

**TOWN OF ROSS**

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**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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# TOWN OF ROSS

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ross, California (Town), as of and for the year ended June 30, 2014, 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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.

### ***Basis for Adverse Opinion on Discretely Presented Component Unit***

The financial statements referred to above do not include financial data for the Ross Park and Recreation Committee, the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the Town's primary government unless the Town also issues audited financial statements for the financial reporting entity that include the financial data for its component unit. The Town has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been presented as \$1.7 million, \$0.5 million, \$1.2 million, \$1.1 million, and \$0.9 million respectively.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Town as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2014, 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.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross, California, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other postemployment benefit plan schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements 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 February 10, 2015, on our consideration of the Town of Ross, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ross, California's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California  
February 10, 2015

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2014, for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's financial statements.

### FISCAL YEAR 2013-2014 FINANCIAL HIGHLIGHTS

The Government-Wide Statement of Net Position, the first statement of the Basic Financial Statements, shows Town assets of \$14.8M, liabilities of \$2.3M for a net position of \$12.5M. Net position was \$2.3M more than the prior year.

The Fund Financial Statements show total Town revenues of \$7.5 million and total expenditures of \$6.2 million. After adding in \$83K in proceeds from debt, the fund balance is \$1.4M higher than it was at the beginning of the year. This positive change was primarily the result of increased revenues from property taxes and building related activities.

In November 2012 the residents of Ross approved Measure D, a special tax for maintaining public safety services for a period of four years at a maximum rate of \$950 per parcel. In fiscal year ended June 30, 2014, the parcel tax was set at \$950 which was offset by monies refunded back from the Legal Defense Fund for a net charge to residents of \$850 per parcel resulting in \$710K in revenue. This revenue was transferred into the General Fund to partially offset the cost of providing public safety services.

Several public works projects were completed: Bolinas Safe Pathways which was funded by a Transportation Authority of Marin Measure A grant; creek bank stabilization behind Town Hall funded by drainage impact fees; road reconstruction projects funded by Gas Tax monies, Road Impact Fees, and Transportation Authority of Marin Measure A and B funds; and Post Office parking lot overlay.

A new sound/audio system was installed in council chambers.

### 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
4. Other supplemental information

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

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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**Government-wide Financial Statements** provide a long-term view of the Town's activities as a whole and comprise the Statement of Net Position and Statement of Activities and Changes in Net Position. The Statement of Net Position provides information about the financial position of the Town as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to the basis used by private companies. The Statement of Activities and Changes in Net Position provides information about the Town's revenues and expenses, on a full accrual basis, with the emphasis on measuring net revenues 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, public safety, and public works. 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 and business-type activities. In the case of the Town of Ross, there are no business-type activities as of June 30, 2014.

**Fund Financial Statements** report the Town's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Town's General Fund and other major funds. Unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Fund Financial Statements measure only current revenue and expenditures on the modified accrual basis, which means they measure only current financial resources and uses. The balance sheets exclude capital assets, long-term debt, and other long-term amounts. Major funds account for the major financial activities of the Town and are presented individually, while activities of non-major funds are presented in summary, with supplementary schedules presenting the detail for each of these funds. Major funds are explained in footnote 2.

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

**Government-Wide Financial Analysis**

The Town has presented its financial statement in accordance with GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Comparative financial information is provided in Tables 1 and 2.

	2014	2013	Net change	% Change
<b>ASSETS</b>				
Cash and investments	\$ 9,118,816	\$ 7,395,888	\$ 1,722,928	23.30%
Receivables	155,899	198,305	(42,406)	-21.38%
Deposits and prepaid expenses	-	500	(500)	-100.00%
Capital assets, net of accumulated depreciation	5,475,750	4,855,088	620,662	12.78%
Total Assets	<u>14,750,465</u>	<u>12,449,781</u>	<u>2,300,684</u>	<u>18.48%</u>
<b>LIABILITIES</b>				
Accounts payable	179,163	161,986	17,177	10.60%
Accrued and other liabilities	79,275	102,523	(23,248)	-22.68%
Interest payable	20,338	18,197	2,141	11.77%
Permit deposits payable	906,196	648,753	257,443	39.68%
Accrued compensated absences	254,959	239,386	15,573	6.51%
Long-term debt				
Due within one year	30,216	205,851	(175,635)	-85.32%
Due in more than one year	588,348	742,995	(154,647)	-20.81%
Other Post Employment Benefits	217,908	215,768	2,140	0.99%
Total Liabilities	<u>2,276,403</u>	<u>2,335,459</u>	<u>(59,056)</u>	<u>-2.53%</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,447,681	4,827,019	620,662	12.86%
Restricted	2,103,381	1,647,276	456,105	27.69%
Unrestricted	4,923,000	3,640,027	1,282,973	35.25%
Total Net Position	<u>\$ 12,474,062</u>	<u>\$ 10,114,322</u>	<u>\$ 2,359,740</u>	<u>23.33%</u>



TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

**Analysis of the Statement of Activities**

**Statement of Activities and Change in Net Position**

**Table 2**

	2014	2013	Net change	% Change
<b>REVENUES</b>				
Program Revenues:				
Charge for services	\$ 1,426,768	\$ 1,128,975	\$ 297,793	26.38%
Operating and capital contributions and grants	1,331,866	916,279	415,587	45.36%
General revenues:				
Property taxes	3,489,694	3,216,296	273,398	8.50%
Public safety tax	710,622	-	710,622	100.00%
Other taxes <sup>1</sup>	278,250	273,270	4,980	1.82%
Investment earnings	18,385	12,317	6,068	49.27%
Other <sup>2</sup>	265,592	407,234	(141,642)	-34.78%
Total Revenues	<u>7,521,177</u>	<u>5,954,371</u>	<u>1,566,806</u>	<u>26.31%</u>
<b>EXPENSES</b>				
General Government	965,196	938,506	26,690	2.84%
Public Safety	3,166,565	4,944,954	(1,778,389)	-35.96%
Public Works	1,011,329	1,006,626	4,703	0.47%
Interest on long-term debt	18,347	18,197	150	0.82%
Total Expenses	<u>5,161,437</u>	<u>6,908,283</u>	<u>(1,746,846)</u>	<u>-25.29%</u>
Increase (Decrease) in net position	2,359,740	(953,912)	3,313,652	-347.38%
Net position beginning of year	10,114,322	11,068,234	(953,912)	-8.62%
Net position end of year	<u>\$ 12,474,062</u>	<u>\$ 10,114,322</u>	<u>\$ 2,359,740</u>	<u>23.33%</u>

<sup>1</sup> Other Taxes are sales, franchise, and property transfer tax

<sup>2</sup> Other revenue is rental income, reimbursements of Town costs, and miscellaneous

Net position increased \$2.4M. Revenues increased \$1.6M over the prior year due to increases in property taxes, building and planning related income, and public safety tax revenue which wasn't received in the prior year and construction development fees. Expenses decreased \$1.7 over the prior year primarily because the prior year included a one-time expense related to payoff of CalPERS side fund debt in the amount of \$1.5M.

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### **GOVERNMENTAL FUNDS – MAJOR FUNDS HIGHLIGHTS**

**General Fund revenues** for the year ended June 30, 2014 increased by \$290K over the prior year. In addition \$711K was transferred into the General Fund from the Public Safety Tax Fund.

Taxes increased \$280K mostly due to increases in assessed values of property and a one-time increase in ERAF (Excess Revenue Augmentation Funds)

Licenses and permits were up \$135K mostly due to an increase in building permit revenue of \$412K. Construction penalties decreased \$302K.

Revenues from use of money and property increased \$22K due to changes in composition of the investment portfolio.

Charges for services were up \$159K primarily because of increases in technology fees.

Miscellaneous revenue was down \$320K because several one-time revenues including the sale of a parcel of land and contributions from residents were received in the prior year.

**General Fund expenditures** for the year ended June 30, 2014 decreased \$1.1million from the prior year.

General Government increased \$29K or 3% over the prior fiscal year.

Public Safety decreased \$1.6 million or -36% from the prior fiscal year primarily due to the fact that prior year expenditures included a one-time expenditure of \$1.4M to payoff CalPERS side fund debt and \$103K expense related to retiring fire chief.

Public Works increased \$55K or 7% over the prior fiscal year.

Capital Expenditures increased \$77K over the prior fiscal year.

### **Drainage Fund Highlights**

Drainage fund revenues increased \$194K or 94% over the prior fiscal year. Drainage impact fees increased \$245K while grants decreased \$51K. Expenditures increased by \$77K or 51% from the prior fiscal year. The major project completed this year was the stabilization of the creek bank behind Town Hall.

### **Roadway Fund Highlights**

Roadway fund revenues increased \$333K or 107% over the prior fiscal year. Road impact fees increased \$197K and grants increased \$135K. Expenditures increased \$276K or 232% from the prior fiscal year. The Bolinas Safe Pathways project was completed, road improvements made, and work continued on the Sir Francis Drake and Lagunitas intersection project.

### **Equipment Replacement Fund Highlights**

Two police vehicles were purchased. One was financed by a lease and the other with a note to the City of San Rafael. A public works truck was purchased.

# TOWN OF ROSS

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### **General Fund Budgetary Highlights**

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

Actual revenues were \$5,536,013 which was \$1,156,235 over budget. The variance was primarily the result of positive variances for taxes, licenses and permits, and charges for services.

Actual expenditures were \$5,209,981 which was \$22,573 under budget. General government expenditures were over budget by \$22K due to variances in personnel costs and consulting services related to taking on Ross Recreation as a department of the Town. Public Safety was under budget \$60K due to various positive variances in personnel costs. Public Works was under budget \$80K due to savings in various outside services. Capital expenditures were under budget by \$92K due to deferral of ball field improvements to a later date. Debt service was over budget by \$197K due to an early payment on the County of Marin note.

### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$5,475,750. This figure does not include Town infrastructure such as roads and bridges constructed prior to June 30, 2005 as allowed under current governmental accounting standards. The cumulative historical cost figures before June 30, 2005 may be added in the future at management's discretion. All additional infrastructure from June 30, 2005 forward is recorded and accounted for. Additional detail on capital assets can be found in Note 5 to these financial statements.

### **Long-Term Obligations**

The Town's long-term obligations consist of notes payable to the County of Marin in the amount of \$534,777, vehicle leases and notes of \$83,787, accrued compensated absences in the amount of \$254,959 and other post employment benefits (OPEB) of \$217,908. Additional information on long-term debt, compensated absences, and OPEB can be found in Notes 6, 2, 11 and 13 to these financial statements, respectively.

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

General Fund tax revenues for fiscal year ending June 30, 2015 are anticipated to be relatively flat with no significant changes. Total General Fund revenues are estimated to be 12.4% higher than budget for the prior year. General fund expenditures are estimated to be 8.1% higher than budget for the prior year.

The Town paid off CalPERS side funds in December, 2012 which will result in substantial savings to the Town in years to come. However, CalPERS has changed actuarial assumptions which are likely to offset these savings in future years.

The Town Council decided to make Ross Recreation a department of the Town and resolutions making this happen were passed in June 2014. The new department began operations July 1, 2014. Revenues and expenditures for the department are budgeted at \$1.2M each.

## TOWN OF ROSS

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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The police MOU approved in February 2014 is effective through June 30, 2015. 3% raises were given in exchange for 3% employee contributions for the employee share of CalPERS. Beginning July 1, 2014, police will pay 6% of their 9% employee share and miscellaneous employees will pay a minimum of 6% of their 7% employee share.

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

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

## **FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# TOWN OF ROSS

## STATEMENT OF NET POSITION JUNE 30, 2014

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 8,212,620
Restricted assets - cash and investments	906,196
Accounts receivables	152,562
Interest receivables	3,337
Capital assets, net of accumulated depreciation	<u>5,475,750</u>
Total Assets	<u>14,750,465</u>
<b>LIABILITIES</b>	
Accounts payable	179,163
Accrued and other liabilities	79,275
Interest payable	20,338
Accrued compensated absences (current portion)	31,640
Accrued compensated absences (long-term)	223,319
Accrued Other Post Employment Benefits, payable (long-term)	217,908
Deposits payable from restricted assets	906,196
Long term debt:	
Due within one fiscal year	30,216
Due in more than one fiscal year	<u>588,348</u>
Total Liabilities	<u>2,276,403</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,447,681
Restricted for:	
Capital projects	712,490
Highways and streets	1,289,886
Public safety	14,263
Other purpose	86,742
Unrestricted	<u>4,923,000</u>
Total Net Position	<u>\$ 12,474,062</u>

See accompanying Notes to the Financial Statements.

**TOWN OF ROSS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Governmental Activities
Governmental Activities:					
General government	\$ 965,196	\$ 259,301	\$ 1,050	\$ 53,941	\$ (650,904)
Public safety	3,166,565	19,493	134,652	-	(3,012,420)
Public works	1,011,329	1,147,974	33,444	1,108,779	1,278,868
Interest on long-term debt	18,347	-	-	-	(18,347)
Total Governmental Activities	<u>\$ 5,161,437</u>	<u>\$ 1,426,768</u>	<u>\$ 169,146</u>	<u>\$ 1,162,720</u>	<u>(2,402,803)</u>

General Revenues:

Taxes:

Property tax	3,489,694
Public safety tax	710,622
Sales tax	34,273
Franchise tax	155,186
Real property transfer tax	88,791
Motor vehicle taxes	1,037
Investment earnings	18,385
Other revenue	264,554
Total General Revenues	<u>4,762,542</u>
Change in Net Position	2,359,740
Net Position, Beginning	10,114,322
Net Position, End of Year	<u>\$ 12,474,062</u>

See accompanying Notes to the Financial Statements.



## **FUND FINANCIAL STATEMENTS**

**TOWN OF ROSS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 5,664,663	\$487,753	\$1,045,356	\$ 445,635	\$ 569,213	\$ 8,212,620
Restricted assets - cash	906,196	-	-	-	-	906,196
Due from other funds	9,514	-	-	-	-	9,514
Accounts receivables	73,058	-	47,215	-	32,289	152,562
Interest receivables	2,230	249	541	-	317	3,337
Total Assets	<u>\$ 6,655,661</u>	<u>\$ 488,002</u>	<u>\$ 1,093,112</u>	<u>\$ 445,635</u>	<u>\$ 601,819</u>	<u>\$ 9,284,229</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 108,579	\$ 2,158	\$ 67,714	\$ 546	\$ 166	\$ 179,163
Accrued and other liabilities	79,275	-	-	-	-	79,275
Due to other funds	-	-	-	-	9,514	9,514
Permit deposits payable from restricted assets	906,196	-	-	-	-	906,196
Total Liabilities	<u>1,094,050</u>	<u>2,158</u>	<u>67,714</u>	<u>546</u>	<u>9,680</u>	<u>1,174,148</u>
<b>FUND BALANCES</b>						
Restricted	-	485,844	1,025,398	-	592,139	2,103,381
Committed	102,206	-	-	-	-	102,206
Assigned	-	-	-	445,089	-	445,089
Unassigned	5,459,405	-	-	-	-	5,459,405
Total Fund Balances	<u>5,561,611</u>	<u>485,844</u>	<u>1,025,398</u>	<u>445,089</u>	<u>592,139</u>	<u>8,110,081</u>
Total Liabilities and Fund Balances	<u>\$ 6,655,661</u>	<u>\$ 488,002</u>	<u>\$ 1,093,112</u>	<u>\$ 445,635</u>	<u>\$ 601,819</u>	<u>\$ 9,284,229</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, 2014**

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Fund Balances - Total Governmental Funds	\$ 8,110,081
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	5,475,750
Interest Payable due to long-term debt therefore not reported in the governmental funds	(20,338)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(254,959)
Net other postemployment employment benefits obligations are not due payable in the current period and therefore are not reported in the governmental funds	(217,908)
Long-term debt is not due and payable in the current period and therefore is not reported in the governmental funds	<u>(618,564)</u>
Net Position of Governmental Activities	<u><u>\$ 12,474,062</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, 2014**

	General	Drainage	Roadway	Equipment Replacement Fund	Non-Major Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 3,749,450	\$ -	\$ -	\$ -	\$ 710,622	\$ 4,460,072
Intergovernmental	59,245	89	289,639	-	182,925	531,898
Licenses and permits	974,009	400,574	351,867	-	43,941	1,770,391
Revenue from use of money and property	236,740	1,007	2,231	892	1,377	242,247
Charges for services	431,211	-	-	-	-	431,211
Fines and forfeitures	15,206	-	-	-	-	15,206
Miscellaneous	70,152	-	-	-	-	70,152
Total Revenues	<u>5,536,013</u>	<u>401,670</u>	<u>643,737</u>	<u>892</u>	<u>938,865</u>	<u>7,521,177</u>
<b>EXPENDITURES</b>						
Current:						
General government	907,779	-	-	-	167	907,946
Public safety	2,999,794	-	-	-	100,979	3,100,773
Public works	799,520	240	12,466	-	8,315	820,541
Capital outlay	102,254	228,932	382,315	137,021	66,257	916,779
Debt service:						
Principal	386,000	-	-	11,328	16,302	413,630
Interest and fees	14,634	-	-	-	1,572	16,206
Total Expenditures	<u>5,209,981</u>	<u>229,172</u>	<u>394,781</u>	<u>148,349</u>	<u>193,592</u>	<u>6,175,875</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>326,032</u>	<u>172,498</u>	<u>248,956</u>	<u>(147,457)</u>	<u>745,273</u>	<u>1,345,302</u>
Revenues Over (Under) Expenditures	<u>326,032</u>	<u>172,498</u>	<u>248,956</u>	<u>(147,457)</u>	<u>745,273</u>	<u>1,345,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds long-term debt	-	-	-	83,348	-	83,348
Transfers in	710,622	-	-	-	-	710,622
Transfers out	-	-	-	-	(710,622)	(710,622)
Total Other Financing Sources (Uses)	<u>710,622</u>	<u>-</u>	<u>-</u>	<u>83,348</u>	<u>(710,622)</u>	<u>83,348</u>
Net Change in Fund Balances	1,036,654	172,498	248,956	(64,109)	34,651	1,428,650
Fund Balances, Beginning of Year	<u>4,524,957</u>	<u>313,346</u>	<u>776,442</u>	<u>509,198</u>	<u>557,488</u>	<u>6,681,431</u>
Fund Balances, End of Year	<u>\$ 5,561,611</u>	<u>\$ 485,844</u>	<u>\$ 1,025,398</u>	<u>\$ 445,089</u>	<u>\$ 592,139</u>	<u>\$ 8,110,081</u>

See accompanying Notes to the Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENT  
ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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Net Change in Fund Balances - Total Governmental Funds	\$ 1,428,650
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	916,779
Depreciation expense	(296,118)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Neither transaction, however, has any effect on net position.	330,282
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	
	(2,140)
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.	
	(15,573)
Other post employment benefits expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	<u>(2,140)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,359,740</u></u>

See accompanying Notes to the Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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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, planning and zoning, and general administrative services.

### *NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES*

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

#### **A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Town consists of all funds, departments, boards, and agencies that are not legally separate from the Town. The financial statements do not include financial data for Ross Park and Recreation Committee, a component unit of the Town of Ross.

#### **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 and Changes in Net Position. These statements present summaries of Governmental Activities for the Town. The Town does not currently have any fiduciary or business-type activities.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets and excluding infrastructure as well as long-term debt are included in the accompanying Statement of Net Position. The Statement of Activities and Changes in Net Position 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 and Changes in Net Position 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, 2014

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### *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 GASB Statement No. 34 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 net position 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 of GASB Statement No. 34.

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 assets, 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 except for property taxes) are recognized when due. Those revenues susceptible to accrual are property taxes, sales taxes, transient occupancy taxes, utility user taxes, property transfer taxes, interest revenues, and charges for services. Fines, licenses, use of property, and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash.

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

The Town reports the following major governmental funds:

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

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



**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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.

The Equipment Replacement Fund accounts for funds set aside to purchase equipment and vehicles.

**C. Budgetary Accounting**

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

**D. Capital Assets**

The Town'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

\* Other than the electronic equipment

Leased assets are capitalized using the present value of the future lease payments. Contributed capital assets are valued at their estimated market value on the date of contribution. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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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

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure on a prospective basis in the Government-wide Statement of Net Position. The Town elected to use the basic approach as defined by GASB Statement No. 34, whereby depreciation expense and accumulated depreciation has been recorded.

**E. Interfund Transactions**

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

**F. Property Taxes**

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

	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, 2014

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

#### **G. Compensated Absences**

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

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

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

**Police Employees:** At retirement into PERS, in good standing: 50% of unused sick leave, up to a maximum of 660 hours total for FY 2013-14.

#### **H. Estimates**

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

#### **I. Cash and Cash Equivalents**

The Town considers cash and cash equivalents as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other 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), and federally insured deposits in commercial banks and savings and loan associations.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**I. Cash and Cash Equivalents (Continued)**

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

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

(a) Nationally Recognized Statistical Rating Organization

**J. Use of Restricted Resources**

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

**K. Fund Balances**

The Town of Ross complies with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in the fiscal year 2014. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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

#### **K. Fund Balances (Continued)**

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

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

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

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

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

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

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

Please refer to Note 9 for more information.

### **NOTE 3 – CASH AND INVESTMENTS**

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

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

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Summary of Deposits and Investments**

Cash and cash equivalents as of June 30, 2014, consist of the following:

Cash	\$ 995,252
Investments	8,123,564
Total cash and cash equivalents	<u>\$ 9,118,816</u>

**Cash and Investments**

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 8,212,620
Restricted cash and investments	906,196
	<u>\$ 9,118,816</u>

Restricted cash and investments are restricted for payment of permits deposits payable.

**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, 2014, the Town had the following investments:

	Fair Value	Maturities (In Years)			
		≤ 1 year	≤ 2 years	≤ 3 years	≤ 4 years
<b>Uncategorized</b>					
Government Mortgage Back Securities	\$ 71,140	\$ 1,216	\$ 3,123	\$ 37,845	\$ 28,956
Money Market	1,039,497	1,039,497	n/a	n/a	n/a
Local Agency Investment Fund (LAIF)	2,703,910	2,703,910	n/a	n/a	n/a
Short Term Fund	4,309,017	4,309,017	n/a	n/a	n/a
Total Investments	<u>\$ 8,123,564</u>	<u>\$ 8,053,640</u>	<u>\$ 3,123</u>	<u>\$ 37,845</u>	<u>\$ 28,956</u>

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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

#### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The certificates of deposits are with various financial institutions and are fully insured by the Federal Deposit Insurance Corporation. The LAIF investment is not rated. Mortgage backed securities are government sponsored, therefore they are rated at or above AA. Money Market Funds have an S&P rating of AAAm. Short term fund has a S&P rating of AAF.

#### **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, 2014, the Town's bank balance of \$810,972 with a reported balance of \$890,183, 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 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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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***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	\$ 710,622	\$ -
Non-Major Funds:		
Public Safety Tax Fund	-	710,622
Total	<u>\$ 710,622</u>	<u>\$ 710,622</u>



**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – CAPITAL ASSETS**

	Beginning Balance	Additions & Adjustments	Retirements & Adjustments	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	392,476	156,433	(102,481)	446,428
<b>Total Capital Assets Not Being Depreciated</b>	<b>392,478</b>	<b>156,433</b>	<b>(102,481)</b>	<b>446,430</b>
Capital Assets, Being Depreciated:				
Land improvements	4,500,629	678,992		5,179,621
Buildings	1,434,618	-	-	1,434,618
Furniture and fixtures	50,395	1,649	(20,886)	31,157
Office equipment	124,393	45,165	-	169,558
Safety equipment	45,112	-	-	45,112
Street and park equipment	65,769	-	-	65,769
Vehicles	299,934	137,021	(85,835)	351,120
<b>Total Capital Assets Being Depreciated</b>	<b>6,520,850</b>	<b>862,826</b>	<b>(106,721)</b>	<b>7,276,955</b>
Less Accumulated Depreciation For:				
Land improvements	604,434	186,397		790,830
Buildings	962,013	62,525	-	1,024,538
Furniture and fixtures	41,347	2,175	(20,886)	22,636
Office equipment	101,021	10,881	-	111,902
Safety equipment	36,477	2,511	-	38,987
Street and park equipment	63,889	940	-	64,829
Vehicles	249,059	30,689	(85,835)	193,913
<b>Total Accumulated Depreciation</b>	<b>2,058,239</b>	<b>296,118</b>	<b>(106,721)</b>	<b>2,247,636</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>4,462,611</b>	<b>566,708</b>	<b>-</b>	<b>5,029,319</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,855,089</b>	<b>\$ 723,141</b>	<b>\$ (102,481)</b>	<b>\$ 5,475,750</b>

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

General government	\$ 42,716
Public safety	57,355
Public works	196,047
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 296,118</b>

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 - LONG-TERM DEBT**

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

Description	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion	Long-term Portion
County of Marin Tax and Revenue Anticipation Notes	\$ 920,777	\$ -	\$ 386,000	\$ 534,777	\$ -	\$ 534,777
Ford Credit Municipal Finance Program Lease	28,069	-	8,851	19,218	9,347	9,871
City Of San Rafael - Promissory Note - Ford Unit 623	-	39,614	6,800	32,814	10,938	21,876
Ford Credit Municipal Finance Program Lease	-	43,734	11,979	31,755	9,931	21,824
<b>Total</b>	<b>\$ 948,846</b>	<b>\$ 83,348</b>	<b>\$ 413,630</b>	<b>\$ 618,564</b>	<b>\$ 30,216</b>	<b>\$ 588,348</b>

A. Long-Term Notes

In December 2012, the Town Council approved to refinance the Town's Side Fund debt and payoff the existing CalPERS Miscellaneous and Public Safety Side Fund debt in total amount of \$1,496,777. The Side Fund payoff was financed by issuing Tax and Revenue Anticipation Notes to Marin County for a total amount of \$920,777 and by drawing down the Facilities Reserve by \$576,000. At the time of the payoff, the Town had Side Fund obligation of \$95,038 for Miscellaneous employees and \$1,401,739 for Public Safety employees. The Town was paying down this obligation at the CalPERS investment rate of 7.50%. The Town issued five separate promissory notes to Marin County with an individual value ranging from \$172,777 to \$197,000 at an interest rate to be 3.50% for the first three years, 3.75% in year four and 4.00% in year five.

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	184,000	19,320	203,320
2017	178,000	25,365	203,365
2018	172,777	31,532	204,309
Total	<u>\$ 534,777</u>	<u>\$ 76,217</u>	<u>\$ 610,994</u>

In October 2013, the Town issued a promissory note to City of San Rafael valued at \$39,614 with no interest to be paid back in four installments. A yearly payment ranges from \$6,800 to \$10,938.

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 10,938	\$ -	\$ 10,938
2016	10,938	-	10,938
2017	10,938	-	10,938
Total	<u>\$ 32,814</u>	<u>\$ -</u>	<u>\$ 32,814</u>

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**B. Capital Leases**

On September 17, 2012, the Town entered into a lease/purchase agreement with Ford MotoCredit Company in the amount of \$38, 492 at a fixed interest rate of 5.60 percent annually. The agreement matures on September 17, 2015. The agreement was to finance the acquisition of a vehicle for the Town’s police department.

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 9,347	\$ 1,076	\$ 10,423
2016	9,871	553	10,424
Total	<u>\$ 19,218</u>	<u>\$ 1,629</u>	<u>\$ 20,847</u>

On February 13, 2014, the Town entered into a lease/purchase agreement with Ford Motor Credit Company in the amount of \$43,734 at a fixed interest rate of 6.45 percent annually. The agreement matures on February 13, 2017. The agreement was to finance the acquisition of a vehicle for the Town’s police department.

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 9,931	\$ 2,048	\$ 11,979
2016	10,571	1,408	11,979
2017	11,253	726	11,979
Total	<u>\$ 31,755</u>	<u>\$ 4,182</u>	<u>\$ 35,937</u>

**NOTE 7 – PENSION PLAN**

**A. PERS Plan Description**

*Plan Description.* The Town contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan for both miscellaneous and safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and all other requirements are established by State statute and Town ordinance. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street Sacramento, California 95814.

*Funding Policy.* Active plan members are required by State statute to contribute 7.0% for miscellaneous employees and 9% for safety employees of their annual covered salary. The Town pays a portion or all of this required contribution on behalf of employees according to terms of employment, which amounted to \$63,399 for the year ended June 30, 2014. The Town is required to contribute at an actuarial determined rate of

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 7 – PENSION PLAN (Continued)**

10.282% of the annual covered payroll for miscellaneous employees and 21.669% of the annual covered payroll for safety employees through June 30, 2014. The contribution rate is established annually and may be amended by CalPERS.

*Annual Pension Cost.* For fiscal year 2013-2014, the Town of Ross’s annual pension cost, not including the side fund payoff, was \$292,890 and was equal to the Town’s required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.5 percent investment rate of return (net of administrative expenses); and (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for both miscellaneous and safety employees depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 2.75%.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 744,696	100%	\$ -
6/30/2013	426,227	100%	-
6/30/2014	292,890	100%	-

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Town.

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

**NOTE 9 – FUND BALANCES**

As described in Note 2, the Town of Ross complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 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.

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

	General Fund	Drainage Fund	Roadway Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total
Restricted:						
Asset Forfeiture	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants for Safety	-	-	-	-	14,263	14,263
Streets and Roadway Projects and Related	-	-	1,025,398	-	264,488	1,289,886
Drainage Projects and Related Capital Improvements, Inspection Services and Related	-	485,844	-	-	-	485,844
General Plan Compliance Costs	-	-	-	-	226,646	226,646
Total Restricted	-	485,844	1,025,398	-	592,139	2,103,382
Committed:						
Legal Defense	102,206	-	-	-	-	102,206
Total Committed	102,206	-	-	-	-	102,206
Assigned:						
Capital Projects/Equip. Replacement	-	-	-	445,089	-	445,089
Total Assigned	-	-	-	445,089	-	445,089
Unassigned:						
For economic uncertainties	1,500,000	-	-	-	-	1,500,000
For Facilities	1,275,972	-	-	-	-	1,275,972
Remaining unassigned	2,683,433	-	-	-	-	2,683,433
Total Unassigned	5,459,405	-	-	-	-	5,459,405
Total	\$ 5,561,611	\$ 485,844	\$ 1,025,398	\$ 445,089	\$ 592,139	\$ 8,110,081

**Spending Order Policy**

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

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Minimum Fund Balance Policy**

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

**NOTE 10 – RISK MANAGEMENT**

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

Audited and condensed financial information for ABAG is presented below for the year ended June 30, 2013, most recent statement available:

Total assets	\$ 44,444,445
Total liabilities	36,354,585
Net position	<u>\$ 8,089,860</u>
Total revenues	\$ 8,935,914
Total expenses	21,310,586
Change in net position	<u>\$ (12,374,672)</u>

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

The Town maintains General and Auto Liability coverage through ABAG up to a limit of \$5 million, except for Employee Benefit Plan Administrative Liability which has a limit of \$250,000. Excess liability insurance is provided through ABAG for an additional \$10 million, which is provided by Insurance Company of the State of Pennsylvania and additional \$10 million provided by Lexington Insurance Company, for a total coverage of \$20 million. The Town’s deductible for this coverage is \$25,000.

The Town maintains Property Insurance coverage through ABAG to cover losses above \$100,000. The Town has a deductible of \$5,000 for property and \$5,000 for vehicles.

Within the past three years, settled claims have not exceeded the maximum coverage.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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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 and are expensed when paid. The outstanding balance at June 30, 2014 was \$254,959 which reflects a net increase of \$15,573 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 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 \$9,404 for operating expenses and \$19,376 for bond and note payments.

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

RVPA’s operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. During fiscal year ended June 30, 2014, the tax was \$42.50 per living unit and per 1,500 square feet of structure on parcels in non-residential use. The City of Larkspur maintains the books and records of the RVPA.

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

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

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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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 abandoned vehicle abatement, and taxicab regulation, and information management services. The MGSA has administrative authority for Marin Map JPA which provides geographic information systems.

The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by mailing a request to Marin General Services Authority at 555 Northgate Drive, Suite 230, San Rafael, CA 94903. The Town’s member contributions for the current fiscal year were \$3,638.

**Marin Major Crimes Task Force** - The Marin Major Crimes Task Force was formed in 1977 at the recommendation of the Marin County Police Chiefs Association. It is a cooperative effort linking ten out of eleven of Marin's cities and the county to provide a central investigative unit capable of crossing jurisdictional boundaries for the stated purposes of assisting each other in the detection, apprehension and prosecution of highly mobile criminal activity and combating its influence throughout Marin. The unit is intended to supplement and augment the efforts of the existing local law enforcement agencies to better deal with major criminal activity that no single jurisdiction can effectively deal with alone. The Town’s member contribution for the current fiscal year was \$12,565 based on population and assessed value.

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

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

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

**Marin County Stormwater Pollution Prevention Program (MCSTOPPP)** – MCSTOPPP was formed in 1993 between the County of Marin and eleven cities and towns within Marin. The Town of Ross became a member in 2005. The goal of MCSTOPPP is to prevent storm water pollution, protect and enhance water quality in creeks and wetlands, preserve beneficial uses of local waterways, and comply with State and Federal regulations. MCSTOPPP is administered by the Marin County Flood Control and Water Conservation District with staffing provided by the Marin County Department of Public Works. The Marin General Services Authority provides budgetary and programmatic oversight. Member contributions are calculated using square miles and population factors. The Town’s contribution for the current fiscal year was \$6,762.



# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

**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 2013-14, the Town made \$1,589,159 payments towards service provided by the Ross Valley Fire Department. The Town also made a payment of \$30,368 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:* The Town’s single employer defined benefit postemployment healthcare plan provides health care benefits to eligible retirees in accordance with a Board resolution. Eligible employees retiring at or after age 50 with a minimum of 5 years of CalPERS service or disability may opt to continue health care coverage, with a portion of the monthly premium paid for by the Town. Coverage discontinues either at the request of the retiree or by defaulting on the employee portion of the premium.

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

*Funding Policy:* The Town’s annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (UAAL) (or funding excess) over a period not to exceed 25 years on a closed basis. The current ARC is \$39,000. The plan members receiving benefits currently don’t make any contributions.

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

Net OPEB obligation, beginning of year	\$	215,768
Interest		15,617
Obligation including interest		<u>231,385</u>
Adjustment to NOO		(13,726)
Annual require contribution		39,000
Contributions made		(12,751)
CERBT Payment		<u>(26,000)</u>
Net OPEB obligation, end of year	\$	<u><u>217,908</u></u>

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

*Funded Status and Funding Progress:* The schedule of funding progress and funded status of the plan as of June 30, 2014 and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2012	\$ 73,448	\$ 10,560	14%	\$ 174,088
6/30/2013	54,964	13,284	24%	215,768
6/30/2014	40,891	38,751	33%	217,908

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

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to the point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Actuarial cost method	Entry age, Normal Cost
Amortization method	Level percentage of payroll
Amortization period	25 years
Investment rate of return	7.25%
Salary Increase	3.25%
Inflation	3.00%
PERS Minimum Employer Contribution	4.50%

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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### *NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS*

#### Implemented

#### **Statement No. 65**

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards the reclassify as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged. The Town implemented the provisions of this Statement with no significant impact on the financial statements.

#### **Statement No. 66**

In March, 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of Statement 66 are effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged. The Town implemented the provisions of this Statement with no significant impact on the financial statements.

# TOWN OF ROSS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

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### *NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)*

#### Upcoming

##### **Statement No. 67**

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

##### **Statement No. 68**

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

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

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

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

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

**TOWN OF ROSS**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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*NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)*

**GASB Statement No. 71**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ROSS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,446,108	\$ 3,446,108	\$ 3,749,450	\$ 303,342
Intergovernmental	55,700	55,700	59,245	3,545
Licenses and permits	405,400	405,400	974,009	568,609
Revenue from use of money and property	218,170	218,170	236,740	18,570
Charges for services	183,700	183,700	431,211	247,511
Fines and penalties	15,000	15,000	15,206	206
Miscellaneous	55,700	55,700	70,152	14,452
Total Revenues	<u>4,379,778</u>	<u>4,379,778</u>	<u>5,536,013</u>	<u>1,156,235</u>
<b>EXPENDITURES</b>				
Current:				
General government	894,825	894,825	907,779	(12,954)
Public safety	3,059,630	3,059,630	2,999,794	59,836
Public works	880,204	880,204	799,520	80,684
Capital outlay	194,000	194,000	102,254	91,746
Debt service:				
Principal retirement	197,000	197,000	386,000	(189,000)
Interest and fees	6,895	6,895	14,634	(7,739)
Total Expenditures	<u>5,232,554</u>	<u>5,232,554</u>	<u>5,209,981</u>	<u>22,573</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(852,776)</u>	<u>(852,776)</u>	<u>326,032</u>	<u>1,178,808</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	700,400	700,400	710,622	10,222
Total Other Financing Sources (Uses)	<u>700,400</u>	<u>700,400</u>	<u>710,622</u>	<u>10,222</u>
Net Change in Fund Balance	(152,376)	(152,376)	1,036,654	1,189,030
Fund Balance, Beginning of Year	4,524,957	4,524,957	4,524,957	-
Fund Balance, End of Year	<u>\$ 4,372,581</u>	<u>\$ 4,372,581</u>	<u>\$ 5,561,611</u>	<u>\$ 1,189,030</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 628,500	\$ 628,500	\$ 89	\$ (628,411)
Licenses and permits	110,000	110,000	400,574	290,574
Revenue from use of money and property	25	25	1,007	982
Total Revenues	<u>738,525</u>	<u>738,525</u>	<u>401,670</u>	<u>(336,855)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	52,700	52,700	240	52,460
Capital outlay	824,130	824,130	228,932	595,198
Total Expenditures	<u>876,830</u>	<u>876,830</u>	<u>229,172</u>	<u>647,658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(138,305)</u>	<u>(138,305)</u>	<u>172,498</u>	<u>310,803</u>
Net Change in Fund Balance	(138,305)	(138,305)	172,498	310,803
Fund Balance, Beginning of Year	313,346	313,346	313,346	-
Fund Balance, End of Year	<u>\$ 175,041</u>	<u>\$ 175,041</u>	<u>\$ 485,844</u>	<u>\$ 310,803</u>



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
ROADWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 720,602	\$ 720,602	\$ 289,639	\$ (430,963)
Licenses and permits	110,000	110,000	351,867	241,867
Revenue from use of money and property	500	500	2,231	1,731
Total Revenues	<u>831,102</u>	<u>831,102</u>	<u>643,737</u>	<u>(187,365)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	22,500	22,500	12,466	10,034
Capital outlay	1,000,000	1,000,000	382,315	617,685
Total Expenditures	<u>1,022,500</u>	<u>1,022,500</u>	<u>394,781</u>	<u>627,719</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(191,398)</u>	<u>(191,398)</u>	<u>248,956</u>	<u>440,354</u>
Net Change in Fund Balance	(191,398)	(191,398)	248,956	440,354
Fund Balance, Beginning of Year	<u>776,442</u>	<u>776,442</u>	<u>776,442</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 585,044</u>	<u>\$ 585,044</u>	<u>\$ 1,025,398</u>	<u>\$ 440,354</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET (UNAUDITED) AND ACTUAL  
EQUIPMENT REPLACEMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 500	\$ 500	\$ 892	\$ 392
Total Revenues	<u>500</u>	<u>500</u>	<u>892</u>	<u>392</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	95,387	95,387	137,021	(41,634)
Principal	22,346	22,346	11,328	11,018
Total Expenditures	<u>117,733</u>	<u>117,733</u>	<u>148,349</u>	<u>(30,616)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(117,233)</u>	<u>(117,233)</u>	<u>(147,457)</u>	<u>(30,224)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	-	83,348	83,348
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>83,348</u>	<u>83,348</u>
Net Change in Fund Balance	<u>(117,233)</u>	<u>(117,233)</u>	<u>(64,109)</u>	<u>53,124</u>
Fund Balance, Beginning of Year	<u>509,198</u>	<u>509,198</u>	<u>509,198</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 391,965</u>	<u>\$ 391,965</u>	<u>\$ 445,089</u>	<u>\$ 53,124</u>

**TOWN OF ROSS**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST  
EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
6/30/12	\$ -	\$ 506,000	\$ 506,000	0%	\$ 1,564,000	32.35%
6/30/13	28	311,000	310,972	0%	1,615,000	20.99%

## **SUPPLEMENTARY INFORMATION**

**TOWN OF ROSS**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	Special Revenue				Total Non-major Governmental Funds
	Gas Tax	General Plan Update Fund	Building Permit Excess Reserve Fund	Citizens Option for Public Safety	
<b>ASSETS</b>					
Cash and investments	\$ 255,828	\$ 86,863	\$ 226,522	\$ -	\$ 569,213
Accounts receivables	8,512	-	-	23,777	32,289
Interest receivables	148	45	124	-	317
<b>Total Assets</b>	<b>\$ 264,488</b>	<b>\$ 86,908</b>	<b>\$ 226,646</b>	<b>\$ 23,777</b>	<b>\$ 601,819</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 166	\$ -	\$ -	\$ 166
Due to other funds	-	-	-	9,514	9,514
<b>Total Liabilities</b>	<b>-</b>	<b>166</b>	<b>-</b>	<b>9,514</b>	<b>10,226</b>
<b>FUND BALANCES</b>					
Restricted	264,488	86,742	226,646	14,263	592,139
<b>Total Fund Balances</b>	<b>264,488</b>	<b>86,742</b>	<b>226,646</b>	<b>14,263</b>	<b>592,139</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 264,488</b>	<b>\$ 86,908</b>	<b>\$ 226,646</b>	<b>\$ 23,777</b>	<b>\$ 601,819</b>

**TOWN OF ROSS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue						Total Non-major Governmental Funds
	Gas Tax Fund	General Plan Update Fund	Building Permit Excess Reserve Fund	Asset Forfeiture	Citizens Option for Public Safety	Public Safety Tax Fund	
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 710,622	\$ 710,622
Intergovernmental	82,925	-	-	-	100,000	-	182,925
Licenses and permits	-	43,941	-	-	-	-	43,941
Revenue from use of money and property	646	166	549	16	-	-	1,377
<b>Total Revenues</b>	<b>83,571</b>	<b>44,107</b>	<b>549</b>	<b>16</b>	<b>100,000</b>	<b>710,622</b>	<b>938,865</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	167	-	-	-	-	167
Public safety	-	-	-	979	100,000	-	100,979
Public works	8,315	-	-	-	-	-	8,315
Capital outlay	60,924	-	-	5,333	-	-	66,257
Debt service:							
Principal retirement	-	-	-	16,302	-	-	16,302
Interest and fees	-	-	-	1,572	-	-	1,572
<b>Total Expenditures</b>	<b>69,239</b>	<b>167</b>	<b>-</b>	<b>24,186</b>	<b>100,000</b>	<b>-</b>	<b>193,592</b>
Excess (Deficiency) of Revenues Over Expenditures	14,332	43,940	549	(24,170)	-	710,622	745,273
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(710,622)	(710,622)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(710,622)</b>	<b>(710,622)</b>
<b>Net Change in Fund Balances</b>	<b>14,332</b>	<b>43,940</b>	<b>549</b>	<b>(24,170)</b>	<b>-</b>	<b>-</b>	<b>34,651</b>
Fund Balances, Beginning of Year	250,156	42,802	226,097	24,170	14,263	-	557,488
Fund Balances, End of Year	\$ 264,488	\$ 86,742	\$ 226,646	\$ -	\$ 14,263	\$ -	\$ 592,139