CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

This Page Left Intentionally Blank

CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 18

Statement of Activities 19

Fund Financial Statements:

Governmental Funds:

Balance Sheet 22

Reconciliation of the Governmental Funds-Balance Sheet with the Statement of Net Position 25

Statement of Revenues, Expenditures, and Changes in Fund Balances 26

Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities 28

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

General Fund 29

Gas Tax Fund 30

Proprietary Funds:

Statement of Net Position 32

Statement of Revenues, Expenses and Changes in Fund Net Position 33

Statement of Cash Flows 34

CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)

Fiduciary Funds:

Statement of Net Position 36

Statement of Changes Net Position – Retiree Benefits Trust Fund 37

Notes to Basic Financial Statements 39

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 68

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances 72

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual 76

Fiduciary Funds:

Combining Statements of Changes in Assets and Liabilities 80

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 83

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Larkspur, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Larkspur (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 from 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 City'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 City'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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and required changes in format and certain nomenclature, but did not have a material effect on the financial statements:

> Statement 61 - *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* See Note 2 to the financial statements for relevant disclosures.
>
> Statement 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* See Note 2 to the financial statements for relevant disclosures.
>
> Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See Note 2 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 City's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic 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 September 20, 2013, on our consideration of the City'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 of 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 City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
September 20, 2013

This Page Left Intentionally Blank

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The City of Larkspur is issuing its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*** (GASB 34) and successor statements, as outlined in Note 2B to the Basic Financial Statements. GASB 34 was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make their decisions, including members of the City Council, members of oversight bodies, investors, creditors, and the public in general. GASB 34 has introduced many changes to the look and content of annual financial reports. One important requirement is that financial managers provide ***Management's Discussion and Analysis*** (MD&A), which is designed to provide readers an objective and easily readable analysis of the governmental unit's financial performance for the reported year. This MD&A should be read in conjunction with the ***Basic Financial Statements*** and the accompanying notes to the Basic Financial Statements. The Basic Financial Statements include the ***Government-wide Statements*** and the ***Fund Financial Statements***, along with the accompanying Notes.

Reporting the City as a Whole: Government-wide Statements

The Government-wide Statements present the financial position of the City with a longer-term view of the City's activities as a whole, and consist of the ***Statement of Net Position*** and the ***Statement of Activities***. The Statement of Net Position presents all information about the City's assets and liabilities, both current and long-term, on the full accrual basis of accounting, which is similar to the accounting used by most private sector businesses. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which liability is incurred. Highlighting net position, or the difference between assets and liabilities, are one way to measure the City's financial health and financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The Statement of Net Position includes the information previously reported in the City's fixed assets and long-term debt account groups. The City has chosen, within the parameters of GASB 34, not to retrospectively include the historic costs and accumulated depreciation of infrastructure in place, including but not limited to the City's roadway system.

The Statement of Activities provides information about all of the City's revenues and expenses, also on the full accrual basis, and emphasizes the measurement of the net revenues or expenses of each of the City's functional or program areas. It also incorporates changes in Net Position for the year. In accordance with GASB 34, certain eliminations have been made related to interfund activity, payables, and receivables.

Both the Statement of Net Position and the Statement of Activities present information about the City's ***governmental activities***. Most of the City's basic services fall into the category of governmental activities, including administration, finance, public works, planning and community development, recreation, contractual police and fire services, and library services. Sales, property and gas taxes, user fees, interest income, and state and federal grants finance these activities.

Reporting the City's Major Funds: Fund Financial Statements

The Fund Financial Statements include ***governmental***, ***proprietary*** and ***fiduciary*** funds and report the City's operations in more detail and with a shorter-term focus than the Government-wide Statements. A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach under GASB 34.

The Fund Financial Statements provide detailed information about the City's most significant funds, called ***Major Funds***. The concept of Major Funds, and the determination of which funds are Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, and all of the Non-major Funds are combined in a single column. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds designated as Major Funds may change from year-to-year, based upon their specific pattern of activities. The Major Funds reported for 2012-13 are the General Fund, the Gas Tax Fund, the Housing In Lieu Fund, the Capital Projects Fund and the Local Roads Funds, which are all governmental funds.

Governmental Funds

Most of the City's basic services are reported in governmental funds. These funds focus on reporting the flow of money into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period (by June 30th) or soon enough thereafter to be used. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds

Internal Service Funds are used for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other departments on a cost-reimbursement basis. The City's Insurance Fund provides for the payment of worker's compensation and liability claims.

Fiduciary Funds

The City is the trustee, or fiduciary, for certain funds established to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their specified purposes.

Financial Analysis: Government-wide Statements

As has been previously explained, the government-wide statements report Governmental Activities in the Statement of Net Position and the Statement of Activities. **Governmental Activities** consist of most of the programs and functions of the City. As of June 30, 2013, the net position of the City's Governmental Activities totaled $24 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities
Net Position at June 30, 2013

	2012-13	2011-12	Inc./(Dec.)
Cash & Investments	$ 11,412,859	$ 10,867,318	545,541
Other Assets	3,069,741	2,721,252	348,489
Capital Assets	14,896,288	11,670,090	3,226,198
Total Assets	$ 29,378,888	$ 25,258,660	$ 4,120,228
Accounts Payable	1,360,155	488,397	871,758
Compensated Absences	84,893	79,063	5,830
Other Liabilities	1,087,331	827,918	259,413
Deferred Revenue	-	-	-
Net OPEB Liability	2,035,414	1,521,512	513,902
Capital Lease Obligation	145,375	288,150	(142,775)
Total Liabilities	$ 4,713,168	$ 3,205,040	$ 1,508,128
Net Assets:			
Invested in capital assets, net of debt	15,581,669	12,212,696	3,368,973
Restricted	2,018,054	2,692,340	(674,286)
Unrestricted	7,065,997	7,148,584	(82,587)
Total Net Position	$ 24,665,720	$ 22,053,620	$ 2,612,100

- ✓ The total net position for the City's Governmental Activities increased by $2,612,100 in 2012-13.
- ✓ Cash and Investments increased by $545K largely attributable to cost cutting measures of $2.9M.
- ✓ Capital Assets increased by $3.2M which represents additions to capital assets being depreciated.
- ✓ The Statement of Assets also includes an amount for Other Post Employment Benefits (OPEB). This amount represents the unpaid liability for FY 2011-12 and FY 2012-13 per the actuarial valuation done on FY 2009-10 to comply with GASB Statement No. 45. More detailed information on this amount is found in Note 11.

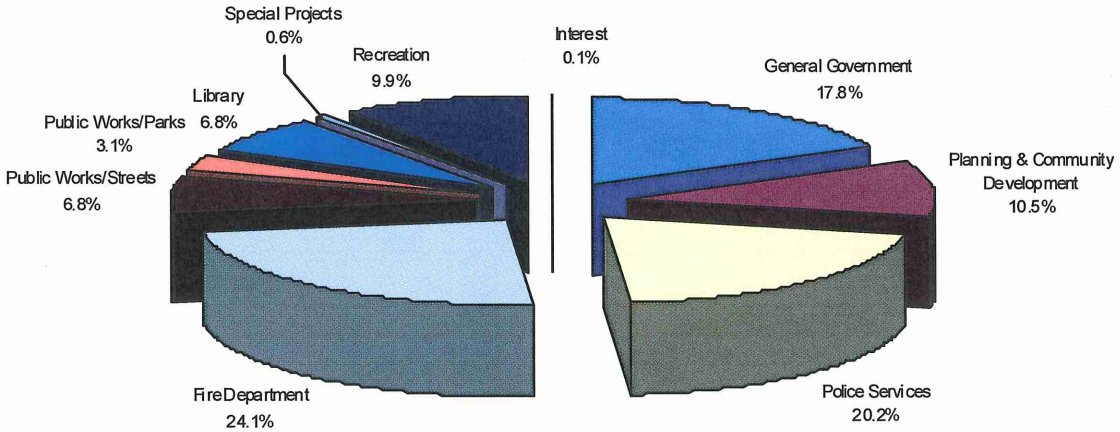
During 2012-13, the City's Governmental Activities were supported by $18.6 million in revenues, derived from many sources, as is summarized in the next chart.

Statement of Activities: Governmental Activities
2012-13 Revenues by Source

Source	2012-13	2011-12	% of Total
Program Revenues:			
Charges for services	$ 2,994,406	$ 2,801,963	16.1%
Operating contributions & grants	574,390	560,531	3.1%
Capital contributions & grants	2,206,595	1,748,183	11.9%
Total Program Revenues	$ 5,775,391	$ 5,110,677	31.0%
General Revenues:			
Property tax	8,363,336	8,052,064	45.0%
Sales tax	1,903,714	1,583,273	10.2%
Other taxes	2,434,301	2,306,319	13.1%
Use of Money and Property	126,897	234,216	0.7%
Other income	-	-	0.0%
Total General Revenues	$ 12,828,248	$ 12,175,872	69.0%
Total Revenues	$ 18,603,639	$ 17,286,549	100.0%

The following provides a graphic depiction of the composition of the various revenue sources reported in the Statement of Activities for the Governmental Activities. As is depicted, Program Revenues, which are directly assigned to program or functional areas of the City's activities, comprised 31.0% of total revenue sources for the year. Property tax continues to be our greatest source of revenue at 45.0%. Capital contributions and grants comprised over 11.9% of Program Revenues during the fiscal year, primarily due to many large projects being completed.

Expenses by Program - Governmental Activities



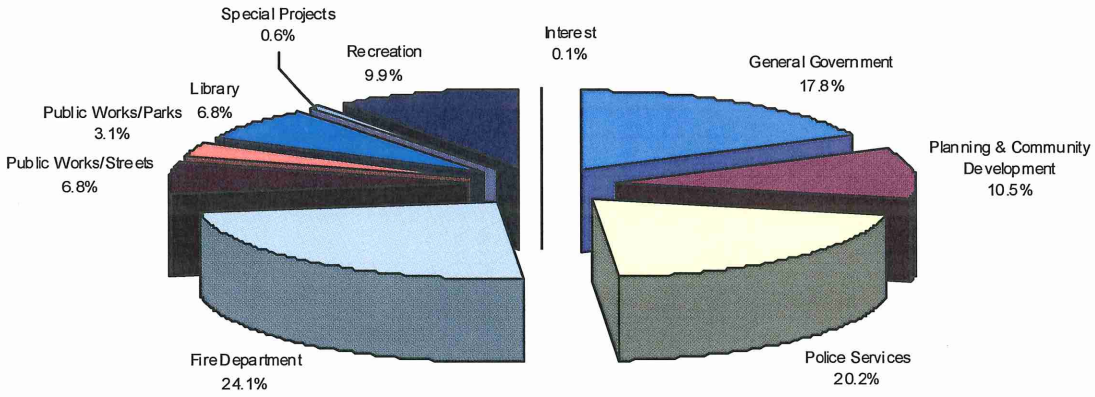
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because changes in net position are incorporated into the Statement of Activities, the expenses reported in this statement have been adjusted to reflect such things as annual depreciation of capital assets such as buildings and equipment, increases or decreases in the balance of compensated absences, and the principal payment component of debt service. For example, in the Fund Financial Statements for the Governmental Funds, the General Administration Program reflects an expenditure of $1,934,449 for 2012-13. This same program reflects total expenses of $2,848,001 in the next chart. The $913,552 difference is annual depreciation and acquisition of capital assets. These items, treated in the Fund Financial Statements as adjustments to balance sheet accounts, are incorporated into the total activity for this program area in the Statement of Activities. A full reconciliation of these statements is included in the Basic Financial Statements. A discussion of program expenditures for the year is included later in this MD&A.

Statement of Activities: Governmental Activities
2012-13 Expenses by Program

Program	Total Expense	% of Total
General Government	$ 2,848,001	17.8%
Planning & Community Development	1,681,343	10.5%
Police Services	3,234,629	20.2%
Fire Department	3,858,698	24.1%
Public Works/Streets	1,088,106	6.8%
Public Works/Parks	501,113	3.1%
Recreation	1,579,942	9.9%
Library	1,079,991	6.8%
Special Projects	98,035	0.6%
Interest on long-term debt	21,681	0.1%
Total	$ 15,991,539	100.0%

The total expenses of $15,991,539 are graphically depicted by program area in the next chart.

Expenses by Program - Governmental Activities



The net change in assets from 2011-12 to 2012-13 of $2,612,100 reported and discussed earlier is equal to the difference between the total revenues of $18,603,639 minus total expenses of $15,991,539 that are reflected in the Statement of Activities for Governmental Activities.

FUND FINANCIAL STATEMENTS

Performance of Governmental Funds

The Net Position of the City's Governmental Funds at June 30, 2013, were about $11,092,321 million, which is the total of ending fund balances, plus capital assets, and less long-term debt. The following chart provides an overview of the Net Position.

Governmental Funds
Net Position at June 30, 2013

Governmental Funds	Total Assets	Total Liabilities	Fund Balance/ Net Assets
General	$ 5,732,329	$ 3,132,497	$ 2,599,832
Gas Tax	683,539	382,280	301,259
Housing in Lieu	338,156	263,880	74,276
Capital Projects	6,922,259	447,824	6,474,435
Local Roads Fund	209,786	552,956	(343,170)
Other Governmental Funds	2,271,914	286,225	1,985,689
Total Net Position	$ 16,157,983	$ 5,065,662	$ 11,092,321

The combined fund balances of $11,092,321 from the various Governmental Funds comprise about 68% of Total Net Position at June 30, 2013. These fund balances decreased by $85,752, or less than 1%, during 2012-13.

Governmental Funds
Net Change in Fund Balances at June 30, 2013

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	$ 13,888,812	$ 12,804,367	$ 1,084,445	$ (160,697)	$ 923,748
Gas Tax	809,636	960,794	(151,158)	484,736	333,578
Housing in Lieu	325	14,925	(14,600)	-	(14,600)
Capital Projects	1,483,547	3,794,747	(2,311,200)	1,975,986	(335,214)
Local Roads Fund	644,216	29,998	614,218	(1,310,289)	(696,071)
Other Governmental Funds	1,777,103	1,084,560	692,543	(989,736)	(297,193)
Subtotal	$ 18,603,639	$ 18,689,391	$ (85,752)	$ -	$ (85,752)
Beginning Fund Balances					11,178,073
Ending Fund Balances					$ 11,092,321

The following discussion provides a focused analysis of the performance of the City's Governmental Funds by examining the various Major Funds.

▫ General Fund

The General Fund accounts for financial resources traditionally associated with government activities that are not legally required to be accounted for in another fund. The General Fund ended the 2012-13 fiscal year with a fund balance of $2,599,832, an increase of $923,748 from the previous year. This increase results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

2012-13 General Fund Performance

Revenues	$ 13,888,812
Expenditures	12,804,367
Excess of Expenditures	**$ 1,084,445**
Other Financing Sources (Uses)	
Transfers In	210,000
Transfers Out	(370,697)
Net Other Uses	**$ (160,697)**
Net change to Fund Balance	923,748
Beginning Fund Balance	1,676,084
Ending Fund Balance	**$ 2,599,832**

For the first time in several years General Fund revenues had a strong gain compared to several prior years. Total revenues of $13,888,812 were received in 2012-13, as compared with $13,100,164 in 2011-12. The 6.02% or $788,648, increase is depicted in the following chart that compares revenue performance for the two years.

Two-year Comparison of General Fund Revenues

	2012-13	2011-12	Inc. (Dec.)	% Inc. (Dec.)
Property Taxes	$ 8,363,336	$ 8,052,064	$ 311,272	3.87%
Sales Tax	1,903,714	1,583,273	320,441	20.24%
Other Taxes	1,958,747	1,782,385	176,362	9.89%
Licenses & Permits	460,933	445,836	15,097	3.39%
Penalties & Fines	57,799	50,684	7,115	14.04%
Use of Money and Property	104,801	216,270	(111,469)	-51.54%
Other Agencies	114,724	45,481	69,243	152.25%
Charges for Services	780,025	689,411	90,614	13.14%
Other Revenue	144,733	234,760	(90,027)	-38.35%
Total	$ 13,888,812	$ 13,100,164	$ 788,648	6.02%

Property taxes showed an increase of $311,272. **Sales taxes** reported increased from $1,583,273 in 2011-12 to $1,903,714, in 2012-13. This increase in both property tax and sales taxes is primarily due to the rebounding economy; however, economic conditions will continue to affect this source of revenue. **Other Taxes** increased by approximately 9.89%. Revenues included in this category are business license fees, franchise fees and transient occupancy taxes. **Penalties and Fines** are increased by 14.04%. **Use of Money and Property** includes interest earned decreased by 51.54% during the fiscal year. **Other Agencies** increased by $69,243, as there were no calls from the state for fire responses this fiscal year, revenue received from the State for library services was discontinued, and Motor Vehicle In-Lieu Fees were discontinued by the State. **Charges for services** increased by 13.14%. **Other Revenue** accounts for any payments received during the year that do not fit into any other category. Because of that, it fluctuates from year to year. This year Other Revenue decreased by $(90,207).

General Fund expenditures totaled $12,804,367 in 2012-13, a decrease of 19.9%, or $3,181,288 from 2011-12. The following chart highlights the difference between the two fiscal years by program area.

Two-year Comparison of General Fund Expenditures
Actual Fiscal Year 2012-13

Program Area	2012-13	2011-12	Inc. (Dec.)	Percent
General Administration	$ 1,934,449	$ 2,424,126	($489,677)	-20.2%
Planning & Community Development	1,076,114	1,159,668	(83,554)	-7.2%
Police Services	3,234,629	3,316,198	(81,569)	-2.5%
Fire Department	3,716,862	5,631,655	(1,914,793)	-34.0%
Public Works/Streets	859,552	1,043,685	(184,133)	-17.6%
Public Works/Parks	441,541	568,867	(127,326)	-22.4%
Recreation	572,871	650,783	(77,912)	-12.0%
Library	803,893	959,657	(155,764)	-16.2%
Debt Service	164,456	231,016	(66,560)	-28.8%
Total	**$ 12,804,367**	**$ 15,985,655**	**$ (3,181,288)**	**-19.9%**

The General Fund remained stable throughout 2012-13. The ending fund balance at June 30, 2013 of $2,599,832. Of the $2.5 million fund balance, $14 thousand is nonspendable, and $321 thousand is committed and $2.26 million is unassigned.

- **Gas Tax Fund**

The Gas Tax Fund is a special revenue fund that is used to account for the City's share of the gas tax raised under Street and Highway Code Sections 2105, 2106, 2107, and 2107.5. The City primarily utilizes its share to maintain the City's roadway system. During 2012-13, the Gas Tax Fund experienced an increase in fund balance of $333,578. This increase covered the fund deficit from the prior year and ended the current fiscal year with a positive $301,259 fund balance. The increase in fund balance was mainly due to the fund balance transfer of Proposition 42, the State eliminate funding of Proposition 42.

2012-13 Gas Tax Fund Performance

Revenues	$ 809,636
Expenditures	960,794
Excess of Revenues	**$ (151,158)**
Other Financing Sources (Uses)	
Transfers In/(Out)	**$ 484,736**
Net Other Uses	**$ 484,736**
Net change to Fund Balance	333,578
Beginning Fund Balance	(32,319)
Ending Fund Balance	**$ 301,259**

Total revenues for 2012-13 were $809,636, as compared to $714,912 in 2011-12. Expenditures in 2012-13 were $960,794, as compared with $868,951 in 2011-12.

▫ Capital Projects

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major facilities. The Capital Projects fund balance decreased by $(335,214). Most of the projects completed in fiscal year 2013 was in Streets, Curbs and Gutters; Doherty Drive Class 1 Path, Doherty Drive Reconstruction, Redwood Highway Path Intersection and City Hall Remodel. Expenses related to the Housing Element and the General Plan Update are also accounted for in this fund. The ending fund balance includes dollars being set aside for the completion of the Bon Air Bridge Replacement project.

2012-13 Capital Projects Fund Performance

Revenues	$	1,483,547
Expenditures		3,794,747
Excess of Revenues	**$**	**(2,311,200)**
Other Financing Sources (Uses)		
Transfers In/(Out)	**$**	**1,975,986**
Net Other Uses	**$**	**1,975,986**
Net change to Fund Balance		(335,214)
Beginning Fund Balance		6,809,649
Ending Fund Balance	**$**	**6,474,435**

▫ Local Road Funds

Local Road Funds is a new special revenue fund to account for revenue from local and regional funds, including Measure A, TAM Measure B, and Regional Measure 2. These funds are used for projects that reduce traffic congestion and improve transportation in Larkspur and Marin County.

Taken as a whole, the following chart reflects the performance of these funds during 2012-13.

2012-13 Performance of Local Road Funds

Revenues	$	644,216
Expenditures		29,998
Excess of Revenues	**$**	**614,218**
Other Financing Sources (Uses)		
Transfers In/Out	**$**	**(1,310,289)**
Net Other Uses	**$**	**(1,310,289)**
Net change to Fund Balance		(696,071)
Beginning Fund Balance		352,901
Ending Fund Balance	**$**	**(343,170)**

▫ Other Governmental Funds

Included in this category are the Special Revenue Funds (Park Development, Property Development, Transit Mitigation, Business Enhancement, Heritage Preservation, Ross Valley Summer School, Storm Drain Run Off, Road Impact) and the King Mountain Improvement, Greenbrae Marina and East Sir Francis Drake Capital Projects Funds.

Taken as a whole, the following chart reflects the performance of these funds during 2012-13.

2012-13 Performance of Other Governmental Funds

Revenues	$	1,777,103
Expenditures		1,084,560
Excess of Revenues	**$**	**692,543**
Other Financing Sources (Uses)		
Transfers In/Out	$	(989,736)
Net Other Uses	**$**	**(989,736)**
Net change to Fund Balance		(297,193)
Beginning Fund Balance		2,282,882
Ending Fund Balance	**$**	**1,985,689**

Debt Administration

The City's debt consists of the Capital Lease Obligations that were used to finance the Multi-Use Field and a seven-year lease for a Pierce Fire truck. The City participates in partnership with the Larkspur School District in the Multi-Use Field lease. As the lead Agency, Larkspur recognizes the full amount of the lease, as per the written agreement. The Multi-Use Field had an outstanding balance of $75,023 at June 30, 2012, and was paid in full as of June 30, 2013. The Pierce Fire Truck had an outstanding balance of $145,375 at June 30, 2013 with an interest rate of 4.78%.

Budgeting

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all other Major Funds. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting, consistent with generally accepted accounting practices (GAAP). Operating appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. Project-length financial plans are adopted for capital projects. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated between departments within the same fund without City Council approval.

Conclusion

Management's Discussion and Analysis is designed to provide the City's residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions about this document or requests for additional information may be directed to the Finance Director, located in the City Hall at 400 Magnolia Avenue, Larkspur, CA 94939.

This Page Left Intentionally Blank

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities column, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

CITY OF LARKSPUR
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	
Cash and investments (Note 3):	
Available for operations	$11,412,859
Receivables:	
Accounts	1,950,020
Interest	10,058
Loans	263,880
Prepaid items	15,027
Land (Note 5)	830,756
Other capital assets, net of depreciation (Note 5)	14,896,288
Total Assets	29,378,888
LIABILITIES	
Accounts payable	1,167,563
Accrued liabilities	192,592
Claims payable (Note 12)	
Due within one year	154,606
Due in more than one year	264,262
Unearned revenue	442,632
Deposits	225,831
Compensated absences payable (Note 2I)	84,893
Net OPEB obligation (Note 11)	2,035,414
Long-term debt (Note 7):	
Due within one year	70,991
Due in more than one year	74,384
Total Liabilities	4,713,168
NET POSITION (Note 9A)	
Net investment in capital assets	15,581,669
Restricted for:	
Capital projects	4,747
Special revenue projects	2,013,307
Total Restricted Net Position	2,018,054
Unrestricted net position	7,065,997
Total Net Position	$24,665,720

See accompanying notes to financial statements

CITY OF LARKSPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General government	$2,848,001	$226,437	$8,390		($2,613,174)
Planning and community development	1,681,343	694,130	491,509		(495,704)
Police services	3,234,629		31,748		(3,202,881)
Fire	3,858,698	121,829			(3,736,869)
Public works / streets	1,088,106	575,109	25,082	$2,174,766	1,686,851
Public works / parks	501,113			6,073	(495,040)
Recreation	1,579,942	1,376,901		25,756	(177,285)
Library	1,079,991		17,661		(1,062,330)
Special projects	98,035				(98,035)
Interest on long-term debt	21,681				(21,681)
Total Governmental Activities	$15,991,539	$2,994,406	$574,390	$2,206,595	(10,216,148)
General revenues:					
Taxes:					
Sales tax					1,903,714
Property taxes					8,363,336
Other taxes					2,434,301
Use of money and property					126,897
Total general revenues					12,828,248
Change in Net Position					2,612,100
Net Position-Beginning					22,053,620
Net Position-Ending					$24,665,720

See accompanying notes to financial statements

This Page Left Intentionally Blank

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2013. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. This fund accounts for all financial transactions not accounted for in the other funds.

GAS TAX FUND

To account for taxes raised under Street and Highway Code Sections 2105, 2106, 2107 and 2107.5 and expenditures used for the maintenance and construction of City Streets.

HOUSING IN LIEU FUND

To account for revenue received from developers to be used for future affordable housing.

CAPITAL PROJECTS FUND

To account for the City's major capital improvements not provided for in one of the other capital projects funds.

LOCAL ROAD FUNDS

To account for revenue from local and regional funds, including Measure A, TAM Measure B, and Regional Measure 2. Used for projects that reduce traffic congestion and improve transportation in Larkspur and Marin County.

CITY OF LARKSPUR
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Gas Tax	Housing in Lieu	Capital Projects
ASSETS				
Cash and investments (Note 3):				
Available for operations	$5,144,045	$95,995	$74,204	$3,627,753
Accounts receivable	396,374	587,544		653,503
Interest receivable	5,050		72	2,163
Loans receivable			263,880	
Due from other funds (Note 4A)	172,833			
Prepaid items	14,027			
Advance to other funds (Note 4C)				2,638,840
Total Assets	$5,732,329	$683,539	$338,156	$6,922,259
LIABILITIES				
Accounts payable	$315,423	$382,280		$337,599
Accrued payroll				
Accrued liabilities	127,304			65,288
Due to other funds (Note 4A)				
Deposits payable	175,068			44,937
Advance from other funds (Note 4C)	2,513,202			
Total Liabilities	3,130,997	382,280		447,824
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans receivable			$263,880	
Unearned revenue	1,500			
Total Deferred Inflows of Resources	1,500		263,880	
FUND BALANCES (DEFICIT)				
Fund balances (deficit) (Note 9B)				
Nonspendable	14,027			
Restricted		301,259	74,276	
Committed	321,614			6,474,435
Assigned				
Unassigned	2,264,191			
Total Fund Balances (Deficit)	2,599,832	301,259	74,276	6,474,435
Total Liabilities and Fund Balances	$5,732,329	$683,539	$338,156	$6,922,259

See accompanying notes to financial statements

Local Road Funds	Other Governmental Funds	Total Governmental Funds
	$2,225,571	$11,167,568
$209,244	43,355	1,890,020
542	1,988	9,815
		263,880
		172,833
	1,000	15,027
		2,638,840
$209,786	$2,271,914	$16,157,983
	$93,752	$1,129,054
		192,592
$172,794	39	172,833
	5,826	225,831
	125,638	2,638,840
172,794	225,255	4,359,150
		263,880
380,162	60,970	442,632
380,162	60,970	706,512
	1,000	15,027
	896,426	1,271,961
	1,180,104	7,976,153
(343,170)	(91,841)	1,829,180
(343,170)	1,985,689	11,092,321
$209,786	$2,271,914	$16,157,983

This Page Left Intentionally Blank

CITY OF LARKSPUR
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances reported on the governmental funds balance sheet	$11,092,321
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	15,727,044
ALLOCATION OF INTERNAL SERVICE FUND NET POSITION	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.	
Cash and investments available for operations	245,291
Deposit-pay as you go	60,000
Interest receivable	243
Accounts payable	(38,509)
Claims payable	(418,868)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	263,880
LONG-TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(145,375)
Non-current portion of compensated absences	(84,893)
Net OPEB obligation	(2,035,414)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$24,665,720

See accompanying notes to financial statements

CITY OF LARKSPUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General	Gas Tax	Housing in Lieu	Capital Projects
REVENUES				
Taxes	$12,225,797	$302,963		
Licenses and permits	460,933			
Penalties and fines	57,799			
Use of money and property	104,801	908	$325	$9,329
Other agencies	114,724	505,765		952,467
Charges for services	780,025			
Other revenue	144,733			521,751
Total Revenues	13,888,812	809,636	325	1,483,547
EXPENDITURES				
Current:				
General administration	1,934,449			
Planning and community development	1,076,114			
Police services	3,234,629			
Fire	3,716,862			
Public works / streets	859,552			
Public works / parks	441,541			
Recreation	572,871			
Library	803,893			
Special projects				
Capital outlay		960,794	14,925	3,794,747
Debt service:				
Principal retirement	142,775			
Interest and fiscal charges	21,681			
Total Expenditures	12,804,367	960,794	14,925	3,794,747
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,084,445	(151,158)	(14,600)	(2,311,200)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4B)	210,000	949,736		1,995,986
Transfers (out) (Note 4B)	(370,697)	(465,000)		(20,000)
Total Other Financing Sources (Uses)	(160,697)	484,736		1,975,986
NET CHANGE IN FUND BALANCES	923,748	333,578	(14,600)	(335,214)
BEGINNING FUND BALANCES (DEFICITS)	1,676,084	(32,319)	88,876	6,809,649
ENDING FUND BALANCES (DEFICITS)	$2,599,832	$301,259	$74,276	$6,474,435

See accompanying notes to financial statements

Local Road Funds	Other Governmental Funds	Total Governmental Funds
$626,008	$171,591	$13,326,359
	157,073	618,006
		57,799
1,940	7,671	124,974
16,268		1,589,224
	982,690	1,762,715
	458,078	1,124,562
644,216	1,777,103	18,603,639
		1,934,449
		1,076,114
		3,234,629
		3,716,862
		859,552
	48,006	489,547
	976,080	1,548,951
		803,893
29,998	35,793	65,791
	24,681	4,795,147
		142,775
		21,681
29,998	1,084,560	18,689,391
614,218	692,543	(85,752)
		3,155,722
(1,310,289)	(989,736)	(3,155,722)
(1,310,289)	(989,736)	
(696,071)	(297,193)	(85,752)
352,901	2,282,882	11,178,073
($343,170)	$1,985,689	$11,092,321

CITY OF LARKSPUR
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($85,752)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capitalized expenditures are therefore added back to fund balance	3,817,465
Depreciation expense is deducted from the fund balance	(591,267)
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of capital lease principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	142,775
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Deferred revenue	(75,821)
Compensated absences	(5,830)
Net OPEB obligation	(513,902)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Position - Internal Service Fund	(75,568)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$2,612,100

See accompanying notes to financial statements

CITY OF LARKSPUR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Taxes	$11,487,000	$11,487,000	$12,225,797	$738,797
Licenses and permits	519,000	515,000	460,933	(54,067)
Penalties and fines	43,000	43,000	57,799	14,799
Use of money and property	35,000	60,010	104,801	44,791
Other agencies	42,300	60,000	114,724	54,724
Charges for services	754,920	758,920	780,025	21,105
Other revenue	115,000	112,500	144,733	32,233
Total Revenues	12,996,220	13,036,430	13,888,812	852,382
EXPENDITURES:				
Current:				
General administration	1,939,179	2,302,339	1,934,449	367,890
Planning and community development	1,103,511	1,103,511	1,076,114	27,397
Police services	3,334,977	3,234,627	3,234,629	(2)
Fire	3,902,352	4,027,352	3,716,862	310,490
Public works / streets	885,743	885,743	859,552	26,191
Public works / parks	481,714	481,714	441,541	40,173
Recreation	578,635	578,635	572,871	5,764
Library	820,319	820,319	803,893	16,426
Debt service:				
Principal retirement	165,000	210,801	142,775	68,026
Interest and fiscal charges		20,215	21,681	(1,466)
Total Expenditures	13,211,430	13,665,256	12,804,367	860,889
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(215,210)	(628,826)	1,084,445	1,713,271
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4B)	307,500	327,500	210,000	(117,500)
Transfers (out) (Note 4B)	(70,000)	(187,500)	(370,697)	(183,197)
Total other financing sources (uses)	237,500	140,000	(160,697)	(300,697)
NET CHANGE IN FUND BALANCE	$22,290	($488,826)	923,748	$1,412,574
BEGINNING FUND BALANCE			1,676,084	
ENDING FUND BALANCE			$2,599,832	

See accompanying notes to financial statements

CITY OF LARKSPUR
GAS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Taxes	$328,807	$328,807	$302,963	($25,844)
Use of money and property	12,000	12,000	908	(11,092)
Other agencies	1,820,000	1,820,000	505,765	(1,314,235)
Total Revenues	2,160,807	2,160,807	809,636	(1,351,171)
EXPENDITURES:				
Current:				
Capital Outlay	3,029,000	3,029,000	960,794	2,068,206
Total Expenditures	3,029,000	3,029,000	960,794	2,068,206
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(868,193)	(868,193)	(151,158)	717,035
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4B)			949,736	949,736
Transfers (out) (Note 4B)	(465,000)	(465,000)	(465,000)	
Total Other Financing Sources (Uses)	(465,000)	(465,000)	484,736	949,736
NET CHANGE IN FUND BALANCE	($1,333,193)	($1,333,193)	333,578	$1,666,771
BEGINNING FUND BALANCE (DEFICIT)			(32,319)	
ENDING FUND BALANCE			$301,259	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's Insurance Fund provides for the payment of the worker's compensation and liability claims.

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities- Insurance Internal Service Fund
ASSETS	
Cash and investments (Note 3):	$245,291
Deposit - pay as you go	60,000
Interest receivable	243
Total Assets	305,534
LIABILITIES	
Accounts payable	38,509
Claims payable (Note 12)	
Due within one year	154,606
Due in more than one year	264,262
Total Liabilities	457,377
NET POSITION (DEFICIT)	
Unrestricted net position (Deficit)	(151,843)
Total Net Position (Deficit)	($151,843)

See accompanying notes to financial statements

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities- Insurance Internal Service Fund
OPERATING EXPENSES	
Claims and administrative expense	$76,717
Operating Income (Loss)	(76,717)
NON-OPERATING INCOME	
Interest income	1,149
Change in net position	(75,568)
BEGINNING NET POSITION (DEFICIT)	(76,275)
ENDING NET POSITION (DEFICIT)	($151,843)

See accompanying notes to financial statements

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities-Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Claims paid	($60,390)
Net Cash Provided (Used) from Operating Activities	(60,390)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,057
Net Cash Flows	(59,333)
Cash and investments at beginning of period	304,624
Cash and investments at end of period	$245,291
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	($76,717)
Change in assets and liabilities:	
Deposit with risk pool	
Accounts payable	24,726
Claims payable	(8,399)
Cash Flows from Operating Activities	($60,390)

See accompanying notes to financial statements

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City as an agent or in trust for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

RETIREE BENEFITS TRUST FUND

The fund is used to account for the medical benefits for retired employees of the City.

CITY OF LARKSPUR
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Retiree Benefits Trust Fund	Agency Funds
ASSETS		
Restricted cash and investments (Note 3)	$90,282	$2,790,767
Accounts receivable	251,353	504,684
Interest receivable		2,892
Prepaid items		12,643
Total Assets	$341,635	$3,310,986
LIABILITIES		
Accounts payable		$101,805
Accrued payroll		190,569
Deposits		40,234
Accrued compensated absences		72,272
Due to property owners & bondholders		1,351,282
Due to Ross Valley Paramedic Authority		1,159,703
Due to Central Marin Police Authority		395,121
Total Liabilities		$3,310,986
NET POSITION		
Held in trust for OPEB benefits	$341,635	

See accompanying notes to financial statements

CITY OF LARKSPUR
RETIREE BENEFITS TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Retiree Benefits Trust Fund
ADDITIONS	
Employer contributions (Note 11)	$237,927
Net investment income	925
Total additions	238,852
DEDUCTIONS	
Premiums paid	
Total deductions	
Net change in net position	238,852
NET POSITION HELD IN TRUST FOR OPEB BENEFITS	
Beginning of year	102,783
End of year	$341,635

See accompanying notes to financial statements

This Page Left Intentionally Blank

NOTE 1 - GENERAL

The City of Larkspur (City) is a residential community located in Marin County approximately fifteen miles north of San Francisco, California. The City was incorporated as a municipal corporation in 1908; population at June 30, 2013 was approximately 12,099.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. At June 30, 2013, the City's staff comprised 55.5 budgeted positions. The City provides services to residents primarily by contracting with other governmental agencies and private contractors. City services are provided as follows:

Public Safety - The City provides fire protection services with 17 employees. The City contracts for its Code Enforcement/Building Inspection Services. The City is a member of the Central Marin Police Authority with the Town of Corte Madera and the Town of San Anselmo; the Authority provides police services to the City. Paramedic services are provided by Ross Valley Paramedic Authority of which the City is a member. Both of these authorities are described in Note 13.

Public Works and Engineering - The City has 10 employees who maintain its streets, curbs, gutters and related public property. The City contracts major construction projects, and some engineering services.

Recreation, Library and Day Care services are provided by a total of 18.5 employees.

Planning, Administration - and other services are provided by a total of 10 employees.

In addition, the City employs seasonal recreation personnel and part time hourly Library employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Larkspur conform with generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

A. Reporting Entity

The financial statements of the City of Larkspur include the financial activities of the City. There are no component units.

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The financial statements described below are presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. *Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - To account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. This fund accounts for all financial transactions not accounted for in the other funds.

Gas Tax Fund – To account for taxes raised under Street and Highway Code Sections 2105, 2106, 2107 and 2107.5 and expenditures used for the maintenance and construction of city streets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing in Lieu Fund – To account for revenue received from developers to be used for future affordable housing.

Capital Projects Fund- To account for the City's major capital improvements not provided for in one of the other capital projects funds.

Local Road Funds - To account for revenue from local and regional funds, including Measure A, TAM Measure B, and Regional Measure 2. Used for projects that reduce traffic congestion and improve transportation in Larkspur and Marin County

The City also reports the following fund types:

Internal Service Fund – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's Insurance Fund provides for the payment of the worker's compensation and liability claims.

The City also reports the following fiduciary fund types:

Trust Fund – This fund accounts for assets held by the City as an agent for various functions. The Retiree Benefits Trust Fund accounts for the accumulation of resources to be used for retiree benefit payments at appropriate amounts and times in the future. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

Fiduciary Funds – These Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds, in accordance with the conditions of the agreements. Agency Funds are purely custodial and do not involve measurement of results of operations.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue since they are remitted shortly after year end. Fines collected by the City, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Expenditures are also generally recognized under the modified accrual basis of accounting. Exceptions to this rule is principal and interest on long-term debt, which is not recognized by governmental funds until it is due, and the current portion of compensated absences payable.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures by fund and departments and the revenues expected to finance them.

2. A public hearing is conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution before July 1.

4. The City Manager is authorized to transfer budgeted amounts between line items within any department; however, any revisions which alter total expenditures of the City must be approved by City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, all Special Revenue Funds, except the Housing in Lieu, Park Development, Transportation Congestion, Business Enhancement, Road Impact Fees, Heritage Preservation, Property Development, Tidal Waves Swim Team and Measure A Special Revenue Funds, and the Capital Projects Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that proprietary funds do not budget depreciation, but budget for capital outlay. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to original appropriations.

F. Expenditures in Excess of Appropriations

The funds below incurred expenditures in excess of appropriations in the amounts below. These funds had sufficient fund balances or revenues to finance these expenditures.

Fund	Excess of Expenditures Over Appropriations
Summer School	$40,248
Twin Cities Childcare	4,234

G. Cash Flows

Proprietary fund cash and investments are grouped in the preparation of statements of cash flows as they are considered cash and cash equivalents. Proprietary fund cash and investments represent allocations of pooled cash and investments composed of cash or investments with a maturity less than three months.

H. Property Tax

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County of Marin levies, bills, and collects property taxes and special assessments for the City. The County remits the entire amount levied and collects all delinquencies, retaining all interest and penalties.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences Payable

The City accounts for the current portion of its governmental funds' liability for accrued vacation payable as part of its accrued payroll in the general fund and a special revenue fund, as it is expected to be repaid from available expendable resources. The long-term portion of this liability is recorded in the Statement of Net Position. Sick leave and other such absences do not vest and are not accrued.

Changes in the long-term portion of compensated absences were as follows:

	2013	2012
Beginning balance	$79,063	$72,278
Net change	5,830	6,785
Ending Balance	$84,893	$79,063

Compensated absences are liquidated by the fund that has recorded the liability as they become due.

J. Deferred Compensation Plans

Employees of the City and the Central Marin Police Authority may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal revenue Code 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The City signed Deferred Compensation Plan administration agreements which require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds so that it can be safely invested at maximum yields, consistent with safety and liquidity, while individual funds can make expenditures at any time. Investment income is allocated among funds on the basis of average quarter-end cash and investment balances in these funds.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its special assessment debt issues; the City normally invests only in the California Local Agency Investment Fund pool administered by the State.

The City's investments are carried at fair value instead of cost, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Cash and investments available for City operations	$11,412,859
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Benefits Trust Fund	90,282
Agency Funds	2,790,767
Total City Cash and Investments	$14,293,908

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Investments Authorized by the California Government Code and the City's Investment Policy*

The City's investment policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	50%	No Limit
Bankers' Acceptances	180 days	A-1	30%	10%
Commercial Paper	180 days	A	15%	10%
Repurchase Agreements	30 days	N/A	10%	No Limit
Certificates of Deposit	5 years	FDIC	30%	$99,000
California Local Agency Investment Fund (LAIF)	N/A	N/A	No Limit	$20,000,000
Money Market Mutual Funds	N/A	Top rating category	20%	No Limit
Investment Trust in California (CalTrust)	N/A	N/A	No Limit	$20,000,000

D. *Interest Rate Risk and Credit Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment Type	12 Months or less
City of Larkspur:	
California Local Agency Investment Fund	$6,461,767
Investment Trust of California (CalTrust)	6,651,049
Money Market Funds	39,887
Total City Investments	13,152,703
City of Larkspur:	
Cash in banks and on hand	1,050,923
Retiree Benefits Trust Fund:	
Annuity Contracts	90,282
Total Cash and Investments	$14,293,908

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Medium-Term Fund has a target portfolio duration of 0 to 4 years. At June 30, 2013, these investments matured in an average of 773 days.

Money Market funds are available for withdrawal and at June 30, 2013, have an average maturity of 54 days.

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances are amounts due from one fund to another, all of which are expected to be repaid in the normal course of business. As of June 30, 2013, interfund balances were as follows:

Due from other funds	Due to other Funds	Amount
General Fund	Local Road Funds	$172,794
	Non-Major Governmental Funds	39
	Total Due to Other Funds	$172,833

B. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2013, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax	$150,000
	Capital Projects	20,000
	Non-Major Governmental Funds	40,000
Gas Tax	Non-Major Governmental Funds	949,736
Capital Projects	General Fund	370,697
	Gas Tax	315,000
	Local Road Funds	1,310,289
	Total Interfund Transfers	$3,155,722

C. Interfund Advance

During the fiscal year ending June 30, 2012, the Council approved an interfund advance of $3,127,846 from the Capital Projects to the General Fund in the amount of $2,979,309 and to the Twin Cities Child Care Fund in the amount of $148,537 for the purpose of paying off the debt with California Public Employees Retirement System (CalPERS) know as a side fund. This advance will be paid in equal monthly payments of $27,167 plus interest calculated at the rate of the Local Agency Investment Fund (LAIF). The total balance outstanding as of June 30, 2013, is $2,638,840.

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Land Improvements	40 years
Street, Curbs, & Gutters	40 years
Machinery & Equipment	10 years
Buildings	40 years
Vehicles	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

NOTE 5 – CAPITAL ASSETS (continued)

Changes in capital assets were as follows:

	Balance June 30, 2012	Additions	Retirements and Adjustments	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$830,756			$830,756
Total capital assets not being depreciated	830,756			830,756
Capital assets being depreciated:				
Land Improvements	4,697,899			4,697,899
Streets, Curbs, & Gutters	5,663,111	$3,606,557		9,269,668
Machinery & Equipment	1,567,016	28,402	($7,867)	1,587,551
Buildings	3,276,295	182,506		3,458,801
Vehicles	2,082,384		(22,000)	2,060,384
Total capital assets being depreciated	17,286,705	3,817,465	(29,867)	21,074,303
Less accumulated depreciation for:				
Land Improvements	(773,335)	(117,523)		(890,858)
Streets, Curbs, & Gutters	(424,268)	(235,026)		(659,294)
Machinery & Equipment	(1,260,091)	(63,074)	7,867	(1,315,298)
Buildings	(1,418,157)	(78,058)		(1,496,215)
Vehicles	(1,740,764)	(97,586)	22,000	(1,816,350)
Total accumulated depreciation	(5,616,615)	(591,267)	29,867	(6,178,015)
Net capital assets being depreciated	11,670,090	3,226,198		14,896,288
Governmental activity capital assets, net	$12,500,846	$3,226,198		$15,727,044

NOTE 5 – CAPITAL ASSETS (continued)

A. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

	Depreciation Expense
General government	$381,659
Fire	138,189
Public works/streets	5,665
Public works/parks	3,777
Recreation	24,564
Library	1,579
Special projects	35,834
Total Governmental Activities	$591,267

NOTE 6 – LOAN RECEIVABLE

On August 11, 2004, the City entered into a $1,050,000 loan agreement with WestAmerica Bank as described in Note 7 below. The City then loaned $400,000 of the proceeds to the Larkspur School District. The City and the School District used the proceeds for the construction of a multi-use playfield at the Hall Middle School campus. The balance of $28,608, with Larkspur School District was paid as of June 30, 2013.

NOTE 7 – LONG-TERM DEBT

The City's long-term debt is summarized below:

Type of Obligation	Authorized and Issued	Balance June 30, 2012	Retirements	Balance June 30, 2013	Current Portion
West America Bank	$1,050,000	$75,023	$75,023		
Fire Engine Lease	440,000	213,127	67,752	$145,375	$70,991
Total Governmental Activity Debt	$1,490,000	$288,150	$142,775	$145,375	$70,991

NOTE 7 – LONG-TERM DEBT (Continued)

A. West America Bank

On August 11, 2004, City entered into a $1,050,000 loan agreement with West America Bank. The City then turned around and loaned $400,000 of the proceeds to the Larkspur School District. The City and the School District used the proceeds for the construction of a multi-use playfield at the Hall Middle School Campus. The loan with West America Bank bears interest at 3.75 percent and is payable in semi-annual principal and interest payments of $47,359, commencing September 1, 2004 through August 1, 2012. As of June 30, 2013 the balance was paid in full.

B. Fire Engine Lease

In December 2006, the City entered into a $440,000 lease agreement with Oshkosh Capital, for the purpose of financing the purchase of a fire engine. The lease bears interest at a rate of 4.78 percent and is payable annually with interest and principal payments commencing July 10, 2008 through July 10, 2014.

C. Debt Service Requirements

At June 30, 2013, the fire engine annual lease payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2014	$70,991	$6,949	$77,940
2015	74,384	3,556	77,940
Total	$145,375	$10,505	$155,880

NOTE 8 - SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT

The City is the collecting and paying agent for the debt of the special assessment districts below, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, the debt is not included in the City's financial statements. The outstanding balance of each of these debt issues as of June 30, 2013 is as follows:

Drake's Landing Residential Community	$225,000
LMFA Dredging and Maintenance project	825,000
North Magnolia Avenue Assessment District	75,000

At June 30, 2013, fiscal agents for these debt issues held funds, which are pledged for the payment of these debt issues. The California Government Code requires these monies be invested in accordance with the City ordinance, resolution or indenture, unless there are specific state statutes regarding the investment.

NOTE 9 – NET POSITION AND FUND BALANCE

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows, if any, over all its liabilities and deferred inflows, if any, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, and debt service requirements.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact and assets not expected to be converted to cash, such as prepaids, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the Council which may be altered only by formal action of the Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

NOTE 9 – NET POSITION AND FUND BALANCE (Continued)

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Council or its designee and may be changed at the discretion of the Council or its designee. This category includes Nonspendables, when it is the Council's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are below:

Fund Balance Classifications	General Fund	Gas Tax	Housing in Lieu	Capital Projects	Other Governmental Funds	Total
Nonspendable:						
Items not in spendable form:						
Prepaid Items	$14,027				$1,000	$15,027
Total Nonspendable Fund Balances	14,027				1,000	15,027
Restricted for:						
Storm Drain Run Off					61,642	61,642
Capital Projects		$301,259	$74,276			375,535
Total Restricted Fund Balances		301,259	74,276		61,642	437,177
Committed to:						
State Bail Out	321,614					321,614
Business Enhancement					141,089	141,089
Road Impact Fees					1,034,268	1,034,268
Capital Projects				$6,474,435	4,747	6,479,182
Total Committed Fund Balances	321,614			6,474,435	1,180,104	7,976,153
Assigned to:						
Park Development					56,375	56,375
Property Development					43,012	43,012
Transit Mitigation					426,798	426,798
Heritage Preservation					134,750	134,750
Summer School					173,849	173,849
Total Assigned Fund Balances					834,784	834,784
Unassigned:						
General Fund	2,264,191					2,264,191
Measure A					(343,170)	(343,170)
Twin Cities Child Care					(91,841)	(91,841)
Total Unassigned Fund Balances	2,264,191				(435,011)	1,829,180
Total Fund Balances (Deficit)	$2,599,832	$301,259	$74,276	$6,474,435	$1,642,519	$11,092,321

NOTE 9 – NET POSITION AND FUND BALANCE (Continued)

C. *Minimum Fund Balance Policy*

On June 15, 2011, the City Council adopted resolution #41-11 establishing the General Fund reserve policy.

Reserve Levels

The City will set aside funds into three designated reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, and Capital and Special Projects Reserve.

The City commits to maintaining these reserves at a minimum of 25% of General Fund annual operating expenditures (minus one-time expenditures), equally divided between the Catastrophic Reserve (15%) and Budget Stabilization Reserve (10%), excluding the Capital and Special Projects Reserve. The General Fund Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process. Appropriations of any General Fund reserves require formal Council authorization.

Should a catastrophic disaster or loss of a significant source of the City's sales tax revenue occur, the required reserve level should be adequate to meet the City's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses for approximately ninety days, including salary and benefits for safety and non-safety City employees, while still meeting debt service obligations. This time frame would enable the City to explore other available cash alternatives, including the use of internal service funds. Likewise, should the City experience a loss of a primary sales tax contributor, the reserve level in the Budget Stabilization Fund would provide for a two year transition period, giving the City adequate time to realign its operating costs with available resources, while minimizing service impacts.

D. *Budget Stabilization*

Funds reserved under this category shall be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- Significant decrease in property or sales tax, or other economically sensitive revenues;
- Loss of businesses considered to be significant sales tax generators;
- Reductions in revenue due to actions by the state/federal government;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

NOTE 10 - PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts.

The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4% - 3.0%	2.0% - 2.5%
Required employee contribution rates	9%	8%
Required employer contribution rates		
Tier 1	22.744%	13.914%
Tier 2		9.716%

The City's labor contracts require it to pay 9% of the Safety employee contribution and 7% of the Miscellaneous employee contribution.

NOTE 10 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Safety Plan			
June 30, 2011	$911,043	100%	0
June 30, 2012	686,605	100%	0
June 30, 2013	591,803	100%	0
Miscellaneous Plan			
June 30, 2011	$583,221	100%	0
June 30, 2012	529,806	100%	0
June 30, 2013	525,370	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75% Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

As required by State law, effective July 1, 2005, the City's Safety and Miscellaneous Plans were terminated, and the employees in the plans were required by CALPERS to join new State-wide pools. One of the conditions of entry was that the City true-up any unfunded liabilities or overfunded assets in the former Plans, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability of $1,223,813 and its Safety Plan's liability of $2,039,530 by paying it off in full as of June 30, 2012.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

NOTE 10 - PENSION PLAN (Continued)

Safety Plan:

Actuarial Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	$1,802,882,330	$1,520,081,328	$282,801,002	84.3%	$221,600,192	127.6%
2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%
2011	2,061,923,933	1,759,286,797	302,637,136	85.3%	225,026,216	134.5%

The City's Safety Plan represents approximately 0.90% 0.96%, and 0.84%, of the State-wide pool for the years ended June 30, 2011, 2010 and 2009, respectively, based on covered payroll of $2,041,919 $2,162,569 and $1,851,736 for those years.

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	$1,834,424,640	$1,493,430,831	$340,993,809	81.4%	$355,150,151	96.0%
2010	1,972,910,641	1,603,482,152	369,428,489	81.3%	352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%

The City's Miscellaneous Plan represents approximately 0.72%, 0.67% and 0.73%, of the State-wide pool for the years ended June 30, 2011, 2010 and 2009, respectively, based on covered payroll of $2,522,256, $2,347,041 and $2,584,022 for those years.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

B. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's part-time, seasonal and temporary employees are covered under Social Security, which requires these employees to contribute 6.2% of their pay and the City to contribute 6.2% of the employees pay. Total contributions to Social Security during the year ended June 30, 2013, amounted to $35,609.

NOTE 10 - PENSION PLAN (Continued)

C. *Public Employee's Pension Reform Act (PEPRA)*

Assembly Bill (AB) 340 pension reform created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA.

The Table below provides information on the benefit formula compensation information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for any safety and miscellaneous employees that meet the definition of a new member under PEPRA.

Benefit Formula	Safety 2.7% at Age 57	Miscellaneous 2% at Age 62
Final Compensation Period	3 Year Final Compensation	3 Year Final Compensation
Employer Contribution Rate as a percentage payroll	12.25% of Reportable Compensation	6.25% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	12.25% of Reportable Compensation	6.25% of Reportable Compensation

The employer contribution rate listed above will be good until June 30, 2013. In accordance with PEPRA and CalPERS interpretation of the term similarly situated, the member contribution rate shown in the above table was set at 50 percent of the expected total normal cost rate for the benefits that will apply to new safety and miscellaneous members on January 1, 2013 rounded to the nearest one quarter of one percent. The total normal cost rate used for this calculation is 24.5 percent of payroll for safety members and 12.5 percent of payroll for miscellaneous members.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

During fiscal year 2009-2010, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. The City has elected to use the alternative measurement method as prescribed by GASB 45. Required disclosures are presented below.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. Plan Description and Funding Policy

The City provides postretirement health care benefits to all employees who retire on or after attaining a minimum of 10 years of public service. For Safety employees hired prior to 9/1/08, the City will pay for the cost of medical coverage for the employee. In addition, for an employee who retires from the City and has completed 15 or more years of public service, the City will pay for the cost of medical coverage for the employee and their spouse. For Safety employees hired after 9/1/08, the City will pay for medical coverage for the employee only. Current Miscellaneous employees hired prior to 7/1/07 who have completed 10 or 15 years of public service receive the same benefits as the Safety employees. For Miscellaneous employees hired after 7/1/07 the City will pay for medical coverage for the employee only. All eligible retirees can continue medical coverage with the Plan provided for active employees. The cost of the benefits provided by the Plan is currently being paid by the City on a pay-as-you-go basis. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated. Currently, 41 retirees meet the eligibility requirements and receive reimbursements.

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2009 actuarial valuation using the GASB 45 Alternative Measurement Method. This is a projected unit credit method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 5.0% investment rate of return, (b) 5.0% ultimate trend rate, and (c) health care cost trend rates from 4.0% to 7.0% for medical benefits. Actuarially determined amounts are subject to revision at least tri-annually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. *Funding Progress and Funded Status*

The City's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

Annual required contribution	$833,138
Interest on net OPEB obligation	76,076
Amortization of OPEB obligation	(98,977)
Annual OPEB cost	810,237
Contributions made:	
Current year premiums paid	58,408
Current year contributions to Retiree Benefits trust	237,927
Increase in net OPEB obligations	513,902
Net OPEB obligation June 30, 2012	1,521,512
Net OPEB obligation June 30, 2013	$2,035,414

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2009, amounted to $7,493,551.

The Plan's annual required contributions and actual contributions for fiscal year ended June 30, 2013 is set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$573,367	$286,410	50%	$869,086
June 30, 2012	1,067,288	414,862	39%	1,521,512
June 30, 2013	810,237	296,335	37%	2,035,414

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2009 actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
7/1/2009	$0	$7,493,551	$7,493,551	0.00%	$4,733,338	158.31%

NOTE 12 - WORKER'S COMPENSATION AND GENERAL LIABILITY PROGRAMS

The City participates in a joint powers agreement with the Bay Cities Powers Insurance Authority, which are workers' compensation and general liability risk pools. The City reports all of its risk management activities in its Insurance Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

A. Coverage and Deposits

Bay Cities Joint Powers Insurance Authority Workers Compensation:

Bay Cities Joint Powers Insurance Authority was created in 1986 by an agreement between certain public agencies in Northern California to provide certain insurance coverage. It is governed by a Board of Directors which is comprised of officials appointed by each member Agency.

The Authority provides coverage from its own resources for the first $1,000,000 of loss per accident. Excess coverage is provided by an outside insurance carrier up to statutory limits.

As defined by Government Accounting Standards Board (GASB) Statement 10, the Bay Cities Joint Powers Insurance Authority is "a claims servicing or account pool." The Authority manages separate accounts for each pool member from which losses and expenses of that member are paid, up to the retention limit. The Authority purchases commercial excess insurance. The annual assessment of each member includes allocation for loss payments, expenses, and excess insurance premiums.

Annually, the Authority evaluates the assets of each pool member in comparison with expected future liabilities. The "financial risk position" of each member is determined by subtracting case reserves, claims incurred but not reported amounts and claim development from members' deposit balances. If a negative risk position is found, a supplemental amount is added to the member's annual assessment.

Deposit with risk pool:	2013	2012
Beginning balance	$0	$18,371
Contributions	60,000	
Expenses		(18,371)
Ending balance	$60,000	$0
Claims Payable:		
Outstanding claims	$306,934	$258,910
Claims incurred but not reported	207,575	203,897
Claims paid	(185,533)	(155,873)
Total liability for unpaid claims	$328,976	$306,934
Current portion:	$176,620	$185,533

NOTE 12 - WORKER'S COMPENSATION AND GENERAL LIABILITY PROGRAMS (Continued)

Bay Cities Joint Powers Insurance Authority - Liability Coverage:

Bay Cities Joint Powers Insurance Authority (BCJPIA) covers general liability claims in an amount up to $1,000,000. The City is self insured up to $100,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit.

Bay Cities Joint Powers Insurance Authority does not purchase excess insurance above the self-insured retention limit. Instead, it provides a risk sharing pool for its members from $1,000,000 up to $28,000,000 for each occurrence through the California Affiliated Risk Management Authorities.

The City's contributions with BCJPIA equals the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for BCJPIA may be obtained from Bickmoore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

	2013	2012
Outstanding claims	$120,333	$129,810
Claims incurred but not reported	87,458	77,587
Claims paid	(117,899)	(87,064)
Total liability for unpaid claims	$89,892	$120,333
Current portion:	$87,642	$117,899

Settlements have not exceeded insurance coverage in the past three fiscal years.

NOTE 13 - JOINT POWERS AGENCIES

A. General

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City and the other participating agencies.

NOTE 13 - JOINT POWERS AGENCIES (Continued)

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influences by member agencies beyond their representation on the Board.

The JPAs are discussed in this note and in Note 12.

B. Central Marin Police Authority

The Central Marin Police Authority was created on January 30, 1980 by an agreement between the City of Larkspur and the Town of Corte Madera. In January of 2013 the agreement was amended to include the Town of San Anselmo and to change the name from the Twin Cities Police Authority to the Central Marin Police Authority. The agreement provides for the operation and management of the Central Marin Police Department, which renders police services to both these communities. The Authority is controlled by a six member Council consisting of two Council Members from each community. None of the communities exercises specific control over the Authority's activities.

Central Marin Police Authority is financed equally by its three parent communities, except for patrol expenditures which are shared on a pro rata basis and certain specific expenditures which are paid for by the benefiting community.

The City of Larkspur maintains the books and records of the Central Marin Policy Authority. Audited financial statements may be obtained by mailing a request to the Central Marin Police Authority at 400 Magnolia Avenue, Larkspur, CA 94939.

C. Ross Valley Paramedic Authority

The Ross Valley Paramedic Authority was created on December 14, 1982 by the Town of Corte Madera, Town of Fairfax, Kentfield Fire Protection District, City of Larkspur, County of Marin, Town of Ross, Town of San Anselmo and Sleepy Hollow Fire Protection District to provide paramedic services to these eight public entities. The Authority is controlled by an eight member board consisting of one member from each of the participating entities. None of the entities exercises specific control over the budgeting and financing of the Authority's activities. The County of Marin Fire Department assigns seven full-time County employees as well as supervision by County fire department superior officers to render the paramedic service.

Ross Valley Paramedic Authority's operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. During the fiscal year ended June 30, 2012, the tax was $48.50 unit, which includes a collection fee of $0.50 levied by the County of Marin.

The City of Larkspur maintains the books and records of the Ross Valley Paramedic Authority. Audited financial statements may be obtained by mailing a request to the Ross Valley Paramedic Authority at 777 San Anselmo Avenue, San Anselmo, CA 94960.

NOTE 13 - JOINT POWERS AGENCIES (Continued)

D. Marin Telecommunications Authority

The Marin Telecommunications Authority was created on January 19, 1997, by an agreement between the County of Marin, Cities of Belvedere, Larkspur, Mill Valley, Sausalito, San Rafael, and Towns of Corte Madera, Ross, San Anselmo, Fairfax and Tiburon. The agreement provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on its number of cable television subscribers. Audited financial statements may be obtained by mailing a request to the Authority at Marin County Auditor-Controller, County of Marin, Room 209, San Rafael, CA 94903.

E. 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 expense. These services now include Streetlight Maintenance, Abandoned Vehicle Abatement, and Taxicab Regulation. The City has been a member of the MGSA since the Authority's inception.

F. Marin Emergency Radio Authority

The City is a member of Marin Emergency Radio Authority (MERA), a joint powers agency which operates under a joint powers agreement among the County of Marin and twenty-five local agencies within the County. The Authority's purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional and County-wide public safety and emergency radio system. Each agency member has agreed to fund a pro-rata share of the debt service of the Marin Public Safety and Emergency Radio System, which is a wireless radio communications system. Audited financial statements may be obtained by mailing a request to the Authority at Marin County Auditor Controller, County of Marin, Room 209, San Rafael, CA 94903.

G. Major Crime Task Force

The Major Crime Task Force was created between the County of Marin, cities and towns of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, Sausalito and Tiburon. The purpose of the force is perform law enforcement functions for their respective communities and the desire to help each other in the detection, apprehension and prosecution of major crimes including highly mobile criminal narcotic trafficking, thus reducing major narcotic activity and combating its influence throughout the County.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examinations by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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

NOTE 15 – SUBSEQUENT EVENT

The City entered into a capital lease agreement, dated as of July 1, 2013 in the amount of $3,067,000 with Municipal Asset Finance Corporation. These funds will be used by the City to finance the corporation yard and other public improvements.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Park Development - revenue received from developer fees which is used for future park development.

Property Development - revenue received from developers which is used for certain capital outlays.

Transportation Congestion – revenue received from the State of California to be used for street maintenance, rehabilitation, reconstruction, or storm damage.

Transit Mitigation - revenue received from new project developments is used for improvements to the City traffic system.

Business Enhancement - one percent of the transient occupancy tax received by the City is used to enhance the business community.

Heritage Preservation - funds projects which enhance the City of Larkspur's heritage.

Summer School - revenue received from participants is used for the summer school sessions.

Storm Drain Run Off - fees to cover mandated program costs required by the Federal and State Clean Water Acts.

Vehicle/Road Impact Fees - accounts for fees paid by developers and refuse collection vehicles to provide for the design and construction of street and road improvements.

Twin Cities Child Care – To account for revenue received from participants and expenditures used for the Day Care Center.

Capital Projects Funds

King Mountain Improvement - accounts for the cost of acquisition of King Mountain public open space.

Greenbrae Marina Improvement - accounts for the maintenance of the improvements in Greenbrae Marina.

East Sir Francis Drake - accounts for surplus assessment district funds to be spent in the Larkspur Landing Area.

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement
ASSETS					
Cash and investments:					
Available for operations	$63,976	$42,974		$428,221	$140,816
Accounts receivable					7,236
Interest receivable		38		399	
Prepaid items					
Total Assets	$63,976	$43,012		$428,620	$148,052
LIABILITIES					
Accounts payable	$2,612			$1,822	$6,963
Deposits payable	4,989				
Due to other funds					
Advance from other funds					
Total Liabilities	7,601			1,822	6,963
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue					
Total Deferred Inflows of Resources					
FUND EQUITY					
Fund balances					
Nonspendable					
Restricted	56,375	$43,012		426,798	
Committed					141,089
Assigned					
Unassigned					
Total Fund Balances (Deficit)	56,375	43,012		426,798	141,089
Total Liabilities and Fund Balances	$63,976	$43,012		$428,620	$148,052

SPECIAL REVENUE FUNDS

Heritage Preservation	Summer School	Tidal Waves Swim Team	Storm Drain Run Off	Vehicle/Road Impact Fees	Twin Cities Child Care
$135,052	$246,181		$64,813	$1,000,807	$98,139
670	1,813		1,079	32,417	
34	222			1,044	197
					1,000
$135,756	$248,216		$65,892	$1,034,268	$99,336
$169	$74,367		$4,250		$3,569
837					
					125,638
1,006	74,367		4,250		129,207
					60,970
					60,970
					1,000
134,750	173,849		61,642		
				$1,034,268	
					(91,841)
134,750	173,849		61,642	1,034,268	(90,841)
$135,756	$248,216		$65,892	$1,034,268	$99,336

(Continued)

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	CAPITAL PROJECTS FUNDS			
	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments:				
Available for operations		$4,592		$2,225,571
Accounts receivable		140		43,355
Interest receivable	$35	15	$4	1,988
Prepaid items				1,000
Total Assets	$35	$4,747	$4	$2,271,914
LIABILITIES				
Accounts payable				$93,752
Deposits payable				5,826
Due to other funds	$35		$4	39
Advance from other funds				125,638
Total Liabilities	35		4	225,255
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue				60,970
Total Deferred Inflows of Resources				60,970
FUND EQUITY				
Fund balances				
Nonspendable				1,000
Restricted				896,426
Committed		$4,747		1,180,104
Assigned				
Unassigned				(91,841)
Total Fund Balances (Deficit)		4,747		1,985,689
Total Liabilities and Fund Balances	$35	$4,747	$4	$2,271,914

This Page Left Intentionally Blank

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement
REVENUES					
Taxes					$64,697
License and permits					
Use of money and property		$38		$1,769	
Charges for services					
Other agencies					
Other revenue	$31,829	8,121		25,082	1,000
Total Revenues	31,829	8,159		26,851	65,697
EXPENDITURES					
Current:					
Recreation					12,523
Special projects					
Public works / parks	7,039				
Capital outlay				6,712	
Total Expenditures	7,039			6,712	12,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,790	8,159		20,139	53,174
OTHER FINANCING SOURCES (USES)					
Transfers (out)			($620,736)	(20,000)	
Total Other Financing Sources (Uses)			(620,736)	(20,000)	
NET CHANGE IN FUND BALANCES	24,790	8,159	(620,736)	139	53,174
BEGINNING FUND BALANCES	31,585	34,853	620,736	426,659	87,915
ENDING FUND BALANCES (DEFICIT)	$56,375	$43,012		$426,798	$141,089

SPECIAL REVENUE FUNDS

Heritage Preservation	Summer School	Storm Drain Run Off	Vehicle/Road Impact Fees	Twin Cities Child Care
		$94,475		
			$157,073	
$454	$341		4,235	$623
	282,760			699,930
3,047			388,999	
3,501	283,101	94,475	550,307	700,553
	287,048			676,509
		35,793		
5,260				
5,260	287,048	35,793		676,509
(1,759)	(3,947)	58,682	550,307	24,044
		(20,000)	(329,000)	
		(20,000)	(329,000)	
(1,759)	(3,947)	38,682	221,307	24,044
136,509	177,796	22,960	812,961	(114,885)
$134,750	$173,849	$61,642	$1,034,268	($90,841)

(Continued)

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECTS FUNDS			
	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	Total Nonmajor Governmental Funds
REVENUES				
Taxes		$12,419		$171,591
License and permits				157,073
Use of money and property	$152	40	$19	7,671
Charges for services				982,690
Other agencies				
Other revenue				458,078
Total Revenues	152	12,459	19	1,777,103
EXPENDITURES				
Current:				
Recreation				976,080
Special projects				35,793
Public works / parks	36,414		4,553	48,006
Capital outlay		12,709		24,681
Total Expenditures	36,414	12,709	4,553	1,084,560
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,262)	(250)	(4,534)	692,543
OTHER FINANCING SOURCES (USES)				
Transfers (out)				(989,736)
Total Other Financing Sources (Uses)				(989,736)
NET CHANGE IN FUND BALANCES	(36,262)	(250)	(4,534)	(297,193)
BEGINNING FUND BALANCES	36,262	4,997	4,534	2,282,882
ENDING FUND BALANCES (DEFICIT)		$4,747		$1,985,689

This Page Left Intentionally Blank

CITY OF LARKSPUR
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	TRANSIT MITIGATION			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property	$2,000	$1,769	($231)		$341	$341
Charges for services				$250,000	282,760	32,760
Other revenue		25,082	25,082			
Total Revenues	2,000	26,851	24,851	250,000	283,101	33,101
EXPENDITURES						
Current:						
Recreation				246,800	287,048	(40,248)
Special projects						
Capital outlay	46,000	6,712	39,288			
Total Expenditures	46,000	6,712	39,288	246,800	287,048	(40,248)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,000)	20,139	64,139	3,200	(3,947)	(7,147)
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(20,000)	(20,000)				
Total Other Financing Sources (Uses)	(20,000)	(20,000)				
NET CHANGE IN FUND BALANCES	($64,000)	139	$64,139	$3,200	(3,947)	($7,147)
BEGINNING FUND BALANCES (DEFICIT)		426,659			177,796	
ENDING FUND BALANCES (DEFICIT)		$426,798			$173,849	

STORM DRAIN RUN OFF			TWIN CITIES CHILD CARE			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$94,000	$94,475	$475		$623	$623	$96,000	$97,208	$1,208
			$675,000	699,930	24,930	925,000	982,690	57,690
							25,082	25,082
94,000	94,475	475	675,000	700,553	25,553	1,021,000	1,104,980	83,980
			672,275	676,509	(4,234)	919,075	963,557	(44,482)
88,000	35,793	52,207				88,000	35,793	52,207
						46,000	6,712	39,288
88,000	35,793	52,207	672,275	676,509	(4,234)	1,053,075	1,006,062	47,013
6,000	58,682	52,682	2,725	24,044	21,319	($32,075)	98,918	$130,993
(20,000)	(20,000)					(40,000)	(40,000)	
(20,000)	(20,000)					(40,000)	(40,000)	
($14,000)	38,682	$52,682	$2,725	24,044	$21,319	($72,075)	58,918	$130,993
	22,960			(114,885)			512,530	
	$61,642			($90,841)			$571,448	

This Page Left Intentionally Blank

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a fiduciary capacity or as an agent for individuals, governmental entities and others. The City's Agency Funds are as follows:

East Sir Francis Drake Redemption Fund - accounts for East Sir Francis Drake Assessment District transactions.

Larkspur Marina Community the Facilities District (LMCFD) - accounts for monies held for Marina Dredging and Maintenance and Refunding of LMFA Bonds.

King Mountain Assessment District Fund - accounts for the King Mountain Assessment District transactions.

Ross Valley Paramedic Authority Fund - accounts for assets belonging to the Ross Valley Paramedic Authority held in trust by the City.

Drake's Landing Community Facilities District Fund - accounts for monies held for the refunding of the Drake's Landing Assessment District Bonds.

North Magnolia Agency Fund - accounts for the Magnolia sidewalk assessment district transactions.

Central Marin Police Authority - accounts for assets belonging to the Central Marin Police Authority held in trust by the City.

CITY OF LARKSPUR
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
East Sir Francis Drake Redemption Fund				
Restricted cash and investments	$89,624	$4,886		$94,510
Interest receivable	44	87	$44	87
Total Assets	$89,668	$4,973	$44	$94,597
Due to property owners & bondholders	$89,668	$4,973	$44	$94,597
Total Liabilities	$89,668	$4,973	$44	$94,597
Larkspur Marina Community Facilities District				
Restricted cash and investments	$747,506	$230,784	$105,990	$872,300
Accounts receivable	3,892	2,495	3,892	2,495
Interest receivable	355	815	355	815
Total Assets	$751,753	$234,094	$110,237	$875,610
Accounts payable				
Due to property owners & bondholders	$751,753	$234,094	$110,237	$875,610
Total Liabilities	$751,753	$234,094	$110,237	$875,610
King Mountain Assessment District Fund				
Restricted cash and investments	$23,193	$36,500		$59,693
Interest receivable	11	22	$11	22
Total Assets	$23,204	$36,522	$11	$59,715
Due to property owners & bondholders	$23,204	$36,522	$11	$59,715
Total Liabilities	$23,204	$36,522	$11	$59,715

CITY OF LARKSPUR
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Ross Valley Paramedic Authority Fund				
Restricted cash and investments	$880,457	$1,715,678	$1,728,167	$867,968
Accounts receivable	237,051	60,011		297,062
Interest receivable	412	550		962
Prepaid items	2,500	4,813		7,313
Total Assets	$1,120,420	$1,781,052	$1,728,167	$1,173,305
Accounts payable	$23,373		$13,906	$9,467
Deposits payable	4,035	$100		4,135
Due to members	1,093,012	1,780,952	1,714,261	1,159,703
Total Liabilities	$1,120,420	$1,781,052	$1,728,167	$1,173,305
Drake's Landing Community Facilities District Fund				
Restricted cash and investments	$275,006	$197,514	$238,315	$234,205
Accounts receivable	4,249	2,147	4,249	2,147
Interest receivable	124	202	124	202
Total Assets	$279,379	$199,863	$242,688	$236,554
Accounts payable	$4,109			$4,109
Due to property owners & bondholders	275,270	$199,863	$242,688	232,445
Total Liabilities	$279,379	$199,863	$242,688	$236,554

(Continued)

CITY OF LARKSPUR
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
North Magnolia Agency Fund				
Restricted cash and investments	$91,609	$50,371	$55,470	$86,510
Accounts receivable	832	549	832	549
Interest receivable	45	82	45	82
Total Assets	$92,486	$51,002	$56,347	$87,141
Due to property owners & bondholders	$92,486	$51,002	$56,347	$87,141
Total Liabilities	$92,486	$51,002	$56,347	$87,141
Central Marin Police Authority				
Restricted cash and investments	$558,209	$17,372		$575,581
Accounts receivable	240,744		$38,892	201,852
Interest receivable	336		3	333
Deposit with risk manager	50,000		50,000	
Prepaid items	2,500	2,830		5,330
Total Assets	$851,789	$20,202	$88,895	$783,096
Accounts payable	$66,810	$22,225		$89,035
Accrued liabilities	153,573	36,996		190,569
Deposits payable	25,878	10,221		36,099
Due to members	605,528		$210,407	395,121
Compensated absences payable		72,272		72,272
Total Liabilities	$851,789	$141,714	$210,407	$783,096
Total Agency Funds				
Restricted cash and investments	$2,665,604	$2,253,105	$2,127,942	$2,790,767
Accounts receivable	487,391	65,202	47,909	504,684
Interest receivable	1,672	1,758	538	2,892
Deposit with risk manager	50,000		50,000	
Prepaid items	5,000	7,643		12,643
Total Assets	$3,209,667	$2,327,708	$2,226,389	$3,310,986
Accounts payable	$93,486	$22,225	$13,906	$101,805
Accrued payroll	153,573	36,996		190,569
Deposits	29,913	10,321		40,234
Due to property owners & bond holders	1,234,155	526,454	409,327	1,351,282
Due to members (Ross Valley)	1,093,012	1,780,952	1,714,261	1,159,703
Due to members (TCPA)	605,528		210,407	395,121
Compensated absences payable		72,272		72,272
Total Liabilities	$3,209,667	$2,449,220	$2,347,901	$3,310,986

MAZE & ASSOCIATES

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

To the Honorable Mayor and City Council of the
City of Larkspur, California

We have audited the financial statements of the City of Larkspur (City) as of and for the year ended June 30, 2013, and have issued our report thereon dated September 20, 2013. 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

Management of the City of Larkspur is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

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

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated September 20, 2013.

This report is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

September 20, 2013