TOWN OF ROSS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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

VALUE THE DIFFERENCE

To the Town Council
Town of Ross, California

We have audited the financial statements of the Town of Ross for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Ross are described in Note 2 to the financial statements. As outlined in footnote 12, the Town implemented Governmental Accounting Standards Board Statement number 45 during the current year related to post retirement benefits. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the Town of Ross during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of capital asset depreciation expense is based upon useful lives of four to fifty years calculated on a straight-line basis. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the actuarial accruals for pension and other post employment benefits in footnotes 6 and 12. We relied on actuaries to provide much of the information contained in these footnotes.

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 22, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
August 22, 2011

TOWN OF ROSS

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JUNE 30, 2010

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross, California, as of and for the year ended June 30, 2010, which collectively comprise the Town of Ross's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ross's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ross as of June 30, 2010, and the respective changes in financial positions thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 12 and 14 to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2011, on our consideration of the Town of Ross internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering results of our audit.

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

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

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
August 22, 2011

TOWN OF ROSS

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

INTRODUCTION

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2010, for the Town of Ross. The Management Discussion and Analysis is to be read in conjunction with the Town's Financial Statements.

FISCAL YEAR 2009-2010 FINANCIAL HIGHLIGHTS

- The Government-wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the Town's assets to be $10.5 million, liabilities of $2.1 million and net assets of $8.4 million.

- Total Town's revenues were $6.0 million compared with total expenses of $6.2 million, resulting in an decrease in net assets for the fiscal year ended June 30, 2010 of $.2 million.

- The Town's net capital assets totaled $1.7 million at June 30, 2010, representing 16.3% of the Town's total assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in three parts:

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

The Basic Financial Statements

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

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

All of the Town's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Assets and Statement of Activities and Changes in Net Assets are also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities as a whole. In the case of the Town of Ross, there are no business-type activities as of June 30, 2010.

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

The Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Supplementary Information

Supplementary information follows the required supplementary information. Combining and individual fund statements and schedules provide information for non-major governmental fund, and special revenue funds.

Government-wide Analysis

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

$1,709,698 or 16.3% of the Town's net assets are capital assets (e.g., land, buildings, general government infrastructure, equipment, etc.). This is a net increase of $301,783 from the prior year, largely due to expenditures for land improvements such as pedestrian walkways.

$6,721,349 or 79.7% of the Town's net assets are unrestricted, which is a net decrease of $517,646 or 7.15%, from the prior year.

Statement of Net Assets Governmental Activities
Table 1

	2010	2009	Net Change	% change
ASSETS				
Cash and investments	$ 8,779,157	$ 9,121,692	$ (342,535)	-3.76%
Accounts receivables	25,643	122,243	(96,600)	-79.02%
Deposits and prepaid expenses	24	22	2	9.09%
Capital assets, net of accumulated depreciation	1,709,698	1,407,915	301,783	21.43%
Total Assets	10,514,522	10,651,872	(137,350)	-1.29%
LIABILITIES				
Accounts payable	166,374	232,941	(66,567)	-28.58%
Accrued liabilities	192,214	121,099	71,115	58.72%
Deposits payable	975,390	999,873	(24,483)	-2.45%
Accrued compensated absences	694,497	651,049	43,448	6.67%
Other Post Employment Benefits	55,000	-	55,000	100.00%
Total Liabilities	2,083,475	2,004,962	78,513	3.92%
NET ASSETS				
Invested in capital assets, net of related debt	1,709,698	1,407,915	301,783	21.43%
Unrestricted	6,721,349	7,238,995	(517,646)	-7.15%
Total Net Assets	$ 8,431,047	$ 8,646,910	$ (215,863)	-2.50%

Statement of Activities and Changes in Net Assets
Table 2

	2010	2009	Net Change	% change
REVENUES				
Program revenues:				
Charge for services	$ 1,098,064	$ 1,846,041	$ (747,977)	-40.52%
Operating and capital contributions and grants	507,799	762,933	(255,134)	-33.44%
General revenues:				
Property taxes	2,624,160	2,493,608	130,552	5.24%
Other taxes	956,378	1,053,898	(97,520)	-9.25%
Investment earnings	128,070	246,900	(118,830)	-48.13% *
Other	657,998	717,778	(59,780)	-8.33%
Total Revenues	5,972,469	7,121,158	(1,148,689)	-16.13%
EXPENSES:				
General government	1,152,580	1,063,578	89,002	8.37%
Public safety	3,877,724	3,610,938	266,786	7.39%
Public works	1,158,028	1,891,472	(733,444)	-38.78%
Total expenses	6,188,332	6,565,988	(377,656)	-5.75%
Increase(Decrease) in net assets	(215,863)	555,170	(771,033)	-138.88%
Net assets beginning of year	8,646,910	8,091,740	555,170	6.86%
Net assets end of year	$ 8,431,047	$ 8,646,910	$ (215,863)	-2.50%

Statement of Activities

Decreases in charges for services were attributable to significant decreases in building permits, road impact and drainage impact fees. The decrease in contributions and grants was the result of receiving Proposition 1B funds in 2009 and not in 2010.

Decreases in expenditures in public works relates to the decreases in revenue described above. The increases in public safety expenditures were expected due to increased salary and overtime costs.

Major funds

General Fund Highlights

General Fund Revenues - General governmental revenues for the year ended June 30, 2010, increased by $113,781 or 2.12% over the prior fiscal year.

- Taxes increased approximately $129,000 or 3.85% over the prior fiscal year.
- Revenues from use of money and property decreased approximately $126,000 or 27.15% from the prior fiscal year.

General Fund Expenditures – Expenditures for the year ended June 30, 2010, increased by approximately $364,861 or 6.89% from the prior fiscal year.

- Public Safety increased by approximately $386,000 or 12.10% over the prior fiscal year as expected due to increased personnel.
- Public Works decreased by approximately $82,000 or 10.24% from the prior fiscal year.

Drainage Fund Highlights

- Drainage fund revenues decreased by approximately $505,000 or 75.38% over the prior fiscal year due to decreases in both drainage impact fees and grants related to the Lagunitas Bridge Replacement project, with corresponding expenditures decreasing by approximately $235,000 or 40.90% from the prior fiscal year.

Roadway Fund Highlights

- Roadway fund revenues decreased by approximately $756,900 or 88.80% over the prior fiscal year due to decreases in both road impact fees and Proposition 1b funding, with corresponding expenditures decreasing by approximately $92,000 or 30.64% from the prior fiscal year. -? over or ongoing?

General Fund Budgetary Highlights

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

Actual revenue exceeded budgeted revenue amounts by $2,006.

Total actual expenditures were $5,654,046 which was $104,976 over the budgeted amount.

This was primarily due to increased salary, overtime and OPEB costs.

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2010, amounts to $1,709,698. 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 accrued compensated absences in the amount of $694,497 and other post employment benefits of $55,000. Additional information on compensated absences and can be found in Notes 10 and 12 to these financial statements.

Economic Outlook and Next Year's Budget

General Fund Revenues for fiscal year ending June 30, 2011 are anticipated to be relatively flat with no significant change in property values. Parcel taxes should continue at the same level.

General Fund Expenditures for fiscal year ending June 30, 2011 are anticipated to increase modestly due to an increased public safety cost from an increase in public safety personnel.

REQUEST FOR FINANCIAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROSS

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and investments	$ 7,803,767
Restricted assets - cash and investments	975,390
Accounts receivables	25,643
Prepaid expenses	4
Deposits	20
Capital assets, net of accumulated depreciation	1,709,698
Total Assets	10,514,522
LIABILITIES	
Accounts payable	166,374
Accrued liabilities	192,214
Accrued compensated absences (long-term)	694,497
Accrued Other Post Employment Benefits, payable (long-term)	55,000
Deposits payable from restricted assets	975,390
Total Liabilities	2,083,475
NET ASSETS	
Invested in capital assets, net of related debt	1,709,698
Unrestricted	6,721,349
Total Net Assets	$ 8,431,047

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

TOWN OF ROSS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues			Net Revenue (Expense) and Change in Net
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Governmental Activities
Governmental Activities:					
General government	$ 1,152,580	$ 338,788	$ 265,593	$ -	$ (548,199)
Public safety	3,877,724	10,327	156,606	-	(3,710,791)
Public works	1,158,028	748,949	-	85,600	(323,479)
Total Primary Government	$ 6,188,332	$ 1,098,064	$ 422,199	$ 85,600	(4,582,469)

General Revenues:	
Taxes:	
Property tax	2,624,160
Sales tax	663,911
Franchise tax	125,538
Real property transfer tax	67,516
Motor vehicle taxes	99,413
Investment earnings	128,070
Other revenue	657,998
Total General Revenues	4,366,606
Change in Net Assets	(215,863)
Net Assets, Beginning of Year	8,646,910
Net Assets, End of Year	$ 8,431,047

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

FUND FINANCIAL STATEMENTS

TOWN OF ROSS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2010

	General	Drainage	Roadway	Non-Major Governmental Funds	Totals
ASSETS					
Cash and investments	$ 5,326,044	$ 698,712	$ 593,486	$ 1,185,525	$ 7,803,767
Restricted assets - cash	975,390	-	-	-	975,390
Accounts receivables	24,387	-	86	1,170	25,643
Prepaid expenses	4	-	-	-	4
Deposits	20	-	-	-	20
Total Assets	$ 6,325,845	$ 698,712	$ 593,572	$ 1,186,695	$ 8,804,824
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 72,729	$ 65,494	$ 3,677	$ 24,474	$ 166,374
Accrued liabilities	192,214	-	-	-	192,214
Deposits payable from restricted assets	975,390	-	-	-	975,390
Total Liabilities	1,240,333	65,494	3,677	24,474	1,333,978
FUND BALANCES					
Unreserved/undesignated	5,085,512	633,218	589,895	1,162,221	7,470,846
Total Fund Balances	5,085,512	633,218	589,895	1,162,221	7,470,846
Total Liabilities and Fund Balances	$ 6,325,845	$ 698,712	$ 593,572	$ 1,186,695	$ 8,804,824

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

TOWN OF ROSS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances of Governmental Funds	$ 7,470,846
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of governmental activities are not financial resources and therefore are not reported in the governmental funds	1,709,698
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds	(694,497)
Net other postemployment employment benefits obligations are not due payable in the current period and therefore are not reported in the governmental funds	(55,000)
Net Assets of Governmental Activities	$ 8,431,047

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

TOWN OF ROSS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2010

	General	Drainage	Roadway	Non-Major Governmental Funds	Total
REVENUES					
Taxes	$ 3,481,126	$ -	$ -	$ -	$3,481,126
Intergovernmental	606,185	77,690	7,910	194,413	886,198
Licenses and permits	411,923	85,167	90,231	17,053	604,374
Revenue from use of money and property	340,364	1,273	424	5,689	347,750
Charges for services	333,962	-	-	-	333,962
Fines and forfeitures	10,327	-	-	-	10,327
Miscellaneous	305,732	-	-	3,000	308,732
Total Revenues	5,489,619	164,130	98,565	220,155	5,972,469
EXPENDITURES					
Current:					
General government	1,005,407	-	-	7,429	1,012,836
Public safety	3,584,276	-	-	130,975	3,715,251
Public works	722,343	339,841	208,760	50,614	1,321,558
Capital outlay	342,020	-	-	-	342,020
Total Expenditures	5,654,046	339,841	208,760	189,018	6,391,665
Excess (Deficiency) of Revenues Over Expenditures	(164,427)	(175,711)	(110,195)	31,137	(419,196)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	63,135	63,135
Transfers out	(63,135)	-	-	-	(63,135)
Total Other Financing Sources (Uses)	(63,135)	-	-	63,135	-
Net Change in Fund Balances	(227,562)	(175,711)	(110,195)	94,272	(419,196)
Fund Balances, Beginning of Year	5,313,074	808,929	700,090	1,067,949	7,890,042
Fund Balances, End of Year	$ 5,085,512	$ 633,218	$ 589,895	$ 1,162,221	$7,470,846

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

TOWN OF ROSS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds	$ (419,196)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures, but in the Statement of Activities the cost of such assets is allocated over their estimated useful lives as depreciation expense or is allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	540,642
Depreciation expense	(238,861)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(43,448)
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.	(55,000)
Change in Net Assets of Governmental Activities	$ (215,863)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting/Measurement Focus

Government–Wide Financial Statements

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major governmental funds:

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

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

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

Stewardship, Compliance and Accountability

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

C. Budgetary Accounting

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

D. Capital Assets

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

Buildings	50 Years
Vehicles	4-10 Years
Furniture, fixtures, and equipment	5-25 Years

E. Interfund Transactions

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

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

	Secured/Unsecured
Valuation dates	July 1
Lien/levy dates	November 1
Due dates	50% on November 1 and February 1
Delinquent as of	December 10 and April 10

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

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

G. Compensated Absences

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

H. Estimates

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Cash and Cash Equivalents

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

J. Use of Restricted Resources

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

NOTE 3 – CASH AND INVESTMENTS

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

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

Summary of Deposits and Investments

Cash and cash equivalents as of June 30, 2010, consist of the following:

Cash	$ 326,461
Investments	8,452,696
Total Governmental	$ 8,779,157

Cash and Investments

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Cash and investments	$ 7,803,767
Restricted cash and investments	975,390
	$ 8,779,157

NOTE 3 – CASH AND INVESTMENTS (Continued)

Policies and Practices

The Town is authorized under California Government Code and the Town's investment policy to make direct investments in U.S. Treasury instruments and securities of the U.S. Government, the Local Agency Investment Fund (LAIF), and federally insured deposits in commercial banks and savings and loan associations in the local area. The Town's investments were in compliance with the above provisions as of and for the year ended June 30, 2010.

General Authorizations

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

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

Interest Rate Risk

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2010, the Town had the following investments:

	Fair Value	Maturity in Years
Uncategorized		
RBC Dain Rauscher - Certificates of Deposit	$ 3,835,467	less than 1 year
Local Agency Investment Fund (LAIF)	4,617,229	less than 1 year
Total Investments	$ 8,452,696	

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. Investments in RBC Dain Rauscher consist principally of certificates of deposit with various financial institutions and are fully insured by the Federal Deposit Insurance Corporation. The LAIF investment is not rated.

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, 2010, the Town's bank balance of $380,636, with a reported balance of $326,461, 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in the State Investment Pool

The Town is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in the pool is reported in the accompanying financial statement at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, and is recorded on the amortized cost basis.

NOTE 4 – INTERFUND TRANSFERS

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

	Transfer In	Transfer Out
General Fund	$ -	$ 63,135
Capital Projects Funds:		
Equipment Replacement	63,135	-
Total	$ 63,135	$ 63,135

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure on a prospective basis in the Government-wide Statement of Net Assets. The Town elected to use the basic approach as defined by GASB Statement No. 34, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2010.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2	$ -	$ -	$ 2
Construction in progress	234,201	207,190	145,924	295,467
Total Capital Assets Not Being Depreciated	234,203	207,190	145,924	295,469
Capital Assets, Being Depreciated:				
Land improvements	153,631	405,925	-	559,556
Buildings	1,424,282	15,350	-	1,439,632
Furniture and fixtures	53,797	-	9,756	44,041
Office equipment	251,551	2,771	156,991	97,331
Safety equipment	578,938	-	135,172	443,766
Street and park equipment	112,722	-	22,689	90,033
Vehicles	1,265,836	55,331	225,847	1,095,320
Total Capital Assets Being Depreciated	3,840,757	479,377	550,455	3,769,679
Less Accumulated Depreciation For:				
Land improvements	100,173	43,402	-	143,575
Buildings	698,846	77,603	-	776,449
Furniture and fixtures	46,722	3,274	9,756	40,240
Office equipment	235,609	12,664	156,991	91,282
Safety equipment	578,938	-	135,172	443,766
Street and park equipment	107,326	3,394	22,689	88,031
Vehicles	899,429	98,524	225,847	772,106
Total Accumulated Depreciation	2,667,043	238,861	550,455	2,355,449
Total Capital Assets, Being Depreciated, Net	1,173,714	240,516	-	1,414,230
Governmental Activities Capital Assets, Net	$ 1,407,917	$ 447,706	$ 145,924	$ 1,709,698

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

General government	$ 99,280
Public safety	110,930
Public works	28,651
Total Depreciation Expense - Governmental Activities	$ 238,861

NOTE 6 – 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. 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. Effective with the June 30, 2003 actuarial valuation, PERS requires retirement plans with less than 100 active members be included in risk pools. These risk pools are cost-sharing multiple-employer defined benefit retirement plans that pool the risk of all participating members. Both the Town's Miscellaneous and Safety retirement plans are included in these risk pools.

Funding Policy. Active plan members are required by State statute to contribute 7.0% for miscellaneous employees and 9% for safety employees of their annual covered salary. The Town employer makes the contributions required of Town employees on their behalf and for their account, which amounted to $128,651 for the year ended June 30, 2010. The Town was required to contribute at an actuarial determined rate of 11.630% of the annual covered payroll for miscellaneous employees and 21.132% of the annual covered payroll for safety employees. The contribution rate is established annually and may be amended by CalPERS.

Included in the employer contribution rates are the amortization of Side Funds, which were created to account for the difference between the funded status of the pool and the funded status of the Town plans at the time of joining the risk pool. As of June 30, 2010, the estimated balance of the Side Fund for the miscellaneous plan was approximately $107,927 and for the safety plan the balance was approximately $1,525,324. The Side Funds have a remaining amortization period of 11 years as of June 30, 2010.

Annual Pension Cost. For fiscal year 2009-2010, the Town of Ross's annual pension cost was $712,709 and was equal to the Town's required and actual contributions. The required contribution for fiscal year 2009-2010 was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75 percent investment rate of return (net of administrative expenses); and (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for both miscellaneous and safety employees depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smoother the effect of short-term volatility in the market value of investments over a three year period.

NOTE 6 – PENSION PLAN (Continued)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 451,163	100%	$ -
6/30/2009	615,752	100%	-
6/30/2010	712,709	100%	-

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 8 - NATURE AND PURPOSE OF REPORTED RESERVES AND DESIGNATIONS

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

The Town had no reservations or designations of fund balance at June 30, 2010.

NOTE 9 – RISK MANAGEMENT

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

Audited and condensed financial information for ABAG is presented below for the year ended June 30, 2010.

Total assets	$	50,436,628
Total liabilities		18,640,521
Net assets		31,796,107
Total revenues		11,285,711
Total expenses		10,844,577
Change in net assets		441,134

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 $5 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 up to $100,000. The Town has a deductible of $5,000 for property and $10,000 for vehicles.

NOTE 10 – ACCRUED COMPENSATED ABSENCES

Compensated absences include vacation, compensatory, and sick time. Accrued and unpaid compensated absences are recorded as a liability on the Statement of Net Assets and on the Governmental Funds Statement and are expensed when paid. The outstanding balance at June 30, 2010 was $694,497 which reflects a net increase of $43,448 over the prior year.

NOTE 11 – PARTICIPATION IN JOINT POWERS AGREEMENTS

The Town of Ross is a Board Member of the Marin Emergency Radio Authority (MERA), a public agency consisting of Marin County, all cities and towns within Marin County, as well as fire districts and other special districts. MERA was founded in February 1997 to develop a proposal for a county-wide regional communications system to replace the existing inoperable and obsolete system with a state-of-the-art digital emergency communications system. As a participant in this JPA and a user of the new system, Town of Ross makes an annual contribution to MERA to help fund the cost of this county-wide system. The contribution for the current year was $15,543.

NOTE 12 – 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 of the employer (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 (or funding excess) over a closed period of 30 years. The current ARC is $61,000. The plan members receiving benefits currently don't make any contributions.

Annual OPEB Cost: For 2010, the Town's annual OPEB costs (expense) was $61,000 and was equal to the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2010	$ 61,000	$ 6,000	10%	$ 55,000

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GASB Statement No. 45 was implemented during the current year and applied on a prospective basis. The information for the preceding two years is unavailable.

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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.

In the June 24, 2011 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 4.25 percent rate of return and an increase in covered payroll of 3.25 percent per year. Both rates include a 3 percent inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. PERS minimum employer contribution is expected to increase 4.5 percent per year.

Funded Status and Funding Progress. The schedule of funding progress and funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	$	471,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	471,000
Funded ratio (actuarial value of plan assets (AAL)		0%
Covered payroll (active plan members)	$	2,220,000
UAAL as a percentage of covered payroll		21.1%

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 22, 2011, the date which the financial statements were available to be issued.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the Government-Wide financial statements. This Statement establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial report of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation – meaning employers set the beginning net OPEB obligation at zero as of the initial year. The Town implemented this statement for the fiscal year ended June 30, 2010. See footnote 12 for additional information.

In June 2007, GASB issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

The Town the implemented the provisions of this Statement for the fiscal year ended June 30, 2010, with no impact on the financial statements.

In June 2009, GASB issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The Town implemented the provisions of this Statement for the fiscal year ended June 30, 2010, with no impact on the financial statements.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS *(Continued)*

In March 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The Town is in the process of determining the impact the implementation will have on the financial statements.

In March 2009, the GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. This Statement will make it easier for preparers of state and local government financial statements to identify and apply all relevant guidance. The provisions of this Statement were effective upon issuance and did not have any impact on the financial statement.

In March 2009, the GASB issued GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The provisions of this Statement were effective upon issuance and did not have any impact 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, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 3,523,050	$ 3,523,050	$ 3,481,126	$ (41,924)
Intergovernmental	772,213	772,213	606,185	(166,028)
Licenses and permits	337,600	337,600	411,923	74,323
Revenue from use of money and property	423,000	423,000	340,364	(82,636)
Charges for services	400,750	400,750	333,962	(66,788)
Fines and penalties	9,000	9,000	10,327	1,327
Miscellaneous	22,000	22,000	305,732	283,732
Total Revenues	5,487,613	5,487,613	5,489,619	2,006
EXPENDITURES				
Current:				
General government	866,895	866,895	1,005,407	(138,512)
Public safety	3,388,935	3,388,935	3,584,276	(195,341)
Public works	773,932	773,932	722,343	51,589
Capital outlay	519,308	519,308	342,020	177,288
Total Expenditures	5,549,070	5,549,070	5,654,046	(104,976)
Excess (Deficiency) of Revenues Over Expenditures	(61,457)	(61,457)	(164,427)	(102,970)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(63,135)	(63,135)
Total Other Financing Sources (Uses)	-	-	(63,135)	(63,135)
Net Change in Fund Balance	(61,457)	(61,457)	(227,562)	(166,105)
Fund Balance, Beginning of Year	5,313,074	5,313,074	5,313,074	-
Fund Balance, End of Year	$ 5,251,617	$ 5,251,617	$ 5,085,512	$ (166,105)

TOWN OF ROSS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL DRAINAGE FUND FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 1,734,511	$ 1,734,511	$ 77,690	$ (1,656,821)
Licenses and permits	125,000	125,000	85,167	(39,833)
Revenue from use of money and property	3,000	3,000	1,273	(1,727)
Total Revenues	1,862,511	1,862,511	164,130	(1,698,381)
EXPENDITURES				
Current:				
Public works	2,440,000	2,440,000	339,841	2,100,159
Total Expenditures	2,440,000	2,440,000	339,841	2,100,159
Excess (Deficiency) of Revenues Over Expenditures	(577,489)	(577,489)	(175,711)	401,778
Net Change in Fund Balance	(577,489)	(577,489)	(175,711)	401,778
Fund Balance, Beginning of Year	808,929	808,929	808,929	-
Fund Balance, End of Year	$ 231,440	$ 231,440	$ 633,218	$ 401,778

TOWN OF ROSS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (UNAUDITED) AND ACTUAL ROADWAY FUND FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 122,177	$ 122,177	$ 7,910	$ (114,267)
Licenses and permits	125,000	125,000	90,231	(34,769)
Revenue from use of money and property	10,000	10,000	424	(9,576)
Total Revenues	257,177	257,177	98,565	(158,612)
EXPENDITURES				
Current:				
Public works	732,148	732,148	208,760	523,388
Total Expenditures	732,148	732,148	208,760	523,388
Excess (Deficiency) of Revenues Over Expenditures	(474,971)	(474,971)	(110,195)	364,776
Net Change in Fund Balance	(474,971)	(474,971)	(110,195)	364,776
Fund Balance, Beginning of Year	700,090	700,090	700,090	-
Fund Balance, End of Year	$ 225,119	$ 225,119	$ 589,895	$ 364,776

SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2010

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$ -	$ 471,000	$ 471,000	0%	$ 2,220,000	21.2%

SUPPLEMENTARY INFORMATION

TOWN OF ROSS

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	Gas Tax	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund
ASSETS				
Cash and investments	$ 137,082	$ 13,624	$ 5,371	$ 293,005
Accounts receivables	-	-	-	374
Total Assets	$ 137,082	$ 13,624	$ 5,371	$ 293,379
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 17,539	$ -	$ 5,700	$ 1,235
Total Liabilities	17,539	-	5,700	1,235
FUND BALANCES				
Unreserved/Undesignated	119,543	13,624	(328)	292,143
Total Fund Balances	119,543	13,624	(328)	292,143
Total Liabilities and Fund Balances	$ 137,082	$ 13,624	$ 5,372	$ 293,378

Certificated Law Enforcement Executive Program Fund	Community Oriented Policing Services Fund	Equipment Replacement Fund	Total Non-major Govermental Funds
$ 19,580	$ 66,672	$ 650,191	$ 1,185,525
12	-	784	1,170
$ 19,592	$ 66,672	$ 650,975	$ 1,186,695
$ -	$ -	$ -	$ 24,474
-	-	-	24,474
19,592	66,672	650,975	1,162,221
19,592	66,672	650,975	1,162,221
$ 19,592	$ 66,672	$ 650,975	$ 1,186,695

TOWN OF ROSS

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Gas Tax Fund	Park Fund	General Plan Update Fund	Building Permit Excess Reserve Fund
REVENUES				
Intergovernmental	$ 60,151	$ -	$ -	$ -
Licenses and permits	-	-	17,053	-
Revenue from use of money and property	-	-	-	1,815
Miscellaneous	-	-	-	-
Total Revenues	60,151	-	17,053	1,815
EXPENDITURES				
Current:				
General government	-	-	-	7,429
Public safety	-	-	-	-
Public works	17,539	-	33,075	-
Total Expenditures	17,539	-	33,075	7,429
Excess (Deficiency) of Revenues Over Expenditures	42,612	-	(16,022)	(5,614)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	42,612	-	(16,022)	(5,614)
Fund Balances, Beginning of Year	76,931	13,624	15,694	297,757
Fund Balances, End of Year	$ 119,543	$ 13,624	$ (328)	$ 292,143

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VALUE THE DIFFERENCE

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

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

We have audited the financial statements of the governmental activities, each major fund which collectively comprise the Town of Ross's basic financial statements, and the aggregate remaining fund information of the Town of Ross as of and for the year ended June 30, 2010, and have issued our report thereon dated August 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses as defined above.

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

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

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the Town of Ross, for the year ended June 30, 2011. These procedures, which were agreed to by the Town of Ross (the Town), and the League of California Cities (as presented in the League publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines*) were performed solely to assist the Town of Ross in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The Town of Ross management is responsible for the Appropriations Limit Calculation.

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

The procedures performed and our findings were as follows:

1. We obtained the worksheets used by the Town to calculate its appropriations limit, and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Town Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Town Council.

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

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

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

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

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

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4. We agreed the prior year appropriations limit in the Appropriations Limit Calculation to the prior year appropriations limit adopted by the Town Council during the prior year.

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

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

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

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
August 22, 2011