

TOWN OF ROSS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

TOWN OF ROSS

TABLE OF CONTENTS
JUNE 30, 2007

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities and Changes in Net assets	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	27
Supplementary Information	
Non-Major Governmental Funds	
Combining Balance Sheet	28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	30
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 <i>Governmental Auditing Standards</i>	32
Independent Auditors' Report on Agreed – Upon Procedures Applied to Appropriations Limit Worksheets	34



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross, California, as of and for the year ended June 30, 2007, which collectively comprise the Town of Ross's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ross's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross as of June 30, 2007, and the respective changes in financial positions thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2009, on our consideration of the Town of Ross internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering results of our audit.

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

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
June 30, 2009

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2007, for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's Financial Statements.

FISCAL YEAR 2006-2007 FINANCIAL HIGHLIGHTS

- The Government-wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the Town's assets to be \$9.0 million, liabilities of \$1.6 million and net assets of \$7.4 million.
- Total Town's revenues were \$5.9 million compared with total expenses of \$5.7 million, resulting in an increase in net assets for the fiscal year ended June 30, 2007 of \$.2 million.
- The Town's net capital assets totaled \$1.5 million at June 30, 2007, representing 16.6% of the Town's total assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in three parts:

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

The Basic Financial Statements

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

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

All of the Town's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Assets and Statement of Activities and Changes in Net Assets are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities as a whole. In the case of the Town of Ross, there are no business-type activities as of June 30, 2007.

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

The Government-wide Financial Statements

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

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

Business-type activities – Enterprise activities are reported here; they would include activities such as water, sewer, and utilities. Unlike governmental services, these services are supported by charges paid by users based on the amount of services used. The Town of Ross does not have any business-type activities at this time.

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

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Fund Financial Statements

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

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

Internal Service Funds – The Town has no internal service funds at June 30, 2007.

Enterprise Funds – The Town has no enterprise funds at June 30, 2007.

Proprietary Funds – The Town has no proprietary funds at June 30, 2007.

Fiduciary Funds – The Town has no fiduciary funds at June 30, 2007.

Notes to the Financial Statements:

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

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules

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

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

Government-wide Analysis

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

\$1,492,685 or 16.6% of the Town's net assets are capital assets (e.g., land, buildings, general government infrastructure, equipment, etc.). This is a net decrease of \$305,082 from the prior year, largely due to depreciation.

\$5,878,482 or 80% of the Town's net assets are unrestricted, which is a net increase of \$514,047 or 9.58%, over the prior year.

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

	2006	2007	Net Change	% change
ASSETS				
Cash	\$ 6,453,585	\$ 7,297,328	\$ 843,743	13.07%
Accounts receivables:	215,007	182,369	(32,638)	-15.18%
Deposits	20	20	-	
Capital assets, net of accumulated depreciation	1,797,768	1,492,685	(305,083)	-16.97%
Total Assets	<u>8,466,380</u>	<u>8,972,402</u>	<u>506,022</u>	5.98%
LIABILITIES				
Accounts payable	40,580	288,882	248,302	611.88%
Accrued liabilities	83,823	92,133	8,310	9.91%
Deposits payable	808,129	744,953	(63,176)	-7.82%
Accrued compensated absences	371,645	475,267	103,622	27.88%
Total Liabilities	<u>1,304,177</u>	<u>1,601,235</u>	<u>297,058</u>	22.78%
NET ASSETS				
Invested in capital assets, net of related debt	1,797,768	1,492,685	(305,083)	-16.97%
Unrestricted	5,364,435	5,878,482	514,047	9.58%
Total Net Assets	<u>\$ 7,162,203</u>	<u>\$ 7,371,167</u>	<u>\$ 208,964</u>	2.92%

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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

	2006	2007	Net Change	% change
REVENUES				
Program revenues:				
Charge of services	\$ 698,774	\$ 1,616,489	\$ 917,715	131.33%
Operating contributions and grants	126,869	119,657	(7,212)	-5.68%
General revenues:				
Property taxes	2,181,853	2,264,218	82,365	3.78%
Other taxes	881,471	866,727	(14,744)	-1.67%
Investment earnings	183,350	305,399	122,049	66.57%
Other	1,270,416	775,666	(494,750)	-38.94%
Total Revenues	5,342,733	5,948,156	605,423	11.33%
EXPENSES:				
General government	1,787,376	1,154,477	(632,899)	-35.41%
Public safety	2,128,872	2,802,497	673,625	31.64%
Community development	999,289	1,782,218	782,929	78.35%
Total expenses	4,915,537	5,739,192	823,655	16.76%
Increase(Decrease) in net assets	427,196	208,964	(218,232)	-51.08%
Net assets beginning of year	6,735,007	7,162,203	427,196	6.34%
Net assets end of year	\$ 7,162,203	\$ 7,371,167	\$ 208,964	2.92%

Major funds

General Fund Highlights

General Fund Revenues - General governmental revenues for the year ended June 30, 2007, increased by \$564,932 or 11.9% over the prior fiscal year.

- Taxes increased approximately \$252,426 or 7.5% over the prior fiscal year.
- Revenues from use of money and property increased approximately \$81,000 or 23% from the prior fiscal year.

General Fund Expenditures – Expenditures for the year ended June 30, 2007, decreased by approximately \$207,930 or 4.5% from the prior fiscal year.

- General Government decreased by approximately \$183,900 or 18% under the prior fiscal year.
- Capital Outlay decreased by approximately \$340,500 or 58% from the prior fiscal year.

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

General Fund Budgetary Highlights

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

Actual revenue exceeded budgeted revenue amounts by \$455,963. Every revenue category exceeded the budget with the largest increases in the areas of revenue from use of money and property, intergovernmental and charges for services which accounted for a combined \$334,461 increase over budget.

Total actual expenditures were \$4,441,883 which was only \$416 lower than the original budgeted amount.

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$1,492,685. This figure does not include Town infrastructure such as roads and bridges constructed prior to June 30, 2005. The cumulative historical cost figures before June 30, 2005 may be added in the future at management's discretion, but all additional infrastructure from June 30, 2005 forward will be recorded and accounted for. Additional detail on capital assets can be found in footnote #5 to these financial statements.

Long - Term Obligations

The Town's long-term obligations consist of deposits held in the amount of \$744,953 and accrued compensated absences in the amount of \$475,267. Additional information on compensated absences can be found in footnote #10 to these financial statements.

Economic Outlook and Next Year's Budget

General Fund Revenues for fiscal year ending June 30, 2008 are anticipated to be relatively flat with no significant increase in property values or increase in parcel taxes.

General Fund Expenditures for fiscal year ending June 30, 2008 are anticipated to moderately increase in public safety due to an increase in public safety personnel.

REQUEST FOR FINANCIAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROSS

STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,523,882
Restricted assets - cash and investments	773,446
Accounts receivables:	182,369
Deposits	20
Capital assets, net of accumulated depreciation	1,492,685
Total Assets	<u>8,972,402</u>
LIABILITIES	
Accounts payable	288,882
Accrued liabilities	92,133
Accrued compensated absences	475,267
Deposits payable from restricted assets	744,953
Total Liabilities	<u>1,601,235</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,492,685
Unrestricted	5,878,482
Total Net Assets	<u>\$ 7,371,167</u>

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

TOWN OF ROSS

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Expenses	Program Revenues		(Expense) and Change in Net Assets
		Charges for Services	Operating Contributions and Grants	Total Governmental Activities
Governmental Activities:				
General government	\$ 1,154,477	\$ 628,886	\$ 4,495	\$ (521,096)
Public safety	2,802,497	24,939	115,162	(2,662,396)
Public Works	1,782,218	962,664	-	(819,554)
Total Primary Government	\$ 5,739,192	\$ 1,616,489	\$ 119,657	(4,003,046)

General Revenues:

Taxes:

Property tax	2,264,218
Sales tax	663,996
Franchise tax	136,390
Real property transfer tax	66,341
Motor vehicle taxes	173,593
Investment earnings	305,399
Other revenue	602,073
Total General Revenues	4,212,010
Change in Net Assets	208,964
Net Assets, Beginning of Year	7,162,203
Net Assets, End of Year	\$ 7,371,167

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

FUND FINANCIAL STATEMENTS

TOWN OF ROSS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	General	Non-Major Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 4,918,837	\$ 1,605,045	\$ 6,523,882
Restricted assets - cash	773,446	-	773,446
Due from other funds	4,386	35,344	39,730
Accounts receivables	150,432	31,937	182,369
Deposits	20	-	20
Total Assets	<u>\$ 5,847,121</u>	<u>\$ 1,672,326</u>	<u>\$ 7,519,447</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 2,346	\$ 37,384	\$ 39,730
Accounts payable	218,668	70,214	288,882
Accrued liabilities	92,133	-	92,133
Deposits payable from restricted assets	744,953	-	744,953
Total Liabilities	<u>1,058,100</u>	<u>107,598</u>	<u>1,165,698</u>
FUND BALANCES			
Unreserved/undesignated	<u>4,789,021</u>	<u>1,564,728</u>	<u>6,353,749</u>
Total Fund Balances	<u>4,789,021</u>	<u>1,564,728</u>	<u>6,353,749</u>
Total Liabilities and Fund Balances	<u>\$ 5,847,121</u>	<u>\$ 1,672,326</u>	<u>\$ 7,519,447</u>

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

TOWN OF ROSS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Fund Balances of Governmental Funds	\$ 6,353,749
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of governmental activities are not financial resources and therefore are not reported in the governmental funds	1,492,685
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(475,267)</u>
Net Assets of Governmental Activities	<u>\$ 7,371,167</u>

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

TOWN OF ROSS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2007

	General	Non-Major Governmental Funds	Total
REVENUES			
Taxes	\$ 3,315,751	\$ -	\$ 3,315,751
Intergovernmental	584,070	164,926	748,996
Licenses and permits	398,879	399,121	798,000
Revenue from use of money and property	426,761	65,315	492,076
Charges for services	447,038	-	447,038
Fines and forfeitures	22,989	-	22,989
Miscellaneous	123,306	-	123,306
Total Revenues	5,318,794	629,362	5,948,156
EXPENDITURES			
Current:			
General government	830,017	19,378	849,395
Public safety	2,564,939	133,936	2,698,875
Public works	805,998	735,291	1,541,289
Capital outlay	240,929	-	240,929
Total Expenditures	4,441,883	888,605	5,330,488
Excess (Deficiency) of Revenues Over Expenditures	876,911	(259,243)	617,668
OTHER FINANCING SOURCES (USES)			
Transfers in	49,293	2,347	51,640
Transfers out	-	(51,640)	(51,640)
Total Other Financing Sources (Uses)	49,293	(49,293)	-
Net Change in Fund Balances	926,204	(308,536)	617,668
Fund Balances, Beginning of Year	3,862,817	1,873,264	5,736,081
Fund Balances, End of Year	\$ 4,789,021	\$ 1,564,728	\$ 6,353,749

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

TOWN OF ROSS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 617,668

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

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

Cost of assets capitalized	63,594
Depreciation expense	(368,676)

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

(103,622)

Change in Net Assets of Governmental Activities

\$ 208,964

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 – GENERAL

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

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

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

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements

In order to ensure the proper identification of individual revenue sources and expenditures made from those revenues, the accounts of the Town are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The Town's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in the statements of net assets reflected in the Government-Wide Financial Statements. The Town has presented all major funds that met the qualifications of GASB Statement No. 34.

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

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

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major governmental funds:

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

Stewardship, Compliance and Accountability

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

C. Budgetary Accounting

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

D. Capital Assets

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

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

E. Interfund Transactions

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

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

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

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

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenue is recognized in accordance with applicable GASB pronouncements; that is, in the fiscal year for which the taxes have been levied provided they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period. The County of Marin remits the entire amount of the tax levy to the Town (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties.

G. Compensated Absences

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

H. Estimates

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

I. Cash and Cash Equivalents

For the purpose of the statement of cash flows, 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.

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Restricted Resources

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

NOTE 3 – CASH AND INVESTMENTS

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

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

Summary of Deposits and Investments

Cash and cash equivalents as of June 30, 2007, consist of the following:

Cash on hand	\$	400
Cash with financial institutions		91,932
Investments		7,204,996
Total Deposits and Investments	\$	<u>7,297,328</u>

Cash and Investments

Cash and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Cash and investments	\$	6,523,882
Restricted cash and investments		773,446
	\$	<u>7,297,328</u>

Policies and Practices

The Town is authorized under California Government Code and the Town’s investment policy to make direct investments in U.S. Treasury instruments and securities of the U.S. Government, the Local Agency Investment Fund (LAIF), and federally insured deposits in commercial banks and savings and loan associations in the local area.

The Town’s investments were in compliance with the above provisions as of and for the year ended June 30, 2007.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

General Authorizations

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

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

Interest Rate Risk

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

As of June 30, 2007, the City had the following investments.

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
Federal Home Loan Bank	\$ 225,000	\$ 225,000	\$ -	\$ -
Federal Home Loan Note	150,000	150,000	-	-
Certificates of Deposits	1,018,965	918,965	100,000	-
Money Market Mutual Funds	126,727	126,727	-	-
State Investment Pool	5,684,304	4,643,174	-	-
Total	\$ 7,204,996	\$ 6,063,866	\$ 100,000	\$ -

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

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.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	A	Unrated
Federal Home Loan Bank	\$ 225,000	AA	\$ 225,000	\$ -	\$ -
Federal Home Loan Note	150,000	AA	150,000	-	-
Certificates of Deposits	1,018,965	n/a	-	-	1,018,965
Money Market Mutual Funds	126,727	A	-	126,727	-
State Investment Pool	5,684,304	n/a	-	-	5,684,304
Total	\$ 7,204,996		\$ 375,000	\$ 126,727	\$ 6,703,269

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Town's deposits may not be returned. The Town's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2007, the Town's bank balance of \$223,283, with a reported balance of \$91,932, 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.

Investment in the State Investment Pool

The Town is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in the pool

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 – CASH AND INVESTMENTS (Continued)

is reported in the accompanying financial statement at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, and is recorded on the amortized cost basis.

NOTE 4 – INTERFUND TRANSFERS

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

	Transfer In	Transfer Out
General Fund	\$ 49,293	\$ -
Special Revenue Funds:		
Building Permit Excess Reserve	2,347	-
General Plan	-	30,000
Equipment Replacement	-	21,640
Total	<u>\$ 51,640</u>	<u>\$ 51,640</u>

TOWN OF ROSS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure on a prospective basis in the Government-wide Statement of Net Assets. The Town elected to use the basic approach as defined by GASB Statement No. 34, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2007.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Land improvements	\$ 154,494	\$ -	\$ -	\$ 154,494
Buildings	1,403,991	-	-	1,403,991
Furniture and fixtures	55,774	13,742	-	69,516
Office equipment	191,001	-	-	191,001
Safety equipment	1,018,160	-	-	1,018,160
Street and park equipment	112,722	-	-	112,722
Vehicles	672,821	49,852	-	722,673
Total Capital Assets Being Depreciated	3,608,963	63,594	-	3,672,557
Less Accumulated Depreciation For:				
Land improvements	50,111	16,707	-	66,818
Buildings	476,968	81,667	-	558,635
Furniture and fixtures	34,545	10,064	-	44,609
Office equipment	156,925	31,697	-	188,622
Safety equipment	434,747	126,995	-	561,742
Street and park equipment	84,055	14,106	-	98,161
Vehicles	573,845	87,440	-	661,285
Total Accumulated Depreciation	1,811,196	368,676	-	2,179,872
Total Capital Assets, Being Depreciated, Net	\$ 1,797,767	\$ (305,082)	\$ -	\$ 1,492,685

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

General government	\$ 368,676
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TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 6 – PENSION PLAN

A. PERS Plan Description

Plan Description. The Town of Ross's defined benefit pension plans (the Miscellaneous and Safety Plans) provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Town of Ross selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, California, 95814.

Funding Policy. Active plan members in the Miscellaneous Plan are not required to contribute any of their annual covered salary, while active plan members in the Safety Plan are required to contribute 9.0% of their annual covered salary that is paid by the Town on the employees' behalf. The Town contributes 100% of the miscellaneous employees' required contribution and 50% of the safety employee's required contributions. The Town of Ross is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-2007 was 11.944% for miscellaneous employees and 21.339% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost. For fiscal year 2006-2007, the Town of Ross's annual pension cost was \$468,414 and was equal to the Town's required and actual contributions. The required contribution for fiscal year 2006-2007 was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 8.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members; and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period ends June 30, 2022 for current services and June 30, 2015, for prior service.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 6 – PENSION PLAN (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 276,675	100%	\$ -
6/30/2006	380,677	100%	-
6/30/2007	468,414	100%	-

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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

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

The Town participates in a Public Entity Risk Pool. See Note #9 for details.

NOTE 8 - NATURE AND PURPOSE OF REPORTED RESERVES AND DESIGNATIONS

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

The Town had no reservations or designations of fund balance at June 30, 2007.

TOWN OF ROSS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 9 – RISK MANAGEMENT

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

Audited and condensed financial information for ABAG is presented below for the year ended June 30, 2007.

Total assets	\$ 56,628,845
Total liabilities	\$ 3,932,695
Net assets	\$ 1,730,150
Total revenues	\$ 15,842,171
Total expenses	\$ 15,667,976
Net decrease in net assets	\$ 174,195

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

The Town has the following coverage:

General liability coverage that includes automobile liability for \$10,000,000 per occurrence after the town's deductible is \$25,000.

All risk property coverage of \$100,000,000 excluding flood and earthquake coverage, after the town's deductible of \$5,000 for property damage and \$10,000 for vehicle damage.

Public officials bond insurance of \$1,000,000 with a deductible of \$5,000

NOTE 10 – ACCRUED COMPENSATED ABSENCES

Compensated absences include vacation, compensatory, and sick time. Accrued and unpaid compensated absences are recorded as a liability on the Statement of Net Assets and on the Governmental Funds Statement and are expensed when paid. It is the Town's policy to liquidate any unpaid compensated absences at June 30 from the General Fund with currently available financial resources. The outstanding balance at June 30, 2007 was \$475,267 which reflects a net increase of \$103,622 over the prior year.

NOTE 11 – PARTICIPATION IN JOINT POWERS AGREEMENTS

Town of Ross is a Board Member of the Marin Emergency Radio Authority (MERA), a public agency consisting of Marin County, all cities and towns within Marin County, as well as fire districts and other special districts. MERA was founded in February 1997 to develop a proposal for a county-wide regional communications system to replace the existing inoperable and obsolete system with a state-of-the-art digital emergency communications system. As a participant in this JPA and a user of the new system, Town of Ross makes an annual contribution to MERA to help fund the cost of this county-wide system. The contribution for the current year was \$17,282.

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, 2007**

	Budgeted Amounts Original/Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 3,307,673	\$ 3,315,751	\$ 8,078
Intergovernmental	508,958	584,070	75,112
Licenses and permits	377,000	398,879	21,879
Revenue from use of money and property	294,200	426,761	132,561
Charges for services	320,250	447,038	126,788
Fines and penalties	20,000	22,989	2,989
Miscellaneous	34,750	123,306	88,556
Total Revenues	4,862,831	5,318,794	455,963
EXPENDITURES			
Current:			
General government	866,650	830,017	36,633
Public safety	2,520,073	2,564,939	(44,866)
Public works	754,282	805,998	(51,716)
Capital outlay	301,294	240,929	60,365
Total Expenditures	4,442,299	4,441,883	416
Excess (Deficiency) of Revenues Over Expenditures	420,532	876,911	456,379
OTHER FINANCING SOURCES (USES)			
Transfers in	51,640	49,293	(2,347)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	51,640	49,293	(2,347)
Net Change in Fund Balance	472,172	926,204	454,032
Fund Balance, Beginning of Year	3,862,817	3,862,817	-
Fund Balance, End of Year	\$ 4,334,989	\$ 4,789,021	\$ 454,032

SUPPLEMENTARY INFORMATION

TOWN OF ROSS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007**

	Gas Tax	Roadway Improvement	Park Fund	Drainage Fund
ASSETS				
Cash	\$ 24,007	\$ 48,698	\$ (21,799)	\$ 458,482
Investments	-	59,821	78	184,067
Due from other funds	-	-	35,344	-
Accounts receivables	-	4,549	1	7,059
Total Assets	\$ 24,007	\$ 113,068	\$ 13,624	\$ 649,608
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 63,484	\$ -	\$ 6,308
Due to other funds	-	10,972	-	1,317
Total Liabilities	-	74,456	-	7,625
FUND BALANCES				
Unreserved/Undesignated	24,007	38,612	13,624	641,983
Total Fund Balances	24,007	38,612	13,624	641,983
Total Liabilities and Fund Balances	\$ 24,007	\$ 113,068	\$ 13,624	\$ 649,608

Drainage Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Certificated Law Enforcement Executive Program Fund	Community Oriented Policing Services Fund	Equipment Replacement Fund	Total Non-major Governmental Funds
\$ 642,549	\$ 29,460	\$ 292,363	\$ 48,795	\$ 156,408	\$ 324,665	\$ 1,605,045
-	-	-	-	-	-	35,344
7,059	3,235	7,366	1,314	19	8,394	31,937
<u>\$ 649,608</u>	<u>\$ 32,695</u>	<u>\$ 299,729</u>	<u>\$ 50,109</u>	<u>\$ 156,427</u>	<u>\$ 333,059</u>	<u>\$ 1,672,326</u>
\$ 6,308	\$ -	\$ 375	\$ 47	\$ -	\$ -	\$ 70,214
1,317	10,486	-	567	8,812	5,230	37,384
7,625	10,486	375	614	8,812	5,230	107,598
641,983	22,209	299,355	49,495	147,614	327,829	1,564,728
641,983	22,209	299,355	49,495	147,614	327,829	1,564,728
<u>\$ 649,608</u>	<u>\$ 32,695</u>	<u>\$ 299,730</u>	<u>\$ 50,109</u>	<u>\$ 156,426</u>	<u>\$ 333,059</u>	<u>\$ 1,672,326</u>

TOWN OF ROSS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007**

	Gas Tax Fund	Roadway Improvement	Park Fund	Drainage Fund
REVENUES				
Intergovernmental	\$ 64,926	\$ -	\$ -	\$ -
Licenses and permits	-	182,772	-	176,741
Revenue from use of money and property	-	3,816	-	11,762
Total Revenues	64,926	186,588	-	188,503
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and parks	50,227	432,184	-	191,723
Total Expenditures	50,227	432,184	-	191,723
Excess (Deficiency) of Revenues Over Expenditures	14,699	(245,596)	-	(3,220)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	14,699	(245,596)	-	(3,220)
Fund Balances, Beginning of Year	9,308	284,208	13,624	645,203
Fund Balances, End of Year	\$ 24,007	\$ 38,612	\$ 13,624	\$ 641,983

General Plan Update Fund	Building Permit Excess Reserve Fund	Certificated Law Enforcement Executive Program Fund	Community Oriented Policing Services Fund	Equipment Replacement Fund	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 164,926
39,608	-	-	-	-	399,121
5,127	19,031	3,445	193	21,941	65,315
44,735	19,031	3,445	100,193	21,941	629,362
-	19,378	-	-	-	19,378
-	-	15,182	118,754	-	133,936
61,157	-	-	-	-	735,291
61,157	19,378	15,182	118,754	-	888,605
(16,422)	(347)	(11,737)	(18,561)	21,941	(259,243)
-	2,347	-	-	-	2,347
(30,000)	-	-	-	(21,640)	(51,640)
(30,000)	2,347	-	-	(21,640)	(49,293)
(46,422)	2,000	(11,737)	(18,561)	301	(308,536)
68,631	297,355	61,232	166,175	327,528	1,873,264
\$ 22,209	\$ 299,355	\$ 49,495	\$ 147,614	\$ 327,829	\$ 1,564,728



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross as of and for the year ended June 30, 2007, and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Mayor, Town Council, management, and the State Controller's office and is not intended to be and should not be used by anyone other than these specified parties.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
June 30, 2009



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

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

We have performed the procedures enumerated below to the Appropriations Limit worksheet No. 6 (or other alternative computation) of the Town of Ross, for the year ended June 30, 2007. These procedures, which were agreed to by the Town of Ross, and the League of California Cities (as presented in the League publication entitled Article XIII B Appropriations Limitation Uniform Guidelines) were performed solely to assist the Town of Ross, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The Town of Ross management is responsible for the Appropriations Limit worksheet No. 6 (or other alternative calculations).

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

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets No. 1 through No. 7 (or other alternative computations) and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Town Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Town Council.

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

2. For the Appropriations Limit worksheet No. 6, we added line A, last year's limit, to line F, total adjustments, and compared the resulting amount in line F, this year's limit.

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

3. We compared the current year information in the Appropriations Limit worksheet No. 6 to the prior year appropriations limit adopted by the Town Council for the prior year.

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

4. We compared the prior year appropriations limit in the Appropriations Limit worksheet No. 6 to the prior year appropriations limit adopted by the Town Council for the prior year.

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

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Appropriations Limit worksheet No. 6 (or other alternative computation). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by *Article XIII-B of the California Constitution*.

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

Varrinek, Trine, Day & Co. LLP.

Pleasanton, California
June 30, 2009