



## **Agenda Item No. 10a.**

### **Staff Report**

**Date:** November 8, 2018  
**To:** Mayor Kuhl and Council Members  
**From:** Joe Chinn, Town Manager  
**Subject:** Annual Financial Report for the Year Ended June 30, 2018

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#### **Recommendation**

The Town Council accepts the Town of Ross Annual Financial Report for the Year Ended June 30, 2018.

#### **Background and discussion**

Each year the Town has an independent auditor prepare an audit of the Town financial statements. The most recent audit completed by Vavrinek, Trine, Day & Co., LLP is for the year ended June 30, 2018. In summary, the auditor found the financial statements 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, 2018, and the respective changes in financial position for the year then ended in accordance with generally accepted accounting principles. The audit was a “clean” audit with no findings that need to be corrected.

#### **Fiscal, resource and timeline impacts**

Completion of the audit is necessary to comply with general accepted practices for local municipal agencies. The audit provides assurance that public resources are properly used and recorded.

The audited Fund Financial Statements show total Town revenues of \$9.7 million and total expenditures of \$9.2 million for the ended June 30, 2018. The total fund balance is \$0.5 million more than the prior fiscal year.

#### **Alternative actions**

None

#### **Environmental review (if applicable)**

N/A

#### **Attachment**

- Town of Ross Annual Financial Report for the Year Ended June 30, 2018

# **TOWN OF ROSS**

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## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**TOWN OF ROSS**  
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**JUNE 30, 2018**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITORS' 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, 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.

## ***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 Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
October 29, 2018

**TOWN OF ROSS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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**INTRODUCTION**

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2018 for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's financial statements.

**FISCAL YEAR 2017-2018 FINANCIAL HIGHLIGHTS**

The Fund Financial Statements show total Town revenues of \$9.7 million and total expenditures of \$9.2 million. The total fund balance is \$.5 million more than the prior year.

The government-wide statement of net position, the first statement of the basic financial statements, shows Town assets of \$20.9 million, deferred outflows of resources of \$3.3 million, liabilities of \$6.6 million, deferred inflows of resources of \$1.8 million, and a net position of \$15.7 million. Net position is \$1.6 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, 2018 the rate was \$970.

Capital project highlights: road and storm drain rehabilitation projects on Brookwood Lane, Redwood Drive, and Allen Avenue to improve safety for all users. Work continues on the Winship Bridge project, which is funded by the Federal Highway Bridge Program. Work continues on implementing planning and permitting software which will be completed in fiscal year ending June 30, 2019.

The Town continues to pay down unfunded pension and retiree health liabilities over and above what is required. In fiscal year ended June 30, 2018 these payments were \$820 thousand and \$48 thousand, respectively.

**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.



**TOWN OF ROSS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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**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, 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 or business-type activities. In the case of the Town of Ross, there are no business-type activities as of June 30, 2018.

**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.

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

### 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, 2018	June 30, 2017	Net change	% Change
<b>ASSETS</b>				
Cash and investments	\$ 12,876,385	\$ 12,716,174	\$ 160,211	1.26%
Receivables	169,972	407,132	(237,160)	-58.25%
Deposits and prepaid items	17,021	28,883	(11,862)	-41.07%
Net OPEB Asset	129,269	85,043	44,226	52.00%
Capital assets, net	7,672,501	7,666,267	6,234	0.08%
Total assets	<u>20,865,148</u>	<u>20,903,499</u>	<u>(38,351)</u>	-0.18%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions and OPEB	<u>3,273,361</u>	<u>1,159,405</u>	<u>2,113,956</u>	182.33%
<b>LIABILITIES</b>				
Accounts payable	276,180	425,814	(149,634)	-35.14%
Accrued and other liabilities	100,301	105,141	(4,840)	-4.60%
Prepaid Fees	39,136	85,992	(46,856)	-54.49%
Permit deposits payable	1,259,176	1,621,792	(362,616)	-22.36%
Unearned revenue	144,585	176,222	(31,637)	-17.95%
Accrued compensated absences	307,309	271,855	35,454	13.04%
Capital lease:				
Due within one year	590	562	28	4.98%
Due in more than one year	187,606	188,196	(590)	-0.31%
Net pension liability	<u>4,310,380</u>	<u>3,837,845</u>	<u>472,535</u>	12.31%
Total liabilities	<u>6,625,263</u>	<u>6,713,419</u>	<u>(88,156)</u>	-1.31%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions and OPEB	<u>1,807,551</u>	<u>1,283,379</u>	<u>524,172</u>	40.84%
<b>NET POSITION</b>				
Net investment in capital assets	7,484,305	7,477,509	6,796	0.09%
Restricted	2,663,859	2,671,985	(8,126)	-0.30%
Unrestricted	<u>5,557,531</u>	<u>3,916,612</u>	<u>1,640,919</u>	41.90%
Total net position	<u>\$ 15,705,695</u>	<u>\$ 14,066,106</u>	<u>\$ 1,639,589</u>	11.66%

**TOWN OF ROSS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**Table 2**  
**Condensed Statement of Activities**

	Fiscal Year Ended			
	June 30, 2018	June 30, 2017	Net change	% Change
REVENUES				
Program Revenues:				
Charge for services	\$ 2,649,082	\$ 2,400,414	\$ 248,668	10.36%
Operating and capital contributions	815,457	1,289,640	(474,183)	-36.77%
General revenues:				
Property taxes	4,380,642	4,143,084	237,558	5.73%
Public safety tax	808,280	791,580	16,700	2.11%
Other taxes	340,217	303,274	36,943	12.18%
Investment earnings	158,954	81,938	77,016	93.99%
Other	592,275	328,925	263,350	80.06%
Total revenues	<u>9,744,907</u>	<u>9,338,855</u>	<u>406,052</u>	4.35%
EXPENSES				
General Government	1,077,590	938,330	139,260	14.84%
Planning	317,676	245,844	71,832	29.22%
Public Safety	3,536,730	4,398,004	(861,274)	-19.58%
Public Works/Building	2,085,343	1,752,001	333,342	19.03%
Recreation	1,078,543	1,363,506	(284,963)	-20.90%
Interest on long-term debt	9,438	9,465	(27)	-0.29%
Total expenses	<u>8,105,320</u>	<u>8,707,150</u>	<u>(601,830)</u>	-6.91%
Change in net position	1,639,587	631,705	1,007,882	159.55%
Net position beginning of year	<u>14,066,108</u>	<u>13,434,401</u>	<u>631,707</u>	4.70%
Net position end of year	<u>\$ 15,705,695</u>	<u>\$ 14,066,106</u>	<u>\$ 1,639,589</u>	11.66%

Net position increased by \$1.6 million in the current year. Revenues increased \$406,000 over the prior year. Expenses decreased \$601,000 over the prior year primarily due to GASB68 pension adjustments.

**TOWN OF ROSS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

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**GOVERNMENTAL FUNDS – MAJOR FUNDS HIGHLIGHTS**

**General Fund Revenues** for the year ended June 30, 2018 increased by \$857,000 over the prior year. Taxes were up \$282,000 and Building/Public Works permits including permit penalties were up \$311,000. Public safety parcel tax funds of \$808,000 were transferred into the General Fund to partially offset the cost of police and fire services.

**General Fund Expenditures** for the year ended June 30, 2018 increased \$982,000 from the prior year. The optional contribution to pay down CalPERS unfunded liability was increased to \$820,000 from the \$200,000 contributed the year before. Other reasons for the increase are: additional costs for building department administration due to increase in building activity and additional contract services provided after retirement of a long time employee, and the contract work related to the Town's real estate at 6 Redwood which was damaged by fire.

General Government increased \$127,000 or 14% primarily due to the cost of demolition and contract work on Town's real estate at 6 Redwood.

Planning increased \$67,000 or 29% primarily for additional consulting services to facilitate special planning projects.

Public Safety increased \$719,000 or 20% over the prior fiscal year primarily due to an additional \$495,000 that was paid to CalPERS to pay down the unfunded accrued liability over the prior year, improvements to the Public Safety building, the purchase of a police vehicle, and \$152,000 of additional payments to Ross Valley Fire Department JPA.

Public Works/Building increased \$333,000 or 27% primarily because of an increase in building department administration provided by contract services due to an increase in building activity and the retirement of a long time employee.

Recreation expenditures decreased \$220,000 or 16% less than the prior fiscal year primarily because the prior year included a one-time CalPERS pension settlement payment.

Capital Expenditures decreased \$34,000.

**Drainage Fund Highlights**

Drainage fund revenues decreased \$24,000 or 8% less than the prior fiscal year with drainage impact fees decreasing by \$34,000. Expenditures increased by \$159,000 or 88% from the prior fiscal year. Expenditures were related to the Highway Bridge Program Winship Bridge project and drainage improvements along Brookwood Lane, and Allen Avenue.

**Roadway Fund Highlights**

Roadway fund revenues decreased \$469,000 or 69% less than the prior fiscal year. Road impact fees decreased \$35,000 and grants decreased \$441,000 due to completion of a road improvement project in the prior year that received grant funding. Expenditures decreased \$622,000 or 76% less than the prior fiscal year. Most of the expenditures this year were for the overlay of Redwood Drive, Brookwood Lane and Allen Avenue which was funded with impact fees and Transportation Authority of Marin Measure A Funds.

## **TOWN OF ROSS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

Actual revenues were \$8.2 million which was \$609,000 over budget primarily because of positive variances for property taxes and building/public works permits.

Actual expenditures were \$8.5 million which was \$477,000 under budget. All departments were under budget except for Public Works/Building. Capital expenditures were under budget by \$288,000 due to deferral of planned projects and the decision not to rebuild 6 Redwood house.

#### **CAPITAL ASSETS**

The Town's investment in capital assets for its governmental activities as of June 30, 2018 is \$7.5 million. This figure does not include Town infrastructure such as roads and bridges constructed prior to June 30, 2005 as allowed under current governmental accounting standards. The cumulative historical cost figures before June 30, 2005 may be added in the future at management's discretion. All additional 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 \$307,000, and a net pension liability of \$4.3 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, 2019 are anticipated to be 4% higher than the prior year actual and 5% higher than prior year budget. Total General Fund revenues are estimated to be 11% less than the prior year actual and 3% less than prior year budget. General Fund expenditures are estimated to be 3% higher than the prior year expenses excluding optional payments to CalPERS to pay down an unfunded pension liability.

The police MOU approved in November 2015 is effective for July 1, 2015 through June 30, 2019. The MOU calls for annual raises of 3.5% which are partially offset by additional employee contributions for pension benefits (the employees' share increases by 1.5% per year) and health benefits.

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, 2019 is \$1,004 per parcel.

## **TOWN OF ROSS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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#### **REQUEST FOR FINANCIAL INFORMATION**

This financial report is designed to provide a general overview of the Town of Ross's finances for all of the Town of Ross's residents, taxpayers, and customers. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the 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, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 11,617,209
Restricted assets - cash and investments	1,259,176
Accounts receivables	155,323
Interest receivables	14,649
Prepaid items	10,068
Deposits	6,953
Net OPEB asset	129,269
Capital assets, net of accumulated depreciation	7,672,501
Total Assets	20,865,148
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions and OPEB	3,273,361
<b>LIABILITIES</b>	
Accounts payable	276,180
Accrued and other liabilities	100,301
Prepaid fees	39,136
Deposits payable from restricted assets	1,259,176
Unearned revenue	144,585
Accrued compensated absences	
Due within one fiscal year	102,436
Due in more than one fiscal year	204,873
Capital lease payable to Ross School	
Due within one fiscal year	590
Due in more than one fiscal year	187,606
Net pension liability	4,310,380
Total Liabilities	6,625,263
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions and OPEB	1,807,551
<b>NET POSITION</b>	
Net investment in capital assets	7,484,305
Restricted for:	
Drainage projects	1,152,418
Highways and streets (roadway & gas tax)	1,233,784
Public safety (COPS)	35,405
General plan	242,252
Unrestricted	5,557,531
Total Net Position	\$ 15,705,695

See accompanying Notes to the Financial Statements.

# TOWN OF ROSS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

		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	\$ 1,077,590	\$ 11,150	\$ -	\$ -	\$ (1,066,440)
Planning	317,676	171,657	-	56,198	(89,821)
Public safety	3,536,730	39,453	168,913	-	(3,328,364)
Public works/Building	2,085,343	1,386,164	106,735	433,040	(159,404)
Recreation	1,078,543	1,040,658	50,571	-	12,686
Interest on long-term debt	9,438	-	-	-	(9,438)
Total Governmental Activities	<u>\$ 8,105,320</u>	<u>\$ 2,649,082</u>	<u>\$ 326,219</u>	<u>\$ 489,238</u>	<u>(4,640,781)</u>

### General Revenues:

#### Taxes:

Property tax	4,380,642
Public safety tax	808,280
Sales tax	60,712
Franchise tax	184,169
Real property transfer tax	95,336
Investment earnings	158,954
Other revenue	592,275
Total General Revenues	<u>6,280,368</u>
Change in Net Position	1,639,587
Net position - beginning of year	14,066,108
Net position - end of year	<u>\$ 15,705,695</u>

See accompanying Notes to the Financial Statements.

## **FUND FINANCIAL STATEMENTS**

# TOWN OF ROSS

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General	Drainage	Roadway	Non-Major Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 8,975,843	\$ 1,103,247	\$ 901,108	\$ 637,011	\$ 11,617,209
Restricted cash and investments	1,259,176	-	-	-	1,259,176
Accounts receivables	99,413	53,699	-	2,211	155,323
Interest receivables	2,113	5,237	4,277	3,022	14,649
Prepaid expense	10,068	-	-	-	10,068
Due from other funds	-	-	14,613	-	14,613
Deposits	6,953	-	-	-	6,953
Total Assets	<u>\$ 10,353,566</u>	<u>\$ 1,162,183</u>	<u>\$ 919,998</u>	<u>\$ 642,244</u>	<u>\$ 13,077,991</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 230,227	\$ 9,765	\$ 36,188	\$ -	\$ 276,180
Accrued and other liabilities	100,301	-	-	-	100,301
Prepaid fees	39,136	-	-	-	39,136
Due to other funds	-	-	-	14,613	14,613
Deposits payable	1,259,176	-	-	-	1,259,176
Unearned revenue	144,585	-	-	-	144,585
Total Liabilities	<u>1,773,425</u>	<u>9,765</u>	<u>36,188</u>	<u>14,613</u>	<u>1,833,991</u>
<b>FUND BALANCES</b>					
Nonspendable	10,068	-	-	-	10,068
Restricted	-	1,152,418	883,810	627,631	2,663,859
Assigned	417,031	-	-	-	417,031
Unassigned	8,153,042	-	-	-	8,153,042
Total Fund Balances	<u>8,580,141</u>	<u>1,152,418</u>	<u>883,810</u>	<u>627,631</u>	<u>11,244,000</u>
Total Liabilities and Fund Balances	<u>\$ 10,353,566</u>	<u>\$ 1,162,183</u>	<u>\$ 919,998</u>	<u>\$ 642,244</u>	<u>\$ 13,077,991</u>

See accompanying Notes to the Financial Statements.

## TOWN OF ROSS

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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Fund Balances - Total Governmental Funds	\$ 11,244,000
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	7,672,501
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(307,309)
Net other postemployment employment benefits assets are considered a long term asset and therefore are not reported on the governmental funds balance sheets	129,269
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	(188,196)
Net pension liability	(4,310,380)
Deferred outflows due to pension liabilities and OPEB	3,273,361
Deferred inflows due to pension liabilities	<u>(1,807,551)</u>
Net Position of Governmental Activities	<u><u>\$ 15,705,695</u></u>

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, 2018

	General	Drainage	Roadway	Non-Major Governmental Funds	Total
REVENUES					
Taxes	\$ 4,769,942	\$ -	\$ -	\$ 808,280	\$ 5,578,222
Intergovernmental	84,526	112,124	35,259	216,410	448,319
Building/public works permit	1,234,897	160,458	160,458	56,198	1,612,011
Investment earnings	329,782	15,857	12,245	9,245	367,129
Charges for services	1,371,739	-	-	-	1,371,739
Fines and forfeitures	15,894	-	-	-	15,894
Miscellaneous	351,593	-	-	-	351,593
Total Revenues	8,158,373	288,439	207,962	1,090,133	9,744,907
EXPENDITURES					
Current:					
General government	1,010,059	-	-	-	1,010,059
Planning	300,769	-	-	-	300,769
Public safety	4,307,765	-	-	145,000	4,452,765
Public works/Building	1,544,948	48,236	29,032	36,623	1,658,839
Recreation	1,125,175	-	-	-	1,125,175
Capital outlay	202,238	293,575	170,104	14,613	680,530
Debt service:					
Principal	562	-	-	-	562
Interest and fees	9,438	-	-	-	9,438
Total Expenditures	8,500,954	341,811	199,136	196,236	9,238,137
Revenues Over (Under)					
Expenditures	(342,581)	(53,372)	8,826	893,897	506,770
OTHER FINANCING SOURCES (USES)					
Transfers in	857,480	-	-	-	857,480
Transfers out	-	-	-	(857,480)	(857,480)
Total Other Financing Sources					
(Uses)	857,480	-	-	(857,480)	-
Net Change in Fund Balances	514,899	(53,372)	8,826	36,417	506,770
Fund Balances, Beginning of Year	8,065,242	1,205,790	874,984	591,214	10,737,230
Fund Balances, End of Year	\$ 8,580,141	\$ 1,152,418	\$ 883,810	\$ 627,631	\$ 11,244,000

See accompanying Notes to the Financial Statements.

## TOWN OF ROSS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

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Net Change in Fund Balances - Total Governmental Funds	\$ 506,770
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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	680,530
Depreciation expense	(674,296)

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

562

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.

(35,454)

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.

1,161,475

Change in Net Position of Governmental Activities

\$ 1,639,587

See accompanying Notes to the Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS**



## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### ***NOTE 1 – GENERAL***

The Town of Ross (the Town) operates under a Council-Manager form of government and provides the following services as authorized as a general law Town: police, 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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

---

#### *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.

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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**B. Basis of Accounting and Measurement Focus (Continued)**

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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**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

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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### *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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### 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

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### 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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**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, 2018 is classified as follows in the accompanying financial statements:

Cash and investments	\$ 11,617,209
Restricted cash and investments	<u>1,259,176</u>
Total cash and investments	<u>\$ 12,876,385</u>

Restricted cash and investments are restricted for payment of permits deposits payable. Cash and cash equivalents as of June 30, 2018, consist of the following:

Cash	\$ 783,991
Investments	<u>12,092,394</u>
Total cash and investments	<u>\$ 12,876,385</u>

**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, 2018, the Town’s investments were in LAIF and CalTrust in the amounts of \$3,217,902 and \$8,874,492, 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 & 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.



## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### **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, 2018, the Town's bank balance of \$775,556 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 & 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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS

**JUNE 30, 2018**

### 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	\$ 857,480	\$ -
Non-Major Funds:		
Public Safety Tax Fund	-	808,280
Special Revenue Funds:		
General Plan Update Fund	-	49,200
Total	<u>\$ 857,480</u>	<u>\$ 857,480</u>

### NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Additions & Adjustments	Retirements & Adjustments	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	624,855	194,934	(213,406)	606,383
Total Capital Assets Not Being Depreciated	<u>624,857</u>	<u>194,934</u>	<u>(213,406)</u>	<u>606,385</u>
Capital Assets, Being Depreciated:				
Land improvements	7,585,814	484,514	(175,688)	7,894,640
Buildings	1,545,297	158,171	(55,044)	1,648,424
Furniture and fixtures	38,374	-	(1,600)	36,774
Office equipment	173,469	2,687	(47,584)	128,572
Safety equipment	59,986	-	-	59,986
Software	39,280	21,484	-	60,764
Street and park equipment	119,731	9,740	-	129,471
Vehicles	425,917	22,406	(60,224)	388,099
Leased building under capital lease - Ross	457,824	-	-	457,824
Total Capital Assets Being Depreciated	<u>10,445,692</u>	<u>699,002</u>	<u>(340,140)</u>	<u>10,804,554</u>
Less Accumulated Depreciation For:				
Land improvements	1,565,066	469,693	(175,689)	1,859,070
Buildings	1,129,878	116,332	(55,044)	1,191,166
Furniture and fixtures	29,190	3,042	(1,600)	30,632
Office equipment	128,011	14,385	(47,584)	94,812
Safety equipment	46,946	3,704	-	50,650
Software	3,928	12,153	-	16,081
Street and park equipment	77,738	6,857	-	84,595
Vehicles	331,960	32,869	(60,224)	304,605
Capital Lease - Ross Rec	91,565	15,261	-	106,826
Total Accumulated Depreciation	<u>3,404,282</u>	<u>674,296</u>	<u>(340,141)</u>	<u>3,738,437</u>
Total Capital Assets, Being Depreciated, Net	<u>7,041,410</u>	<u>24,706</u>	<u>1</u>	<u>7,066,117</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,666,267</u>	<u>\$ 219,640</u>	<u>\$ (213,405)</u>	<u>\$ 7,672,502</u>

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### **NOTE 5 – CAPITAL ASSETS (Continued)**

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

General government	\$	86,682
Public safety		45,921
Planning		11,980
Public works		513,594
Recreation		16,119
Total Depreciation Expense - Governmental Activities	\$	<u>674,296</u>

#### **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, 2018, were as follows:

Year ending June 30	Lease Payments
2019	\$ 10,000
2020	10,000
2021	10,000
2022	10,000
2023	10,000
2024-2028	50,000
2029-2033	50,000
Thereafter to 2076	<u>430,000</u>
Total Minimum lease payments	580,000
Less: amount representing interest	<u>(391,805)</u>
Present value of minimum lease payments	188,195
Current portion	<u>(590)</u>
Long-term portion	<u>\$ 187,605</u>

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### ***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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 – PENSION PLAN (Continued)

The plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire Date	Classic	Tier 2	PEPRA
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
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	7.000%	6.250%
Required employer contribution rates	8.418%	7.200%	6.533%
Safety			
	Prior to January 1, 2013		
Hire Date	Classic		
Type of hire	Classic		
Formula	3% @ 55		
Benefit vesting schedule	5 years of service		
Benefit payments	monthly for life		
Retirement age	50-55		
Monthly benefits, as a % of annual salary	2.4% to 3.0%		
Required employee contribution rates	9.000%		
Required employer contribution rates	17.875%		

**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 FY 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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 – PENSION PLAN (Continued)

For the year ended June 30, 2018, the actuarial determined contributions for each Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$ 68,679	\$ 148,424	\$ 217,103
Unfunded liability lump sum payments	199,343	845,466	1,044,809
Total	<u>\$ 268,022</u>	<u>\$ 993,890</u>	<u>\$ 1,261,912</u>

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

As of June 30, 2018, 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	\$ 782,895
Safety	3,527,483
Total Net Pension Liability	<u>\$ 4,310,378</u>

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, 2017 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 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, 2017 and 2018 is as follows:

	Safety	Miscellaneous
Proportion - June 30, 2017	0.0609%	0.01964%
Proportion - June 30, 2018	0.0590%	0.01986%
Change - Increase (Decrease)	-0.0019%	0.00022%

At the year ended June 30, 2018, the Town recognized pension expense of \$192,663 in the Government-wide financial statement. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Miscellaneous Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 268,022	\$ -
Contributions in excess of proportionate share	55,926	(19,179)
Changes in assumptions	183,497	(13,992)
Difference in expected and actual experience	1,479	(21,188)
Adjustment due to differences in proportions	17,231	(96,617)
Net differences between projected and actual earnings	41,499	-
Total	<u>\$ 567,654</u>	<u>\$ (150,976)</u>

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 – PENSION PLAN (Continued)

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 993,890	\$ -
Contributions in excess of proportionate share	292,244	(99,658)
Changes in assumptions	778,574	(59,734)
Difference in expected and actual experience	53,685	(13,997)
Adjustment due to differences in proportions	30,352	(538,338)
Net differences between projected and actual earnings	169,760	-
Total	<u>\$ 2,318,505</u>	<u>\$ (711,727)</u>

  

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,261,912	\$ -
Contributions in excess of proportionate share	348,170	(118,837)
Changes in assumptions	962,071	(73,726)
Difference in expected and actual experience	55,164	(35,185)
Adjustment due to differences in proportions	47,583	(634,955)
Net differences between projected and actual earnings	211,259	-
Total	<u>\$ 2,886,159</u>	<u>\$ (862,703)</u>

The amount of \$1,261,913 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Miscellaneous Plan	Safety Police Plan	Total
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2019	\$ 33,425	\$ 85,064	\$ 118,489
2020	88,899	397,306	486,205
2021	50,971	229,852	280,823
2022	(24,639)	(99,332)	(123,971)
	<u>\$ 148,656</u>	<u>\$ 612,890</u>	<u>\$ 761,546</u>

**Onetime payment** –The Town made a onetime payment to CalPERS in the amount of \$820,394 to offset its prior service cost liability. This amount will substantially reduce the Town’s net pension liability and its future contribution requirements to CalPERS.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 7 – PENSION PLAN (Continued)

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
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, 2016 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, 2016 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.

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.



# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 – PENSION PLAN (Continued)

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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
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	\$ 1,387,752	\$ 6,099,570
Current Discount Rate	7.150%	7.150%
Net Pension Liability	\$ 782,895	\$ 3,527,483
1% Increase	8.150%	8.150%
Net Pension Liability	\$ 281,941	\$ 1,424,930

### Payable to the Pension Plan

At June 30, 2018, 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.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 9 – FUND BALANCES

As described in Note 2, the Town complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2014. 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 are composed of 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 expenditures	\$ 10,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,068
Total Nonspendable	10,068	-	-	-	-	-	-	10,068
Restricted:								
Grants for Safety	-	-	-	-	-	35,405	35,405	35,405
Streets and Roadway Projects and Related	-	-	883,810	349,974	-	-	349,974	1,233,784
Drainage Projects and Related	-	1,152,418	-	-	-	-	-	1,152,418
General Plan Compliance Costs	-	-	-	-	242,252	-	242,252	242,252
Total Restricted	-	1,152,418	883,810	349,974	242,252	35,405	627,631	2,663,859
Assigned:								
Recreation	417,031	-	-	-	-	-	-	417,031
Total Assigned	417,031	-	-	-	-	-	-	417,031
Unassigned:								
For Economic Uncertainties	1,500,000	-	-	-	-	-	-	1,500,000
For Facilities and Equipment	2,828,344	-	-	-	-	-	-	2,828,344
Remaining Unassigned	3,824,698	-	-	-	-	-	-	3,824,698
Total Unassigned	8,153,042	-	-	-	-	-	-	8,153,042
Total	\$ 8,580,141	\$ 1,152,418	\$ 883,810	\$ 349,974	\$ 242,252	\$ 35,405	\$ 627,631	\$ 11,244,000

### 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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### ***NOTE 9 – FUND BALANCES (Continued)***

##### ***Minimum Fund Balance Policy***

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

#### ***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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### ***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, 2018 was \$307,307 which reflects a net increase of \$35,454 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 \$10,954 for operating expenses and \$19,392 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 seven 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, 2018, the tax was \$69 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 PEG (Public, Education and Government) 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.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### ***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 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 \$33,299.

**Marin Major Crimes Task Force** – 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, 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. We also serve as a countywide investigations resource and will assist 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, 2018 was \$15,480.

**Marin Hazardous Materials Spills Management Authority** – The 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.

**Marin County Stormwater Pollution Prevention Program (MCSTOPPP)** – MCSTOPPP was formed in 1993 between the County of Marin and eleven cities and towns within Marin. The Town of Ross became a member in 2005. The goal of MCSTOPPP is to prevent storm water pollution, protect and enhance water quality in creeks and wetlands, preserve beneficial uses of local waterways, and comply with State and Federal regulations. MCSTOPPP is administered by the Marin County Flood Control and Water Conservation District with staffing provided by the Marin County Department of Public Works. The Marin General Services Authority provides budgetary and programmatic oversight. Member contributions are calculated using square miles and population factors. The Town’s contribution for the current fiscal year was \$10,175.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

**The 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 2017-18, the Town made \$1,859,101 in payments towards service provided by the Ross Valley Fire Department. The Town also made a payment of \$49,775 for apparatus replacement.

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 or beneficiaries currently receiving benefits payments	10
	<u>26</u>

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### **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, 2018, the Town's contributions were \$48,000 in the form of an implicit subsidy. An implicit subsidy is the difference between age-unadjusted premiums paid by the Town on behalf of the retiree and a calculated age-adjusted premium for the Town's retirees. Retirees receiving benefits contributes the difference between the current monthly premiums for the selected plan and the PEMHCA reimbursement amount, which at June 30, 2018 was \$133.00. 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, 2017 and the total OPEB Asset was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2018 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
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
US Large Cap	43%	7.8%
US Small Cap	23%	7.8%
Long-Term Corporate Bonds	12%	5.3%
Long-Term Government Bonds	6%	4.5%
Treasury Inflation Protected Securities	5%	8.0%
US Real Estate	8%	7.8%
All Commodities	3%	7.8%
	<u>100%</u>	

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### 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 at June 30, 2017	\$ 306,089	\$ 361,398	\$ (55,309)
Changes Recognized for Year:			
Service Cost	10,994	-	10,994
Interest	21,257	-	21,257
Changes of benefit terms	-	-	-
Difference in expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions	-	63,534	(63,534)
Net investment income	-	43,036	(43,036)
Administrative expenses	-	(363)	363
Benefit payments, including refunds of employee contributions	(15,534)	(15,534)	-
Net changes	16,717	90,673	(73,956)
Balance at June 30, 2018	\$ 322,806	\$ 452,071	\$ (129,265)

**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, 2018:

Plan's Net OPEB (Asset)		
Discount Rate - 1% (6%)	Current Discount Rate (7%)	Discount Rate +1% (8%)
\$ (89,880)	\$ (129,265)	\$ (162,058)



## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

---

#### **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 (3%) or one percentage higher than the current rate, for the year ended June 30, 2018:

Plan's Net OPEB (Asset)		
Trend Rate - 1% (3.00%)	Healthcare Cost Trend Rates (4.0%)	Trend Rate +1% (5.00%)
<u>\$ (162,763)</u>	<u>\$ (129,265)</u>	<u>\$ (89,749)</u>

**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, 2018, the Town recognized OPEB expense of (\$10,422). As of fiscal year ended June 30, 2018, the Town reported deferred outflows of resources related to OPEB in the amount of \$48,000 for its contributions subsequent to the measurement date. These contributions were in the form of implicit subsidies. This amount will be recognized as an OPEB expense in fiscal year 2019.

## TOWN OF ROSS

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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#### **NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The Town has implemented the provisions of the Statement as of June 30, 2018. However, due to the insignificant difference between the amounts that were reported on the accompanying financial statements under the provisions of the previous GASB 45 and the current GASB 75, the net position of the Town was not restated.

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town is evaluating its effect on the financial statements.

GASB Statement No. 87 – In June 2017, the 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 requirements of this Statement are effective for the reporting periods beginning December 15, 2019. The Town is evaluating its effect on the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# TOWN OF ROSS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 4,585,400	\$ 4,585,400	\$ 4,769,942	\$ 184,542
Intergovernmental	64,300	64,300	84,526	20,226
Building/public works permits	914,900	914,900	1,234,897	319,997
Investment earnings	255,380	255,380	329,782	74,402
Charges for services	1,423,700	1,423,700	1,371,739	(51,961)
Fines and forfeitures	18,000	18,000	15,894	(2,106)
Miscellaneous	287,500	287,500	351,593	64,093
Total Revenues	<u>7,549,180</u>	<u>7,549,180</u>	<u>8,158,373</u>	<u>609,193</u>
EXPENDITURES				
Current:				
General government	1,189,432	1,220,793	1,010,059	210,734
Planning	328,264	357,723	300,769	56,954
Public safety	3,848,073	4,343,073	4,307,765	35,308
Public works/Building	1,367,726	1,427,195	1,544,948	(117,753)
Recreation	1,123,841	1,128,946	1,125,175	3,771
Capital outlay	425,000	490,000	202,238	287,762
Debt service:				
Principal	562	562	562	-
Interest	9,438	9,438	9,438	-
Total Expenditures	<u>8,292,336</u>	<u>8,977,730</u>	<u>8,500,954</u>	<u>476,776</u>
Excess (Deficiency) of Revenues Over Expenditures	(743,156)	(1,428,550)	(342,581)	1,085,969
OTHER FINANCING SOURCES (USES)				
Transfers in	868,250	868,250	857,480	(10,770)
Net Change in Fund Balance	125,094	(560,300)	514,899	1,075,199
Fund Balance, Beginning of Year	8,065,243	8,065,243	8,065,243	-
Fund Balance, End of Year	<u>\$ 8,190,337</u>	<u>\$ 7,504,943</u>	<u>\$ 8,580,142</u>	<u>\$ 1,075,199</u>

**TOWN OF ROSS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
DRAINAGE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Intergovernmental	\$ 950,753	\$ 950,753	\$ 112,124	\$ (838,629)
Licenses and permits	200,000	200,000	160,458	(39,542)
Investment earnings	4,000	4,000	15,857	11,857
Total Revenues	<u>1,154,753</u>	<u>1,154,753</u>	<u>288,439</u>	<u>(866,314)</u>
EXPENDITURES				
Current:				
Public works	355,000	355,000	48,236	306,764
Capital outlay	955,000	955,000	293,575	661,425
Total Expenditures	<u>1,310,000</u>	<u>1,310,000</u>	<u>341,811</u>	<u>968,189</u>
Fund Balance, Beginning of Year	<u>1,205,787</u>	<u>1,205,787</u>	<u>1,205,790</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,050,540</u>	<u>\$ 1,050,540</u>	<u>\$ 1,152,418</u>	<u>\$ 101,875</u>

**TOWN OF ROSS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
ROADWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Intergovernmental	\$ 32,500	\$ 32,500	\$ 35,259	\$ 2,759
Licenses and permits	200,000	200,000	160,458	(39,542)
Investment earnings	3,000	3,000	12,245	9,245
Miscellaneous	70,000	70,000	-	(70,000)
Total Revenues	305,500	305,500	207,962	(97,538)
EXPENDITURES				
Current:				
Public works	65,000	65,000	29,032	35,968
Capital outlay	422,000	422,000	170,104	251,896
Total Expenditures	487,000	487,000	199,136	287,864
Excess (Deficiency) of Revenues Over Expenditures	(181,500)	(181,500)	8,826	190,326
Net Change in Fund Balance	(181,500)	(181,500)	8,826	190,326
Fund Balance, Beginning of Year	874,985	874,985	874,984	-
Fund Balance, End of Year	\$ 693,485	\$ 693,485	\$ 883,810	\$ 190,326

# TOWN OF ROSS

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

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

	Miscellaneous			
	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.01986%	0.01964%	0.02262%	0.02419%
Plan's proportionate share of the net pension liability	\$ 782,895	\$ 682,426	\$ 620,516	\$ 597,760
Plan's covered payroll	\$ 969,202	\$ 719,234	\$ 734,555	\$ 587,276
Plan's proportionate share of the net pension liability as a percentage of covered payroll	80.78%	94.88%	84.48%	101.79%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.39%	75.87%	79.89%	81.15%
	Safety			
	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.05904%	0.06092%	0.07105%	0.07650%
Plan's proportionate share of the net pension liability	\$ 3,527,483	\$ 3,155,417	\$ 2,927,626	\$ 2,869,504
Plan's covered payroll	\$ 936,025	\$ 878,002	\$ 817,494	\$ 766,634
Plan's proportionate share of the net pension liability as a percentage of covered payroll	372.80%	359.39%	358.12%	374.30%
Plan's fiduciary net position as a percentage of the plan's total pension liability	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, 2018

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

	Miscellaneous			
	2018	2017	2016	2015
Actuarially determined contributions	\$ 198,343	\$ 123,515	\$ 244,274	\$ 68,225
Contributions in relation to the actuarially determined contribution	(198,343)	(123,515)	(244,274)	(68,225)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 969,297	\$ 969,202	\$ 719,234	\$ 734,555
Contributions as a percentage of covered payroll	27.65%	12.74%	33.96%	9.29%
	Safety			
	2018	2017	2016	2015
Actuarially determined contributions	\$ 993,890	\$ 459,244	\$ 1,095,123	\$ 149,341
Contributions in relation to the actuarially determined contribution	(993,890)	(459,244)	(1,095,123)	(149,341)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 946,202	\$ 936,025	\$ 878,002	\$ 817,494
Contributions as a percentage of covered payroll	105.04%	48.54%	124.73%	18.27%

\* - 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, 2018

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

	Fiscal Year Ending June 30, 2018
<b>Total OPEB Liability</b>	
Service cost	\$ 10,994
Interest	21,257
Changes of benefit terms	-
Differences between expected and actual experience	-
Change of assumptions	-
Benefit payments, included refunds of employee contributions	(15,534)
Implicit rate subsidy fulfilled	-
Net change in total OPEB liability	16,717
Total OPEB liability - beginning of year	306,089
Total OPEB liability - end of year (a)	\$ 322,806
<b>Plan Fiduciary Net Position</b>	
Net investment income	\$ 43,036
Contributions	
Employer - explicit subsidy	63,534
Employer - implicit subsidy	-
Employee	-
Benefit payments, included refunds of employee contributions	(15,534)
Implicit rate subsidy fulfilled	-
Administrative expense	(363)
Other	-
Net change in plan fiduciary net position	90,673
Plan fiduciary net position - beginning of year	361,398
Plan fiduciary net position - end of year (b)	452,071
<b>Town's net OPEB liability - end of year = (a) - (b)</b>	<b>\$ (129,265)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	140.04%
Covered-employee payroll	1,915,500

\* - Fiscal year 2018 was the first year of implementation.

## TOWN OF ROSS

### SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

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

	<u>2018</u>
Actuarially determined contribution	\$ 48,000
Contributions in relation to the actuarially determined contribution	<u>(48,000)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 Covered employee-payroll	 \$ 1,915,500
Contributions as a percentage of covered-employee payroll	 <b>2.51%</b>

\* - Fiscal year 2018 was the first year of implementation.

## **SUPPLEMENTARY INFORMATION**

# TOWN OF ROSS

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2018

	Gas Tax	General Plan Update Fund	Citizens Option for Public Safety	Public Safety Tax Fund	Non-Major Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 360,663	\$ 241,108	\$ 35,240	\$ -	\$ 637,011
Accounts receivables	2,211	-	-	-	2,211
Interest receivables	1,713	1,144	165	-	3,022
Total Assets	<u>\$ 364,587</u>	<u>\$ 242,252</u>	<u>\$ 35,405</u>	<u>\$ -</u>	<u>\$ 642,244</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 14,613	\$ -	\$ -	\$ -	\$ 14,613
Total Liabilities	<u>14,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,613</u>
<b>FUND BALANCES</b>					
Restricted	349,974	242,252	35,405	-	627,631
Total Fund Balances	<u>349,974</u>	<u>242,252</u>	<u>35,405</u>	<u>-</u>	<u>627,631</u>
Total Liabilities and Fund Balances	<u>\$ 364,587</u>	<u>\$ 242,252</u>	<u>\$ 35,405</u>	<u>\$ -</u>	<u>\$ 642,244</u>

# TOWN OF ROSS

## NON-MAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	Gas Tax	General Plan Update Fund	Citizens Option for Public Safety	Public Safety Tax Fund	Non-Major Governmental Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 808,280	\$ 808,280
Intergovernmental	71,476	-	144,934	-	216,410
Building/public works permit	-	56,198	-	-	56,198
Investment earnings	5,037	3,676	532	-	9,245
Total Revenues	76,513	59,874	145,466	808,280	1,090,133
EXPENDITURES					
Current:					
Public safety	-	-	145,000	-	145,000
Public works/Building	36,623	-	-	-	36,623
Capital outlay	14,613	-	-	-	14,613
Total Expenditures	51,236	-	145,000	-	196,236
Revenues Over (Under)					
Expenditures	25,277	59,874	466	808,280	893,897
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(49,200)	-	(808,280)	(857,480)
Net Change in Fund Balances	25,277	10,674	466	-	36,417
Fund Balances, Beginning of Year	324,697	231,578	34,939	-	591,214
Fund Balances, End of Year	\$ 349,974	\$ 242,252	\$ 35,405	\$ -	\$ 627,631



**VAVRINEK, TRINE, DAY & CO., LLP**  
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To the Members of the Town Council of the Town of Ross  
Ross, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ross (the Town) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information previously in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Town's financial statements were management's estimate of depreciation on capital assets, the fair value of investments, net pension liability, and deferred inflows and outflows of resources related to pensions. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of actuarial information related to pension benefits in Note 7, and other post employment benefits in Note 13. We relied on actuaries to provide much of the information contained in these footnotes.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 29, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, budgetary comparison information, the other postemployment benefit plan changes in net OPEB liabilities, contributions and related ratios, the schedule of proportionate share of the net pension liability, contributions and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the nonmajor governmental fund combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

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

*Vavrinck, Trine, Day & Co. LLP*

Palo Alto, California  
October 29, 2018



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**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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 29, 2018.

**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.

**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.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California  
October 29, 2018

**TOWN OF  
ROSS  
Ross, California**

**Independent Accountants' Report On  
Appropriations Limit Calculation**

**For The Year Ended  
June 30, 2018**



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## **INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT UNDER ARTICLE XIII-B 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, (the 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 XIII-B 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.

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.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
October 29, 2018