fund Balances - Total Governmental Funds	$	12,460,793
Amounts Reported for Governmental Activities in the Statement of Net Position were Different Because:		
Capital assets of governmental activities are not financial resources and therefore are not reported in the governmental funds.		8,176,081
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(326,032)
Net other postemployment benefits assets are considered a long-term asset and therefore are not reported on the governmental funds balance sheets.		182,894
Certain liabilities and deferred inflows and outflows of resources are not due and payable or realizable in the current period and therefore are not reported in the Governmental Fund Financial Statements:		
Capital lease		(187,605)
Net pension liability		(3,367,736)
Deferred outflows due to pension liabilities and OPEB		1,565,840
Deferred inflows due to pension liabilities		(469,100)
Net Position of Governmental Activities	$	18,035,135

See accompanying Notes to the Financial Statements.

TOWN OF ROSS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General	Drainage	Roadway	Non-Major Governmental Funds	Total
REVENUES					
Taxes	$ 5,006,207	$ -	$ -	$ 836,670	$ 5,842,877
Intergovernmental	89,436	117,800	48,611	262,958	518,805
Building/public works permits	824,337	210,505	239,554	83,760	1,358,156
Revenue from use of money and property	474,422	30,827	20,457	17,190	542,896
Charges for services	1,284,910	-	-	-	1,284,910
Fines and forfeitures	15,481	-	-	-	15,481
Miscellaneous	175,917	-	29,656	-	205,573
Total Revenues	7,870,710	359,132	338,278	1,200,578	9,768,698
EXPENDITURES					
Current:					
General government	835,303	-	-	-	835,303
Planning	294,165	-	-	-	294,165
Public safety	4,019,224	-	-	150,000	4,169,224
Public works/Building	1,350,082	1,128	3,305	12,350	1,366,865
Recreation	850,238	-	-	-	850,238
Capital outlay	512,937	148,819	278,495	110,855	1,051,106
Debt service:					
Principal	590	-	-	-	590
Interest and fees	9,410	-	-	-	9,410
Total Expenditures	7,871,949	149,947	281,800	273,205	8,576,901
Revenues Over (Under) Expenditures	(1,239)	209,185	56,478	927,373	1,191,797
OTHER FINANCING SOURCES (USES)					
Transfers in	876,670	-	-	-	876,670
Sale of capital assets	25,000	-	-	-	25,000
Transfers out	-	-	-	(876,670)	(876,670)
Total Other Financing Sources (Uses)	901,670	-	-	(876,670)	25,000
Net Change in Fund Balances	900,431	209,185	56,478	50,703	1,216,797
Fund Balances, Beginning of Year	8,580,137	1,152,416	883,812	627,631	11,243,996
Fund Balances, End of Year	$ 9,480,568	$ 1,361,601	$ 940,290	$ 678,334	$ 12,460,793

See accompanying Notes to the Financial Statements.

TOWN OF ROSS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds	$ 1,216,797
Amounts Reported for Governmental Activities in the Statement of Activities and Changes in Net Position were Different 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	1,051,110
Depreciation expense	(547,530)
Capital lease payment is an expense on the statement of revenues, expenditures and changes in fund balance but do not impact the statement of activities.	591
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.	(18,723)
Pension and 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.	627,199
Change in Net Position of Governmental Activities	$ 2,329,444

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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, streets, public improvements, public works, building, planning and zoning, recreation, and general administrative services. The Town provides fire protection services through a joint powers authority.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting and Measurement Focus

Fund Financial Statements

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.

Government–Wide Financial Statements

The Town's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of 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, deferred inflows and outflows of resources, including capital assets and 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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

Certain eliminations have been made as prescribed by the GASB with regard to interfund activities, payables, and receivables. Internal balances in the government-wide financial statements have been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to net position presented in the government-wide financial statements. The Town has presented all major funds that meet the qualifications as defined by the GASB.

All governmental funds are accounted for on a spending or "current financial resources" 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 resources available, which is considered only to be a measure of available spendable resources. The statement of revenues, expenditures, and changes in fund balances presents 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 90-days after year-end, except for property taxes for which the accrual period is 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 and certain other long-term liabilities such as pension and compensated absences which are 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Town reports the following major governmental funds:

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

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

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

C. Budgetary Accounting

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

D. Capital Assets

The Town's assets are capitalized at historical cost or estimated historical cost. The Town's policy has set the capitalization threshold as follows:

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
Computer software	5,000

Leased assets are capitalized using the present value of the future lease payments. Donated capital assets are valued at their estimated acquisition 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (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

In accordance with the GASB, 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 the GASB, whereby depreciation expense and accumulated depreciation has been recorded.

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 (County) assesses all properties and it bills, collects, and distributes property taxes and special assessments as follows:

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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 remits the entire amount of the tax levy to the Town (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties.

G. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and net other postemployment liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town’s California Public Employees’ Retirement System (CalPERS) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

H. 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: Upon retirement, in good standing: 50% of unused sick leave, up to a maximum of 660 hours total.

I. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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), the Investment Trust of California (CalTrust), federally insured deposits in commercial banks and savings and loan associations and money market funds.

The table below identifies the investment types that are authorized for the Town 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
Investment Trust of California (CalTRUST)	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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. Fund Balances

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 prepaid fees. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS

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

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

Summary of Deposits and Investments

Cash and investments as of June 30, 2019 is classified as follows in the accompanying financial statements:

Cash and investments	$ 12,788,165
Restricted cash and investments	1,230,469
Total cash and investments	$ 14,018,634

Restricted cash and investments are restricted for payment of permit time completion deposits payable. Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash	$ 579,420
Investments	13,439,214
Total cash and investments	$ 14,018,634

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, 2019, the Town's investments were in LAIF and CalTrust in the amounts of $7,327,014 and $6,112,200, respectively. These investments in these governmental pools are considered to be short-term because the average maturity of those pools is less than one year.

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 LAIF investment is not rated. The CalTrust money market fund is AAA rated and the short-term fund is AA rated by Standard and Poor's.

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. The Town's investments are not exposed to the concentration risk because the investments are pooled with CalTrust and LAIF which are diversified due to their nature.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2019, the Town's bank balance of $ 605,252 in two banks is either insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town’s name.

Custodial Credit Risk - Investments

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

Investment in the State Investment Pool and CalTrust

Fair Value Measurements

The Town categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. These categories are Level 1 which are based quoted prices in active markets, Level 2 which are based on observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets and Level 3 which are based on unobservable inputs which uses the best information available under the circumstances, which might include the Town’s own data.

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. Similar to LAIF, the Town’s investments in CalTrust are regulated by the California government code. The fair value of the Town's investment in CalTrust is reported at amounts based the Town’s pro-rata share of the fair value provided by CalTrust. Both of these investments are not registered with the Securities and Exchange Commission. LAIF is not rated by the rating agencies. CalTrust is rated by Standard and Poor’s.

Investments in LAIF and CalTrust are not measured using the input levels above because the Town's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share and therefore these investments are not categorized.

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	$ 876,670	$ -
Non-Major Funds:		
Public Safety Tax Fund	-	836,670
General Plan Update Fund	-	40,000
Total	$ 876,670	$ 876,670

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Additions & Adjustments	Retirements & Adjustments	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in progress	$ 606,383	$ 493,537	$ (37,384)	$ 1,062,536
Total Capital Assets Not Being Depreciated	606,385	493,537	(37,384)	1,062,538
Capital Assets, Being Depreciated:				
Land improvements	7,894,640	411,787	-	8,306,427
Buildings	1,648,424	-	(25,118)	1,623,306
Furniture and fixtures	36,774	-	(2,629)	34,145
Office equipment	128,572	8,314	(780)	136,106
Safety equipment	59,986	3,147	-	63,133
Software	60,764	66,327	-	127,091
Street and park equipment	129,471	12,340	-	141,811
Vehicles	388,099	93,041	(116,978)	364,162
Leased building under capital lease - Ross	457,824	-	-	457,824
Total Capital Assets Being Depreciated	10,804,554	594,956	(145,505)	11,254,005
Less Accumulated Depreciation For:				
Land improvements	1,859,070	325,681	-	2,184,751
Buildings	1,191,166	79,454	(25,118)	1,245,502
Furniture and fixtures	30,632	1,872	(2,629)	29,875
Office equipment	94,812	14,474	(780)	108,506
Safety equipment	50,650	3,705	-	54,355
Software	16,081	25,418	-	41,499
Street and park equipment	84,595	7,962	-	92,557
Vehicles	304,605	73,703	(116,978)	261,330
Capital Lease - Ross Rec.	106,826	15,261	-	122,087
Total Accumulated Depreciation	3,738,437	547,530	(145,505)	4,140,462
Total Capital Assets, Being Depreciated, Net	7,066,117	47,426	-	7,113,543
Governmental Activities Capital Assets, Net	$ 7,672,502	$ 540,963	$ (37,384)	$ 8,176,081

NOTE 5 – CAPITAL ASSETS (Continued)

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

General government	$	43,989
Public safety		87,081
Planning		34,103
Public works		366,260
Recreation		16,097
Total Depreciation Expense - Governmental Activities	$	547,530

NOTE 6 – LONG-TERM DEBT

On November 6, 2012, the Town signed a memorandum of understanding with Ross School District regarding leasing a building on which the Town pays a minimum of $10,000 per year to have access to a minimum of eight classrooms to conduct recreation classes. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year ending June 30		Lease Payments
2020	$	10,000
2021		10,000
2022		10,000
2023		10,000
2024		10,000
2025-2029		50,000
2030-3034		50,000
Thereafter to 2076		420,000
Total Minimum lease payments		570,000
Less: amount representing interest		(382,395)
Present value of minimum lease payments		187,605
Current portion		(619)
Long-term portion	$	186,986

NOTE 7 – PENSION PLAN

The Town participates in the Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost Sharing) for its Miscellaneous and Safety employees which is administered by CalPERS. A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Town's separate Safety and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information which can be found on the CalPERS website at: http://www.calpers.ca.gov.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service equal to one year of full time employment, age, and the average of the final 3 years' compensation except Safety employees final average compensation is 1 year. Members with five years of total service are eligible to retire at age 50 (PEPRA employees age 52) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 7 – PENSION PLAN (Continued)

The plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Type of hire	Classic	Tier 2	PEPRA
Formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Earliest retirement age	50	50	52
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.092%-2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	7.000%	6.250%
Required employer contribution rates	8.892%	7.634%	6.842%

	Safety
Hire Date	Prior to January 1, 2013
Type of hire	Classic
Formula	3% @ 55
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Earliest retirement age	50
Monthly benefits, as a % of annual salary	2.4% to 3.0%
Required employee contribution rates	9.000%
Required employer contribution rates	18.677% (3% of which is paid by safety employees)

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Beginning in fiscal year 2015-2016, CalPERS collected employer contributions towards unfunded liability as a dollar amount instead of the prior method of a contribution rate. The pool's unfunded liability is allocated to each individual plan based on the plan's total liability rather than by plan individual payroll. This allows employers to track their own unfunded liability and pay it down faster if they choose.

NOTE 7 – PENSION PLAN (Continued)

For the year ended June 30, 2019, the actuarial determined contributions for each Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	$ 133,584	$ 369,803	$ 503,387
Unfunded liability lump sum payments	35,000	165,000	200,000
Total	$ 168,584	$ 534,803	$ 703,387

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the Town's reported net pension liabilities for its proportionate shares of the pension liability of each Plan are as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 545,637
Safety	2,822,099
Total Net Pension Liability	$ 3,367,736

The Town's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018 and the total pension liability for each Plan used to calculated the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 is as follows:

	Safety	Miscellaneous
Proportion - June 30, 2018	0.0590%	0.01986%
Proportion - June 30, 2019	0.0481%	0.01448%
Change - Increase (Decrease)	-0.0109%	-0.00538%

At the year ended June 30, 2019, the Town recognized pension expense of $621,574 in the Government-wide financial statement. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 168,584	$ -
Contributions in excess of proportionate share	74,382	6,275
Changes in assumptions	62,204	15,245
Difference in expected and actual experience	20,935	7,124
Adjustment due to differences in proportions	-	59,536
Net differences between projected and actual earnings	2,697	-
Total	$ 328,802	$ 88,180

NOTE 7 – PENSION PLAN (Continued)

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 534,803	$ -
Contributions in excess of proportionate share	345,594	25,304
Changes in assumptions	276,897	37,358
Difference in expected and actual experience	60,637	230
Adjustment due to differences in proportions	-	318,028
Net differences between projected and actual earnings	19,107	-
Total	$ 1,237,038	$ 380,920

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 703,387	$ -
Contributions in excess of proportionate share	419,976	31,579
Changes in assumptions	339,101	52,603
Difference in expected and actual experience	81,572	7,354
Adjustment due to differences in proportions	-	377,564
Net differences between projected and actual earnings	21,804	-
Total	$ 1,565,840	$ 469,100

The amount of $703,387 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Miscellaneous Plan	Safety Police Plan	Total
Year ended June 30	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2020	$51,720	$ 222,152	$ 273,872
2021	32,911	139,181	172,092
2022	(7,685)	(20,473)	(28,158)
2023	(4,908)	(19,545)	(24,453)
2024	-	-	-
	$ 72,038	$ 321,315	$ 393,353

NOTE 7 – PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website. All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2014, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate – To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "Crossover Testing Report" that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 7 – PENSION PLAN (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

For Miscellaneous and Safety Plans

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return Years 0-10	Long-Term Expected Real Rate of Return Years 11+
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town for each Plan, calculated using the discount rate for each Plan, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.150%	6.150%
Net Pension Liability	$ 1,323,760	$ 5,459,972
Current Discount Rate	7.150%	7.150%
Net Pension Liability	$ 545,637	$ 2,822,099
1% Increase	8.150%	8.150%
Net Pension Liability	$ (96,692)	$ 660,830

Payable to the Pension Plan

At June 30, 2019, the Town did not have significant contributions payable to the pension plans.

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

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 prior to fiscal year end. 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. Only the Town Council can assign 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.

Fund balances comprise the following elements:

	MAJOR			NON- MAJOR			TOTAL	
	General Fund	Drainage Fund	Roadway Fund	Gas Tax Fund	General Plan Update Fund	COPS Fund	Non-Major Governmental Funds	Total
Nonspendable								
Prepaid items	$ 5,112	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,112
Restricted:								
Grants for Safety	-	-	-	-	-	41,648	41,648	41,648
Streets and Roadway Projects and Related	-	-	940,290	343,545	-	-	343,545	1,283,835
Drainage Projects and Related	-	1,361,601	-	-	-	-	-	1,361,601
General Plan Compliance Costs	-	-	-	-	293,141	-	293,141	293,141
Total Restricted	-	1,361,601	940,290	343,545	293,141	41,648	678,334	2,980,225
Assigned:								
Recreation	101,597	-	-	-	-	-	-	101,597
Unassigned:								
For Economic Uncertainties	1,500,000	-	-	-	-	-	-	1,500,000
For Facilities and Equipment	3,391,554	-	-	-	-	-	-	3,391,554
Remaining unassigned	4,482,305	-	-	-	-	-	-	4,482,305
Total Unassigned	9,373,859	-	-	-	-	-	-	9,373,859
Total	$ 9,480,568	$ 1,361,601	$ 940,290	$ 343,545	$ 293,141	$ 41,648	$ 678,334	$ 12,460,793

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 then committed, assigned or unassigned funds as needed, in that order.

NOTE 9 – FUND BALANCES (Continued)

Minimum Fund Balance Policy

The Town established an emergency reserve in the General Fund for economic uncertainties of $1,500,000 in order to protect the Town against revenue shortfalls or unpredicted one-time expenditures.

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 Pooled Liability Assurance Network Joint Powers Authority (Authority), 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 the Authority for its general comprehensive liability insurance. The agreement provides that Authority will be self-sustaining through member premiums and assessments. The Authority is governed by a board consisting of elected officials. The board controls the operations of the Authority including selection of management and approval of operating budgets, independent of any influence by member cities.

The Town maintains General and Auto Liability coverage through the Authority 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 the Authority for an additional $10 million, which is provided by Peleus Insurance Company and an additional $15 million provided by Gemini Insurance Company, for a total coverage of $25 million. The Town's deductible for this coverage is $25,000.

The Town maintains Property Insurance coverage through the Authority to cover losses up to a limit of $225,000. The Authority obtained excess coverage from Alliant Property Insurance Program (APIP) with limit up to $1,000,000,000 per occurrence. 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 are expensed when paid. The liability at June 30, 2019 was $326,032 which reflects a net increase of $18,723 over the prior year.

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 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 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 $11,003 for operating expenses and $19,411 for bond and note payments.

Ross Valley Paramedic Authority – The Ross Valley Paramedic Authority (RVPA) was created in December 1982. RVPA is a Joint Powers Agreement (JPA) between eight member agencies. Each of these agencies appoints a board member. The board elects a President and Vice President each year. The Executive Officer is Marin County Fire Chief Jason Weber, who volunteers his time to serve as the administrator on behalf of the County of Marin.

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, 2019, the tax was $75 per living unit and 1,500 square feet of structure on parcels in non-residential use. Financial statements may be obtained by mailing a request to: County of Marin Fire Chief, Jason Weber, P.O. Box 518 Woodacre, CA 94973.

Marin Telecommunications Agency – The Marin Telecommunications Agency (MTA) is a joint powers authority administering the Comcast, AT&T, and Horizon cable franchise agreements 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 franchises for its member agencies. It is governed by a ten member Board of Directors composed of representatives from the County of Marin and the cities/towns of Belvedere, Corte Madera, Fairfax, Mill Valley, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon.

MTA's revenues are comprised of video services franchise and Public, Education and Government (PEG) fees received from the state franchised video service providers in Marin including AT&T, Comcast and Horizon Cable on behalf of MTA's member agencies. In accordance with MTA's Agreement of Formation/Joint Power Agreement MTA pays the franchise fees less MTA's operating budget to the member agencies based on revenue reports received from the video service providers. The PEG fees are paid to the Community Media Center of Marin (CMCM) in accordance with the MTA - CMCM Dedicated Access Provider Agreement.

Audited financial statements may be obtained by mailing a request to Marin Telecommunications Agency at: 555 Northgate Drive, Suite 230, San Rafael, CA 94903.

NOTE 12 – PARTICIPATION IN JOINT POWERS AGREEMENTS (Continued)

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 animal control, abandoned vehicle abatement, and taxicab regulation, information management services, and street light maintenance. The MGSA has administrative authority for Marin Map JPA which provides geographic information systems and serves as an advisory body to the Marin County Stormwater Pollution Prevention Program, the Marin Climate and Energy Partnership, and the Mediation Program run by the District Attorney's office.

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 $34,277.

Marin Major Crimes Task Force (MCTF) – In 1979, a Joint Powers Agreement (JPA) was formed between the county, towns and cities. Currently, the members of the Task Force JPA include the county, the towns and cities of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, and Tiburon. The JPA provides oversight of the MCTF through a 9 –member Oversight Committee comprised of a City Councilmember, a member of the County Board of Supervisors, two city managers, the County Administrator, two chief law enforcement officials and two Marin County residents who do not hold any of the above positions.

The MCTF is currently managed by the Sheriff's Office with a Sheriff's Lieutenant overseeing the operation and a Sheriff's Sergeant supervising the unit. The main focus of the MCTF is narcotic related investigations. The Task Force also serves as a countywide investigations resource and assists other agencies with cases of significance. The MCTF supplements the efforts of the existing local law enforcement agencies to better deal with major cases or criminal activity that no single jurisdiction can effectively deal with alone. The contribution for fiscal year end June 30, 2019 was $16,749.

Marin Hazardous Materials Spills Management Authority – This multi-agency and multi-jurisdictional agency responds to hazardous materials emergencies. The annual budget is determined by the Marin County Fire Chief's Association and is allocated on a jurisdiction percent of population based on the county of Marin's current census data. Financial statements may be obtained by mailing a request to: the Hazardous Materials Response Team, c/o San Rafael Fire Department, 1039 C Street, San Rafael, CA 94901.

Marin Climate and Energy Partnership (MCEP) – The MCEP was created in 2007 by the County of Marin, eleven Marin cities and towns, the Transportation Authority of Marin, Marin Clean Energy, and the Marin Municipal Water District. The member agencies work together to reduce greenhouse gas emissions in government operations and our communities. The MCEP works to implement a wide range of greenhouse gas reduction programs, such as green building regulation, electric vehicle charging stations, LED streetlights, zero waste initiatives, and green purchasing policies. The MCEP demonstrates a way for local government to collaborate on various energy and climate-related issues and addresses AB 32 goals on a countywide basis.

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.

NOTE 12 – PARTICIPATION IN JOINT POWERS AGREEMENTS (Continued)

The 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 $9,269.

Marin County Hazardous and Solid Waste Joint Powers Authority - This Authority was established by the County, local cities, and waste franchising districts to finance, prepare and implement source reduction and recycling elements on a county-wide integrated waste management plan as required by State Assembly Bill 939. Financial statements of the Authority can be obtained at: 3501 Civic Center Drive, San Rafael, California 94903.

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 2018-2019, the Town made $1,949,787 in payments towards service provided by the Ross Valley Fire Department. The Town also made payments of $70,110 for apparatus replacement and $19,921 for a fire study.

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.

NOTE 13 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description – In addition to the retirement benefits described in Note 7, the Town provides certain other postemployment benefits (OPEB Plan) to employees. The Town's agent multiple-employer defined benefit postemployment healthcare plan provides health care benefits to eligible retirees in accordance with a Council resolution. The Town contracts with CalPERS to administer its retiree health benefit plan. 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 which is currently the Public Employees Medical and Health Care Act (PEMHCA) minimum amount. Coverage is provided for life and spouses are eligible for the same type of coverage if elected by the retiree. Coverage discontinues either at the request of the retiree or by defaulting on the employee portion of the premium. Benefit provisions and contribution requirements are established and may be amended by the Town's Council. The Town does not provide vision, life, or Medicare Part B reimbursement to retirees.

Employees Covered – As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	16
Inactive employees entitled to but not yet receiving benefits payments	-
Inactive employees or beneficiaries currently receiving benefits payments	10
	26

NOTE 13 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Contributions – The obligation of the Town to contribute to the plan is based on an actuarial determined rate. For the fiscal year ended June 30, 2019, the Town did not make contributions to the plan. Retirees receiving benefits contributes the difference between the current monthly premiums for the selected plan and the PEMHCA reimbursement amount, which at June 30, 2019 was $136. The Town make contributions and participates in the California Employers' Retiree Benefit Trust (CERBT) Fund for the purpose of prefunding obligations for past services. Through this plan, the California Public Employees' Retirement System (CalPERS) Board of Administration has the sole and exclusive control and power over the administration and investment of the prefunding plan.

Net OPEB Asset/Liability – The Town's net OPEB Asset was measured as of June 30, 2018 and the total OPEB Asset was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Mortality Rate	Derived using CalPERS' Membership Data for all funds
Mortality Improvement Scale	PPACA High cost plan excise tax
Healthcare Trend Rate	4.00% per annum

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Global Equity	57%	4.8%
Fixed Income	27%	1.5%
Treasury Inflation Protected Securities	5%	1.3%
Real Estate Investment Trusts	8%	3.8%
Commodities	3%	0.8%
	100%	

** Expected inflation of 2.75%*

NOTE 13 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Discount Rate – The discount rate used to measure the total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability (Asset) – The changes in the net OPEB Asset for the Town's Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance, beginning of year	$ 322,806	$ 452,071	$ (129,265)
Changes recognized for year:			
Service cost	11,296	-	11,296
Interest	22,610	-	22,610
Changes of benefit terms	-	-	-
Difference in expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions	-	48,000	(48,000)
Net investment income	-	40,397	(40,397)
Benefit payments, including refunds of employee contributions	(16,155)	(16,155)	-
Administrative expenses	-	(862)	862
Net changes	17,751	71,380	(53,629)
Balance, end of year	$ 340,557	$ 523,451	$ (182,894)

Sensitivity of the Net OPEB (Asset) to Changes in the Discount Rate – The following presents the net OPEB asset of the Town if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate, for the year ended June 30, 2019:

Plan's Net OPEB (Asset)		
Discount Rate -1% (6%)	Current Discount Rate (7%)	Discount Rate +1% (8%)
$ (141,409)	$ (182,894)	$ (217,386)

NOTE 13 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the net OPEB liability of the Town if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for the year ended June 30, 2019:

Plan's Net OPEB (Asset)		
Trend Rate -1% (3.00%)	Healthcare Cost Trend Rates (4.00%)	Trend Rate +1% (5.00%)
$ (221,635)	$ (182,894)	$ (136,671)

Recognition of Deferred Outflows and Deferred Inflows of Resources – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense. For the fiscal year ended June 30, 2019, the Town recognized OPEB expense of ($53,629). As of fiscal year ended June 30, 2019, the Town did not report any deferred inflows or resources or deferred outflows of resources related to the plan.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or FY 2018/2019. This statement did not have an impact on the Town’s financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement is effective for reporting periods beginning after June 15, 2018 or FY 2018/2019. This statement did not have an impact on the Town’s financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or FY 2019/2020. The Town is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The Town is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to (a) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or FY 2020/2021. The Town is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 60*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 or FY 2019/2020. The Town is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or FY 2021/2022. The Town is evaluating the impact of this Statement 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 4,825,000	$ 4,825,000	$ 5,006,207	$ 181,207
Intergovernmental	63,700	63,700	89,436	25,736
Building/public works permits	648,600	648,600	824,337	175,737
Use of money and property	298,800	298,800	474,422	175,622
Charges for services	1,354,700	1,354,700	1,284,910	(69,790)
Fines and forfeitures	18,000	18,000	15,481	(2,519)
Miscellaneous	90,500	90,500	175,917	85,417
Total Revenues	7,299,300	7,299,300	7,870,710	571,410
EXPENDITURES				
Current:				
General government	998,931	998,931	835,303	163,628
Planning	299,814	299,814	294,165	5,649
Public safety	3,994,134	3,994,134	4,019,224	(25,090)
Public works/Building	1,480,330	1,480,330	1,350,082	130,248
Recreation	871,136	871,136	850,238	20,898
Capital outlay	447,000	447,000	512,937	(65,937)
Debt service:				
Principal	590	590	590	-
Interest	9,410	9,410	9,410	-
Total Expenditures	8,101,345	8,101,345	7,871,949	229,396
Excess (Deficiency) of Revenues Over Expenditures	(802,045)	(802,045)	(1,239)	800,806
OTHER FINANCING SOURCES (USES)				
Transfers in	891,640	891,640	876,670	(14,970)
Sale of capital assets	-	-	25,000	25,000
Total Other Financing Sources (Uses)	891,640	891,640	901,670	10,030
Net Change in Fund Balance	89,595	89,595	900,431	810,836
Fund Balance, Beginning of Year	8,580,137	8,580,137	8,580,137	-
Fund Balance, End of Year	$ 8,669,732	$ 8,669,732	$ 9,480,568	$ 810,836

TOWN OF ROSS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL
DRAINAGE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 640,000	$ 640,000	$ 117,800	$ (522,200)
Licenses and permits	200,000	200,000	210,505	10,505
Investment earnings	13,000	13,000	30,827	17,827
Total Revenues	853,000	853,000	359,132	(493,868)
EXPENDITURES				
Current:				
Public works	-	-	1,128	(1,128)
Capital outlay	1,115,000	1,115,000	148,819	966,181
Total Expenditures	1,115,000	1,115,000	149,947	965,053
Net Change in Fund Balance	(262,000)	(262,000)	209,185	471,185
Fund Balance, Beginning of Year	1,152,416	1,152,416	1,152,416	-
Fund Balance, End of Year	$ 890,416	$ 890,416	$ 1,361,601	$ 471,185

TOWN OF ROSS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL
ROADWAY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 35,000	$ 35,000	$ 48,611	$ 13,611
Licenses and permits	200,000	200,000	239,554	39,554
Investment earnings	-	-	20,457	20,457
Miscellaneous	10,500	10,500	29,656	19,156
Total Revenues	245,500	245,500	338,278	92,778
EXPENDITURES				
Current:				
Public works	40,000	40,000	3,305	36,695
Capital outlay	568,000	568,000	278,495	289,505
Total Expenditures	608,000	608,000	281,800	326,200
Net Change in Fund Balance	(362,500)	(362,500)	56,478	418,978
Fund Balance, Beginning of Year	883,812	883,812	883,812	-
Fund Balance, End of Year	$ 521,312	$ 521,312	$ 940,290	$ 418,978

TOWN OF ROSS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

	Miscellaneous				
	2019	**2018**	**2017**	**2016**	**2015**
Plan's proportion of the net pension liability	0.01448%	0.01986%	0.01964%	0.02262%	0.02419%
Plan's proportionate share of the net pension liability	$ 545,637	$ 782,895	$ 682,426	$ 620,516	$ 597,760
Plan's covered payroll	$ 969,297	$ 969,202	$ 719,234	$ 734,555	$ 587,276
Proportionate share of the net pension liability as a percentage of covered payroll	0.562920343	80.78%	94.88%	84.48%	101.79%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.26%	75.39%	75.87%	79.89%	81.15%

	Safety				
	2019	**2018**	**2017**	**2016**	**2015**
Plan's proportion of the net pension liability	0.04810%	0.05904%	0.06092%	0.07105%	0.07650%
Plan's proportionate share of the net pension liability	$ 2,822,097	$ 3,527,483	$ 3,155,417	$ 2,927,626	$ 2,869,504
Plan's covered payroll	$ 946,202	$ 936,025	$ 878,002	$ 817,494	$ 766,634
Proportionate share of the net pension liability as a percentage of covered payroll	298.26%	372.80%	359.39%	358.12%	374.30%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.26%	71.74%	72.69%	77.27%	78.83%

Notes to schedule:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions: In 2017, the discount rate reduced from 7.5 to 7.15 percent.

*Fiscal year 2015 was the first year of implementation.

TOWN OF ROSS

SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

	Miscellaneous			
	2019	**2018**	**2017**	**2016**
Actuarially determined contributions	$ 168,584	$ 198,343	$ 123,515	$ 244,274
Contributions in relation to the actuarially determined contribution	(168,584)	(198,343)	(123,515)	(244,274)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,101,366	$ 969,297	$ 969,202	$ 719,234
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contributions as a percentage of covered payroll	15.3%	20.5%	12.7%	34.0%

	Safety			
	2019	**2018**	**2017**	**2016**
Actuarially determined contributions	$ 534,803	$ 993,890	$ 459,244	$ 1,095,123
Contributions in relation to the actuarially determined contribution	(534,803)	(993,890)	(459,244)	(1,095,123)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 927,789	$ 946,202	$ 936,025	$ 878,002
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contributions as a percentage of covered payroll	57.6%	105.0%	49.1%	124.7%

*Fiscal year 2015 was the first year of implementation.

TOWN OF ROSS

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

Agent Multiple-Employer Other Postemployment Benefits Plan
Last 10 Years*

Total OPEB Liability	**2019**	**2018**
Service cost	$ 11,296	$ 10,994
Interest	22,610	21,257
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Change of assumptions	-	-
Benefit payments, included refunds of employee contributions	(16,155)	(15,534)
Net change in total OPEB liability	17,751	16,717
Total OPEB liability - beginning of year	322,806	306,089
Total OPEB liability - end of year (a)	$ 340,557	$ 322,806
Plan Fiduciary Net Position		
Net investment income	$ 40,397	$ 43,036
Contributions	48,000	63,534
Benefit payments, included refunds of employee contributions	(16,155)	(15,534)
Administrative expense	(862)	(363)
Other	-	-
Net change in plan fiduciary net position	71,380	90,673
Plan fiduciary net position - beginning of year	452,071	361,398
Plan fiduciary net position - end of year (b)	523,451	452,071
Town's net OPEB (Asset) - end of year = (a) - (b)	$ (182,894)	$ (129,265)
Plan fiduciary net position as a percentage of total OPEB asset	153.70%	140.04%
Covered-employee payroll	$ 1,915,500	$ 1,905,227
Net OPEB asset as a percentage of covered-employee payroll	-9.55%	-6.78%
Measurement date	6/30/2018	6/30/2017

*Fiscal year 2018 was the first year of implementation.

TOWN OF ROSS

SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

Agent Multiple-Employer Other Postemployment Benefits Plan
Last 10 Years*

	2019	2018
Actuarially determined contribution	$ -	$ 48,000
Contributions in relation to the actuarially determined contribution	-	(48,000)
Contribution deficiency (excess)	**$ -**	**$ -**
Covered employee-payroll	$ 2,029,155	$ 1,915,500
Contributions as a percentage of covered-employee payroll	**0.00%**	**2.51%**

*Fiscal year 2018 was the first year of implementation.

SUPPLEMENTARY INFORMATION

TOWN OF ROSS

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Gas Tax	General Plan Update Fund	Citizens Option for Public Safety	Public Safety Tax Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	$ 333,055	$ 291,276	$ 41,388	$ -	$ 665,719
Accounts receivables	8,290	-	-	-	8,290
Interest receivables	2,200	1,865	260	-	4,325
Total Assets	$ 343,545	$ 293,141	$ 41,648	$ -	$ 678,334
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted	343,545	293,141	41,648	-	678,334
Total Fund Balances	343,545	293,141	41,648	-	678,334
Total Liabilities and Fund Balances	$ 343,545	$ 293,141	$ 41,648	$ -	$ 678,334

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Gas Tax	General Plan Update Fund	Citizens Option for Public Safety	Public Safety Tax Fund	Non-Major Governmental Funds
REVENUES					
Taxes	$ -	$ -	$ -	$ 836,670	$ 836,670
Intergovernmental	107,556	-	155,402	-	262,958
Building/public works permits	-	83,760	-	-	83,760
Revenue from use of money and property	9,219	7,129	842	-	17,190
Total Revenues	116,775	90,889	156,244	836,670	1,200,578
EXPENDITURES					
Current:					
Public safety	-	-	150,000	-	150,000
Public works/Building	12,350	-	-	-	12,350
Capital outlay	110,855	-	-	-	110,855
Total Expenditures	123,205	-	150,000	-	273,205
Revenues Over (Under) Expenditures	(6,430)	90,889	6,244	836,670	927,373
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(40,000)	-	(836,670)	(876,670)
Net Change in Fund Balances	(6,430)	50,889	6,244	-	50,703
Fund Balances, Beginning of Year	349,975	242,252	35,404	-	627,631
Fund Balances, End of Year	$ 343,545	$ 293,141	$ 41,648	$ -	$ 678,334

EideBailly

CPAs & BUSINESS ADVISORS

December 4, 2019

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

We have audited the financial statements of Town of Ross (Town) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 4, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 17, 2019 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 4, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

What inspires you, inspires us. | eidebailly.com

260 Sheridan Ave., Ste. 440 | Palo Alto, CA 94306-2011 | T 650.462.0400 | F 650.462.0500 | EOE

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are related to the Town's net pension liabilities and related deferred inflows of resources, deferred outflows of resources and net other postemployment benefits liability (or asset) and related deferred inflows of resources and deferred outflows of resources.

Management's estimate of the net pension liabilities, net other postemployment benefits liability (asset) and related deferrals are based on actuarial valuations performed by management specialists. We evaluated the key factors and assumptions used to develop these liabilities and determined that they were reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Town's financial statements relate to:

The Town's disclosure of the net pension liabilities and net OPEB liability (or asset) and related deferred inflows of resources and deferred outflows of resources required by the Town's reporting of the related information, are particularly sensitive. As disclosed in the notes, a 1% increase or decrease in the rates has a material effect on the Town's net pension and OPEB liabilities (asset).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements noted during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.Representations Requested from Management

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 4, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

This report is intended solely for the information and use of the governing board and management of the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Palo Alto, California

CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross (Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ross's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

What inspires you, inspires us. | eidebailly.com

260 Sheridan Ave., Ste. 440 | Palo Alto, CA 94306-2011 | T 650.462.0400 | F 650.462.0500 | EOE

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Palo Alto, California
December 4, 2019

Independent Accountant's Report On
Appropriations Limit Calculation
June 30, 2019

Town of Ross

CPAs & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT UNDER ARTICLE XIIIB OF THE CALIFORNIA CONSTITUTION

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

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the Town of Ross, (Town), for the year ended June 30, 2019. These procedures, which were agreed to by the Town and the League of California Cities (as presented in the publication entitled Agreed Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution) were performed solely to assist the Town in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The Town management is responsible for the Appropriations Limit Calculation. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets used by the Town to calculate its Appropriation Limit for the fiscal year ending June 30, 2019, and determined that the limit and annual adjustment factors were adopted by resolution of Town Council. We also determined that the population and inflation options were selected by a recorded vote of the Town Council.

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

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

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

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

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

4. We agreed the prior year Appropriations Limit to the prior year Appropriation Limit adopted by the Town.

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

What inspires you, inspires us. | eidebailly.com

260 Sheridan Ave., Ste. 440 | Palo Alto, CA 94306-2011 | T 650.462.0400 | F 650.462.0500 | EOE

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Appropriations Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the use of the Town Council and management of the Town and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Eide Bailly LLP

Palo Alto, California
December 4 2019