

**CITY OF LARKSPUR**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

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## 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, 2014, 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.

### *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, 2014, 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*

As discussed in Note 9F, the City restated certain fund balances and net positions as of July 1, 2013.

The emphasis of this matter 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 April 22, 2015, 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  
April 22, 2015

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## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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, is one way to measure the City's financial health and financial position. Over time, increases or decreases in the City's net position is 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 capital 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 2013-14 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 30<sup>th</sup>) 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 Internal Service 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, 2014, the net position of the City's Governmental Activities totaled \$30.9 million, as is highlighted in the following chart.

### Statement of Assets: Governmental Activities Net Position at June 30, 2014

	2013-14	2012-13*	Inc./ (Dec.)
Cash & Investments	\$ 14,817,397	\$ 11,412,859	\$ 3,404,538
Other Assets	2,242,413	1,585,482	656,931
Capital Assets	23,196,633	15,727,044	7,469,589
<b>Total Assets</b>	<b>\$ 40,256,443</b>	<b>\$ 28,725,385</b>	<b>\$ 11,531,058</b>
Accounts Payable & Accrued Liabilities	2,039,020	1,360,155	678,865
Compensated Absences	247,244	84,893	162,351
Other Liabilities	1,318,304	1,087,331	230,973
Net OPEB Liability	2,747,448	2,035,414	712,034
Capital Lease Obligation	2,957,959	145,375	2,812,584
<b>Total Liabilities</b>	<b>\$ 9,309,975</b>	<b>\$ 4,713,168</b>	<b>\$ 4,596,807</b>
<b>Net Position:</b>			
Net investment in capital assets	21,755,720	15,581,669	6,174,051
Restricted	3,687,135	2,018,054	1,669,081
Unrestricted	5,503,613	6,412,494	(908,881)
<b>Total Net Position</b>	<b>\$ 30,946,468</b>	<b>\$ 24,012,217</b>	<b>\$ 6,934,251</b>

\*As restated

- ✓ The total net position for the City's Governmental Activities increased by \$6,934,251 in 2013-14.
- ✓ Cash and Investments increased by \$3.4 million largely attributable to an increase of revenue streams.
- ✓ Capital Assets increased by \$7.5 million due to addition of construction in progress (CIP) of \$1.78 million and additions to capital assets net of depreciation of \$5.69 million.
- ✓ The Statement of Net Position also includes an amount for Other Post-Employment Benefits (OPEB). This amount represents the unpaid liability for FY 2013-14 per the actuarial valuation as of July 1, 2013 which complies with GASB Statement No. 45. More detailed information on this amount is found in Note 11 of the financial statements.

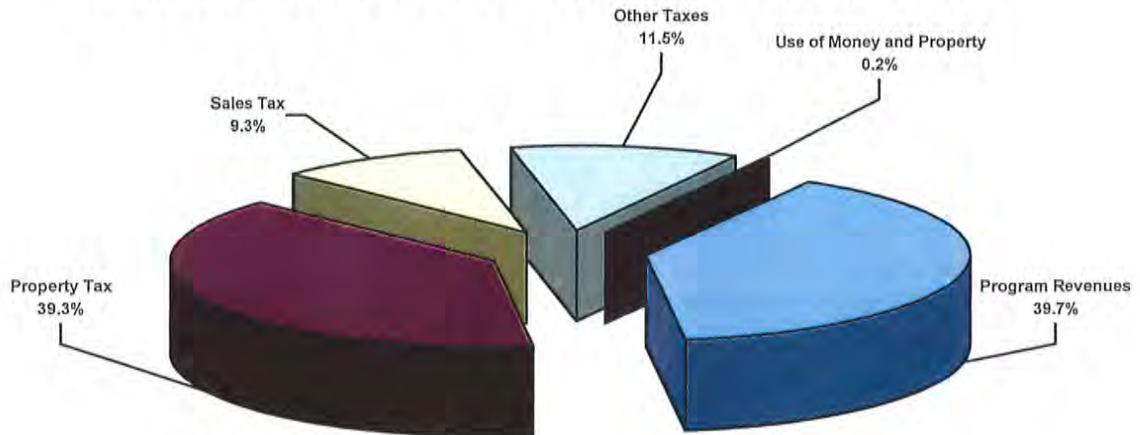
During 2013-14, the City's Governmental Activities were supported by \$23.4 million in revenues, derived from many sources, as is summarized in the next chart.

**Statement of Activities: Governmental Activities  
2013-14 Revenues by Source**

Source	2013-14	2012-13	% of Total
<b>Program Revenues:</b>			
Charges for services	\$ 2,874,627	\$ 2,994,406	12.3%
Operating contributions & grants	1,148,963	574,390	4.9%
Capital contributions & grants	5,286,188	2,206,595	22.5%
<b>Total Program Revenues</b>	<b>\$ 9,309,778</b>	<b>\$ 5,775,391</b>	<b>39.7%</b>
<b>General Revenues:</b>			
Property tax	9,197,280	8,363,336	39.3%
Sales tax	2,189,647	1,903,714	9.3%
Other taxes	2,694,451	2,434,301	11.5%
Use of Money and Property	39,116	126,897	0.2%
<b>Total General Revenues</b>	<b>\$ 14,120,494</b>	<b>\$ 12,828,248</b>	<b>60.3%</b>
<b>Total Revenues</b>	<b>\$ 23,430,272</b>	<b>\$ 18,603,639</b>	<b>99.9%</b>

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 39.7% of total revenue sources for the year. Property tax continues to be our greatest source of revenue at 39.3%. Capital contributions and grants comprised over 22.6% of Program Revenues during the fiscal year, primarily due to federal grants for the construction of the bridge projects.

**Sources of Revenue - Governmental Activities**



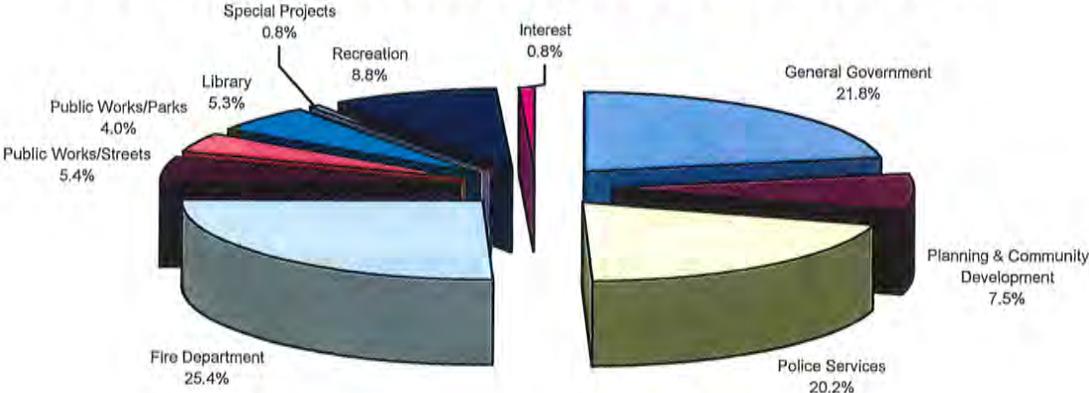
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because 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 \$2,444,122 for 2013-14. This same program reflects total expenses of \$3,598,020 in the next chart. The \$1,115,032 difference is annual depreciation and acquisition of capital assets and the change in compensated absences and the net OPEB obligation. 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  
2013-14 Expenses by Program**

Program	Total Expense	% of Total
General Government	\$ 3,598,020	21.8%
Planning & Community Development	1,242,641	7.5%
Police Services	3,325,992	20.2%
Fire Department	4,197,807	25.4%
Public Works/Streets	882,977	5.4%
Public Works/Parks	652,209	4.0%
Recreation	1,452,354	8.8%
Library	879,048	5.3%
Special Projects	134,420	0.8%
Interest on long-term debt	130,553	0.8%
<b>Total</b>	<b>\$ 16,496,021</b>	<b>100.0%</b>

The total expenses of \$16,496,021 are graphically depicted by program area in the next chart.

**Expenses by Program - Governmental Activities**



The change in net position from 2012-13 to 2013-14 of \$6,934,251 reported and discussed earlier is equal to the difference between the total revenues of \$23,430,272 minus total expenses of \$16,496,021 that are reflected in the Statement of Activities for Governmental Activities.

## ***FUND FINANCIAL STATEMENTS***

### **Performance of Governmental Funds**

The Fund Balance of the City's Governmental Funds at June 30, 2014, was \$12,937,281. The following chart provides an overview of these Fund Balances.

Governmental Funds	Total Assets	Total Liabilities & Deferred Inflows of Resources	Fund Balance (Deficit)
General	\$ 7,415,954	\$ 3,804,811	\$ 3,611,143
Gas Tax	456,782	24,738	432,044
Housing in Lieu	326,700	263,880	62,820
Capital Projects	7,307,263	1,668,260	5,639,003
Local Roads Fund	108,621	289,187	(180,566)
Other Governmental Funds	3,533,259	160,422	3,372,837
<b>Total Fund Balance</b>	<b>\$ 19,148,579</b>	<b>\$ 6,211,298</b>	<b>\$ 12,937,281</b>

The combined fund balances of \$12,937,281 are from the various Governmental Funds. These fund balances increased by \$2.5 million, or 24% during 2013-14.

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	\$ 15,387,743	\$ 14,300,358	\$ 1,087,385	\$ (76,074)	\$ 1,011,311
Gas Tax	386,106	180,321	205,785	(75,000)	130,785
Housing in Lieu	106	11,562	(11,456)	-	(11,456)
Capital Projects	4,156,749	7,789,727	(3,632,978)	3,451,049	(181,929)
Local Roads Fund	364,475	16,871	347,604	(185,000)	162,604
Other Governmental Funds	2,387,758	937,385	1,450,373	(63,225)	1,387,148
<b>Subtotal</b>	<b>\$ 22,682,937</b>	<b>\$ 23,236,224</b>	<b>\$ (553,287)</b>	<b>\$ 3,051,750</b>	<b>\$ 2,498,463</b>
<b>Beginning Fund Balances (As Restated)</b>					<b>10,438,818</b>
<b>Ending Fund Balances</b>					<b>\$12,937,281</b>

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 2013-14 fiscal year with a fund balance of \$3,611,143, an increase of \$1,011,311 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.

Revenues	\$	15,387,743
Expenditures		14,300,358
<b>Excess of Expenditures</b>	<b>\$</b>	<b>1,087,385</b>
Other Financing Sources (Uses)		
Transfers In		125,000
Transfers Out		(201,074)
<b>Net Other Financing Sources (uses)</b>	<b>\$</b>	<b>(76,074)</b>
Net change in Fund Balance		1,011,311
Beginning Fund Balance		2,599,832
<b>Ending Fund Balance</b>	<b>\$</b>	<b>3,611,143</b>

The General Fund revenues had a strong gain compared to several prior years. Total revenues of \$15,387,743 were received in 2013-14, as compared with \$13,888,812 in 2012-13. The 10.79% or \$1.49 million, increase is depicted in the following chart that compares revenue performance for the two years.

	2013-14	2012-13	Inc. (Dec.)	% Inc. (Dec.)
Property Taxes	\$ 9,197,279	\$ 8,363,336	\$ 833,943	9.97%
Sales Tax	2,046,766	1,903,714	143,052	7.51%
Other Taxes	2,104,595	1,958,747	145,848	7.45%
Licenses & Permits	740,935	460,933	280,002	60.75%
Penalties & Fines	58,687	57,799	888	1.54%
Use of Money and Property	14,726	104,801	(90,075)	(85.95%)
Other Agencies	194,307	114,724	79,583	69.37%
Charges for Services	802,429	780,025	22,404	2.87%
Other Revenue	228,019	144,733	83,286	57.54%
<b>Total</b>	<b>\$ 15,387,743</b>	<b>\$ 13,888,812</b>	<b>\$ 1,498,931</b>	<b>10.79%</b>

**Property taxes** showed an increase of \$833,943. **Sales taxes** reported an increase from \$1,903,714, in 2012-13 to \$2,046,766, in 2013-14. 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 7.4%. Revenues included in this category are business license fees, franchise fees and transient occupancy taxes. **Penalties and Fines** increased by 1.54%. **Use of Money and Property** includes interest earned which decreased by 85.95% during the fiscal year. **Other Agencies** increased by \$79,583, as there were 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 2.87%. 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 increased by \$83,286 due to catch-up State mandate payments.

General Fund expenditures totaled \$14,300,358 in 2013-14, an increase of 11.7%, or \$1.5M from 2012-13. The following chart highlights the difference between the two fiscal years by program area.

**Two-year Comparison of General Fund Expenditures  
Actual Fiscal Year 2013-14**

Program Area	2013-14	2012-13	Inc. (Dec.)	Percent
General Administration	\$ 2,444,122	\$ 1,934,449	\$509,673	26.3%
Planning & Community Development	1,228,296	1,076,114	152,182	14.1%
Police Services	3,325,992	3,234,629	91,363	2.8%
Fire Department	3,958,019	3,716,862	241,157	6.5%
Public Works/Streets	956,287	859,552	96,735	11.3%
Public Works/Parks	622,768	441,541	181,227	41.0%
Recreation	609,560	572,871	36,689	6.4%
Library	835,295	803,893	31,402	3.9%
Debt Service	320,019	164,456	155,563	94.6%
<b>Total</b>	<b>\$ 14,300,358</b>	<b>\$ 12,804,367</b>	<b>\$ 1,495,991</b>	<b>11.7%</b>

The General Fund remained stable throughout 2013-14. The ending fund balance at June 30, 2014 of \$3,611,143. Of the \$3.6 million fund balance, \$14 thousand is nonspendable, and \$321 thousand is committed and \$3.275 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 2013-14, the Gas Tax Fund experienced an increase in fund balance of \$130,785.

**2013-14 Gas Tax Fund Performance**

Revenues	\$ 386,106
Expenditures	180,321
<b>Excess of Revenues</b>	<b>\$ 205,785</b>
<b>Other Financing Sources (Uses)</b>	
Transfers In/(Out)	\$ (75,000)
<b>Net Other Financing Sources (uses)</b>	<b>\$ (75,000)</b>
Net change in Fund Balance	130,785
Beginning Fund Balance	301,259
<b>Ending Fund Balance</b>	<b>\$ 432,044</b>

Total revenues for 2013-14 were \$386,106, as compared to \$809,636 in 2012-13, a decrease of \$423,530 due to the more efficient gas and electric vehicles on the roads and continued State revenue swaps, such as the "fuel tax swap of 2010 where a new vehicle fuel tax (Section 2103) replaced Proposition 42 sales tax on gasoline. Expenditures in 2013-14 were \$180,321, as compared with \$960,794 in 2012-13 a result of less revenues for road projects.

□ Housing in Lieu Fund

Revenues received in this fund are for future affordable housing. The City works with Marin Housing to assist low and moderate-income residents of Marin to secure and maintain high quality affordable housing.

□ 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 \$(181,929). Most of the projects completed in fiscal year 2014 were in Streets, Curbs and Gutters; Redwood Highway Path Intersection, Doherty Bridge and the City's corporation yard & other public improvements. 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.

**2013-14 Capital Projects Fund Performance**

Revenues	\$	4,156,749
Expenditures		7,789,727
<b>Excess of Revenues</b>	<b>\$</b>	<b>(3,632,978)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In/(Out)	\$	3,451,049
<b>Net Other Financing Sources (uses)</b>	<b>\$</b>	<b>3,451,049</b>
Net change in Fund Balance		(181,929)
Beginning Fund Balance*		5,820,932*
<b>Ending Fund Balance</b>	<b>\$</b>	<b>5,639,003</b>

\*As restated

□ Local Road Fund

Local Road Fund is a special revenue fund to account for revenue from local and regional funds, including TAM and Measure B. 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 2013-14.

**2013-14 Performance of  
Local Road Funds**

Revenues	\$	364,475
Expenditures		16,871
<b>Excess of Revenues</b>	<b>\$</b>	<b>347,604</b>
<b>Other Financing Sources</b>		
Transfers Out	\$	(185,000)
<b>Net Other Financing Sources (uses)</b>	<b>\$</b>	<b>(185,000)</b>
Net change in Fund Balance		162,604
Beginning Fund Balance (Deficit)		(343,170)
<b>Ending Fund Balance (Deficit)</b>	<b>\$</b>	<b>(180,566)</b>

□ **Other Governmental Funds**

Included in this category are the Special Revenue Funds (Park Development, Property Development, Measure C, Transit Mitigation, Business Enhancement, Heritage Preservation, Summer School, Storm Drain Run Off, Vehicle/Road Impact Fees, Twin Cities Child Care and the Greenbrae Marina and Capital Projects Fund.

Taken as a whole, the following chart reflects the performance of these funds during 2013-14.

Revenues	\$ 2,387,758
Expenditures	937,385
<b>Excess of Revenues</b>	<b>\$ 1,450,373</b>
<b>Other Financing Sources</b>	
Transfers In/Out	\$ (63,225)
<b>Net Other Financing Sources (uses)</b>	<b>\$ (63,225)</b>
Net change in Fund Balance	1,387,148
Beginning Fund Balance	1,985,689
<b>Ending Fund Balance</b>	<b>\$ 3,372,837</b>

## **Debt Administration**

The City's debt consists of the Capital Lease Obligations that were used to finance the seven-year lease for a Pierce Fire truck and the Corporation Yard. The Pierce Fire Truck had an outstanding balance of \$74,384 at June 30, 2014 with an interest rate of 4.78%. The Corporation Yard lease is to finance the remodel of the corporation yard and other public capital improvements. Payments are semi-annual with interest of 2.30%. The outstanding balance at June 30, 2014 is \$2,883,575.

## **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.

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**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 deferred outflows of resources and the City's total liabilities and deferred inflows of resources, 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, deferred outflows/inflows of resources, 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, 2014

ASSETS

Cash and investments (Note 3):	
Available for operations	\$13,300,351
Restricted cash and investments	1,517,046
Receivables:	
Accounts	1,959,823
Interest	2,683
Loans	263,880
Prepaid items	16,027
Capital Assets (Note 6):	
Nondepreciable	2,611,980
Depreciable, net	<u>20,584,653</u>
 Total Assets	 <u>40,256,443</u>

LIABILITIES

Accounts payable	1,584,124
Accrued liabilities	454,896
Claims payable (Note 12)	
Due within one year	275,376
Due in more than one year	194,701
Unearned revenue	292,044
Deposits	556,183
Compensated absences payable (Note 2I)	
Due within one year	69,124
Due in more than one year	178,120
Net OPEB obligation (Note 11)	2,747,448
Long-term debt (Note 7):	
Due within one year	251,152
Due in more than one year	<u>2,706,807</u>
 Total Liabilities	 <u>9,309,975</u>

NET POSITION (Note 9A)

Net investment in capital assets	<u>21,755,720</u>
Restricted for:	
Capital projects	8,924
Special revenue projects	<u>3,678,211</u>
 Total Restricted Net Position	 <u>3,687,135</u>
Unrestricted net position	<u>5,503,613</u>
 Total Net Position	 <u><u>\$30,946,468</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General government	\$3,598,020	\$267,597	\$2,250	(\$3,328,173)
Planning and community development	1,242,641	442,682	736,010	(63,949)
Police services	3,325,992		41,589	(3,284,403)
Fire	4,197,807	28,044	188,141	(3,981,622)
Public works / streets	882,977	730,317	161,553	5,146,106
Public works / parks	652,209			620
Recreation	1,452,354	1,405,987		148,355
Library	879,048		19,420	(859,628)
Special projects	134,420			(134,420)
Interest on long-term debt	130,553			(130,553)
<b>Total Governmental Activities</b>	<b>\$16,496,021</b>	<b>\$2,874,627</b>	<b>\$1,148,963</b>	<b>\$5,286,188</b>
<b>General revenues:</b>				
<b>Taxes:</b>				
Sales tax				2,189,647
Property taxes				9,197,280
Other taxes				2,694,451
Use of money and property				39,116
<b>Total general revenues</b>				<b>14,120,494</b>
<b>Change in Net Position</b>				<b>6,934,251</b>
<b>Net Position-Beginning, (As Restated), (Note 9F)</b>				<b>24,012,217</b>
<b>Net Position-Ending</b>				<b>\$30,946,468</b>

See accompanying notes to financial statements

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<b>FUND FINANCIAL STATEMENTS</b>
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Major funds are defined generally as having significant activities or balances in the current year.

<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the City in fiscal year 2014. 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, 2014

	General	Gas Tax	Housing in Lieu	Capital Projects
<b>ASSETS</b>				
Cash and investments (Note 3):				
Available for operations	\$7,062,854	\$456,699	\$62,808	\$2,127,802
Restricted cash and investments				1,517,046
Accounts receivable	337,705	83		1,348,957
Interest receivable	1,368		12	622
Loans receivable			263,880	
Prepaid items	14,027			
Advance to other funds (Note 4B)				2,312,836
<b>Total Assets</b>	<b><u>\$7,415,954</u></b>	<b><u>\$456,782</u></b>	<b><u>\$326,700</u></b>	<b><u>\$7,307,263</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$865,273	\$24,738		\$658,472
Accrued payroll				
Accrued liabilities	259,028			195,868
Deposits payable	477,322			66,585
Unearned revenue				
Advance from other funds (Note 4B)	2,203,188			
<b>Total Liabilities</b>	<b><u>3,804,811</u></b>	<b><u>24,738</u></b>		<b><u>920,925</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - loans receivable			\$263,880	
Unavailable revenue - grants receivable				747,335
<b>Total Deferred Inflows of Resources</b>			<b><u>263,880</u></b>	<b><u>747,335</u></b>
<b>FUND BALANCES (DEFICIT)</b>				
Fund balances (deficit) (Note 9B)				
Nonspendable	14,027			
Restricted		432,044	62,820	
Committed	321,614			5,639,003
Assigned				
Unassigned	3,275,502			
<b>Total Fund Balances (Deficit)</b>	<b><u>3,611,143</u></b>	<b><u>432,044</u></b>	<b><u>62,820</u></b>	<b><u>5,639,003</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$7,415,954</u></b>	<b><u>\$456,782</u></b>	<b><u>\$326,700</u></b>	<b><u>\$7,307,263</u></b>

See accompanying notes to financial statements

Local Road Funds	Other Governmental Funds	Total Governmental Funds
\$1,181	\$3,414,972	\$13,126,316
		1,517,046
107,406	115,672	1,909,823
34	615	2,651
		263,880
	2,000	16,027
		2,312,836
<u>\$108,621</u>	<u>\$3,533,259</u>	<u>\$19,148,579</u>
	\$35,641	\$1,584,124
		454,896
	12,276	556,183
\$289,187	2,857	292,044
	109,648	2,312,836
<u>289,187</u>	<u>160,422</u>	<u>5,200,083</u>
		263,880
		747,335
		<u>1,011,215</u>
		14,027
	269,421	764,285
	1,932,612	7,893,229
	1,170,804	1,170,804
(180,566)		3,094,936
<u>(180,566)</u>	<u>3,372,837</u>	<u>12,937,281</u>
<u>\$108,621</u>	<u>\$3,533,259</u>	<u>\$19,148,579</u>

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CITY OF LARKSPUR  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet \$12,937,281

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. 23,196,633

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	174,035
Deposit-pay as you go	50,000
Interest receivable	32
Claims payable	(470,077)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available  
 currently are taken into revenue in the Statement of Activities. 1,011,215

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	(2,957,959)
Compensated absences	(247,244)
Net OPEB obligation	(2,747,448)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$30,946,468

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, 2014

	General	Gas Tax	Housing in Lieu	Capital Projects
<b>REVENUES</b>				
Taxes	\$13,348,640	\$386,023		
Licenses and permits	740,935			
Penalties and fines	58,687			
Use of money and property	14,726	83	\$106	\$17,216
Other agencies	194,307			3,894,048
Charges for services	802,429			
Other revenue	228,019			245,485
<b>Total Revenues</b>	<b>15,387,743</b>	<b>386,106</b>	<b>106</b>	<b>4,156,749</b>
<b>EXPENDITURES</b>				
Current:				
General administration	2,444,122			
Planning and community development	1,228,296			
Police services	3,325,992			
Fire	3,958,019			
Public works / streets	956,287			
Public works / parks	622,768			
Recreation	609,560			
Library	835,295			
Special projects				
Capital outlay		180,321	11,562	7,724,777
Debt service:				
Principal retirement	254,416			
Interest and fiscal charges	65,603			64,950
<b>Total Expenditures</b>	<b>14,300,358</b>	<b>180,321</b>	<b>11,562</b>	<b>7,789,727</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,087,385</b>	<b>205,785</b>	<b>(11,456)</b>	<b>(3,632,978)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the issuance of debt (Note 7)				3,067,000
Transfers in (Note 4A)	125,000			404,049
Transfers (out) (Note 4A)	(201,074)	(75,000)		(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(76,074)</b>	<b>(75,000)</b>		<b>3,451,049</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,011,311</b>	<b>130,785</b>	<b>(11,456)</b>	<b>(181,929)</b>
<b>BEGINNING FUND BALANCES (DEFICITS), (AS RESTATED), (Note 9F)</b>	<b>2,599,832</b>	<b>301,259</b>	<b>74,276</b>	<b>5,820,932</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$3,611,143</b>	<b>\$432,044</b>	<b>\$62,820</b>	<b>\$5,639,003</b>

See accompanying notes to financial statements

Local Road Fund	Other Governmental Funds	Total Governmental Funds
\$364,184	\$336,574	\$14,435,421
	311,573	1,052,508
		58,687
291	6,718	39,140
		4,088,355
	1,003,076	1,805,505
	729,817	1,203,321
<u>364,475</u>	<u>2,387,758</u>	<u>22,682,937</u>
		2,444,122
		1,228,296
		3,325,992
		3,958,019
		956,287
	13,207	635,975
	802,861	1,412,421
		835,295
16,871	81,715	98,586
	39,602	7,956,262
		254,416
		130,553
<u>16,871</u>	<u>937,385</u>	<u>23,236,224</u>
<u>347,604</u>	<u>1,450,373</u>	<u>(553,287)</u>
		3,067,000
		529,049
<u>(185,000)</u>	<u>(63,225)</u>	<u>(544,299)</u>
<u>(185,000)</u>	<u>(63,225)</u>	<u>3,051,750</u>
162,604	1,387,148	2,498,463
<u>(343,170)</u>	<u>1,985,689</u>	<u>10,438,818</u>
<u>(\$180,566)</u>	<u>\$3,372,837</u>	<u>\$12,937,281</u>

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, 2014

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 \$2,498,463

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	8,060,555
Depreciation expense is deducted from the fund balance	(590,966)

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	254,416
Proceeds from the issuance of long-term debt is subtracted from fund balance	(3,067,000)

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):

Unavailable revenue	747,335
Compensated absences	(162,351)
Net OPEB obligation	(712,034)

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	<u>(94,167)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$6,934,251</u></u>
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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$12,147,000	\$12,147,000	\$13,348,640	\$1,201,640
Licenses and permits	519,000	519,000	740,935	221,935
Penalties and fines	39,700	39,700	58,687	18,987
Use of money and property	50,010	50,010	14,726	(35,284)
Other agencies	85,000	85,000	194,307	109,307
Charges for services	750,140	750,140	802,429	52,289
Other revenue	102,500	102,500	228,019	125,519
Total Revenues	<u>13,693,350</u>	<u>13,693,350</u>	<u>15,387,743</u>	<u>1,694,393</u>
EXPENDITURES:				
Current:				
General administration	2,133,065	2,153,065	2,444,122	(291,057)
Planning and community development	1,203,949	1,203,949	1,228,296	(24,347)
Police services	3,325,992	3,325,992	3,325,992	
Fire	4,076,041	4,076,041	3,958,019	118,022
Public works / streets	925,432	925,432	956,287	(30,855)
Public works / parks	492,594	522,782	622,768	(99,986)
Recreation	601,086	601,086	609,560	(8,474)
Library	842,591	847,591	835,295	12,296
Debt service:				
Principal retirement	254,497	254,497	254,416	81
Interest and fiscal charges	65,603	65,603	65,603	
Total Expenditures	<u>13,920,850</u>	<u>13,976,038</u>	<u>14,300,358</u>	<u>(324,320)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(227,500)</u>	<u>(282,688)</u>	<u>1,087,385</u>	<u>1,370,073</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	115,000	115,000	125,000	10,000
Transfers (out) (Note 4A)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(201,074)</u>	<u>(191,074)</u>
Total other financing sources (uses)	<u>105,000</u>	<u>105,000</u>	<u>(76,074)</u>	<u>(181,074)</u>
NET CHANGE IN FUND BALANCE	<u>(\$122,500)</u>	<u>(\$177,688)</u>	<u>1,011,311</u>	<u>\$1,188,999</u>
BEGINNING FUND BALANCE			<u>2,599,832</u>	
ENDING FUND BALANCE			<u>\$3,611,143</u>	

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$365,825	\$500,825	\$386,023	(\$114,802)
Use of money and property	5,000	5,000	83	(4,917)
Total Revenues	<u>370,825</u>	<u>505,825</u>	<u>386,106</u>	<u>(119,719)</u>
EXPENDITURES:				
Current:				
Capital outlay	1,665,000	1,665,000	180,321	1,484,679
Total Expenditures	<u>1,665,000</u>	<u>1,665,000</u>	<u>180,321</u>	<u>1,484,679</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,294,175)</u>	<u>(1,159,175)</u>	<u>205,785</u>	<u>1,364,960</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4A)	(240,625)	(240,625)	(75,000)	165,625
Total Other Financing Sources (Uses)	<u>(240,625)</u>	<u>(240,625)</u>	<u>(75,000)</u>	<u>165,625</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,534,800)</u>	<u>(\$1,399,800)</u>	130,785	<u>\$1,530,585</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>301,259</u>	
ENDING FUND BALANCE			<u>\$432,044</u>	

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, 2014

	Governmental Activities- Insurance Internal Service Fund
<b>ASSETS</b>	
Cash and investments (Note 3)	\$174,035
Deposit - pay as you go	50,000
Interest receivable	32
Total Assets	224,067
 <b>LIABILITIES</b>	
Accounts payable	
Claims payable (Note 12):	
Due within one year	194,701
Due in more than one year	275,376
Total Liabilities	470,077
 <b>NET POSITION (DEFICIT) (Note 9A)</b>	
Unrestricted net position (Deficit)	(246,010)
Total Net Position (Deficit)	(\$246,010)

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, 2014

	Governmental Activities- Insurance Internal Service Fund <hr/>
OPERATING EXPENSES	
Claims and administrative expense	<u>\$109,740</u>
Operating Income (Loss)	<u>(109,740)</u>
NON-OPERATING INCOME	
Interest income	<u>323</u>
Income (loss) before transfers	(109,417)
Transfers in (Note 4A)	<u>15,250</u>
Change in net position	(94,167)
BEGINNING NET POSITION (DEFICIT)	<u>(151,843)</u>
ENDING NET POSITION (DEFICIT)	<u><u>(\$246,010)</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities- Insurance Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Claims paid	(\$87,040)
Net Cash Provided (Used) from Operating Activities	(87,040)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	15,250
Net Cash Provided (Used) from Operating Activities	15,250
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	534
Net Cash Flows	(71,256)
Cash and investments at beginning of period	245,291
Cash and investments at end of period	\$174,035
 <b>Reconciliation of Operating Income (Loss) to Cash Flows</b>	
from Operating Activities:	
Operating income (loss)	(\$109,740)
Change in assets and liabilities:	
Deposit with risk pool	10,000
Accounts payable	(38,509)
Claims payable	51,209
Cash Flows from Operating Activities	(\$87,040)

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
------------------------

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, 2014

	Retiree Benefits Trust Fund	Agency Funds
<b>ASSETS</b>		
Restricted cash and investments (Note 3)	\$77,763	\$2,258,423
Accounts receivable		463,767
Interest receivable		1,006
Deposit with risk manager		
Prepaid items		12,643
Total Assets	\$77,763	\$2,735,839
 <b>LIABILITIES</b>		
Accounts payable		\$233,734
Accrued payroll		172,617
Deposits		38,436
Due to property owners & bondholders		1,177,649
Due to Ross Valley Paramedic Authority		921,602
Due to Central Marin Police Authority		191,801
Total Liabilities		\$2,735,839
 <b>NET POSITION</b>		
Held in trust for OPEB benefits	\$77,763	

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, 2014

	Retiree Benefits Trust Fund
ADDITIONS	
Employer contributions (Note 11)	\$247,678
Net investment income	(846)
Total additions	246,832
DEDUCTIONS	
Premiums paid	259,350
Total deductions	259,350
Net change in net position	(12,518)
NET POSITION HELD IN TRUST FOR OPEB BENEFITS	
Beginning of year, as restated, (Note 9F)	90,281
End of year	\$77,763

See accompanying notes to financial statements

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**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2014 was approximately 12,204.

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, 2014, the City's staff comprised 56 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 17.5 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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

CITY OF LARKSPUR  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

**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.

**Agency Funds** – These Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, 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*.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, Property Development, Heritage Preservation and the Capital Projects Funds.
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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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
General Fund:	
General administration	\$252,952
Planning and community development	24,347
Public works/streets	30,855
Public works/parks	99,986
Recreation	8,474
Storm Drain Run Off Special Revenue Fund:	
Special projects	3,715
Twin Cities Child Care Special Revenue Fund:	
Capital Outlay	28,728

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. *Compensated Absences Payable***

Changes in compensated absences were as follows:

	2014
Beginning balance	\$84,893
Net change	162,351
Ending Balance	\$247,244
Current Portion	\$69,124

Compensated absences are liquidated by the fund that has recorded the liability as they become due. Sick leave and other such absences do not vest and are not accrued.

**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 one source: loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. *New and Closed Funds***

The Measure C Special Revenue Fund was established during the fiscal year to account for revenue from Measure C funds. The funds are to be used for street repair and essential City services.

The King Mountain Improvement and East Sir Francis Drake Capital Project Funds were closed as of June 30, 2014.

**M. *Estimates and Assumptions***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

*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	\$13,300,351
Restricted cash and investments	1,517,046
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Benefits Trust Fund	77,763
Agency Funds	<u>2,258,423</u>
Total City Cash and Investments	<u><u>\$17,153,583</u></u>

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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 or P-1	30%	10%
Medium Term Notes	5 years	A	30%	(A)*
Commercial Paper	180 days	A-1 or P-1	15%	(A)**
Repurchase Agreements	30 days	N/A	10%	No Limit
Certificates of Deposit	5 years	N/A	30%	\$99,000***
California Local Agency				
Investment Fund (LAIF)	N/A	N/A	No Limit	\$20,000,000
Money Market Mutual Funds	N/A	AAA	20%	No Limit
Investment Trust in California (CalTrust)	N/A	N/A	No Limit	\$20,000,000

(A) Lesser of 10% of portfolio market value or 5% of issuance value.

\* Issuer must be incorporated and operating in the United States or a United States depository institution licensed by the United States or any state.

\*\* Issuer must be incorporated and operating in the United States and have assets in excess of \$500,000,000. No more than 10% of any issuers commercial paper may be purchased.

\*\*\* Issuer must be a California institution.

**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:

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
<i>City of Larkspur:</i>				
California Local Agency Investment Fund	\$5,976,252			\$5,976,252
Investment Trust of California (CalTrust)		\$5,225	\$6,684,000	6,689,225
Money Market Funds	21,801			21,801
Total City Investments	\$5,998,053	\$5,225	\$6,684,000	12,687,278
<i>City of Larkspur:</i>				
Cash in banks and on hand				4,388,542
<i>Retiree Benefits Trust Fund:</i>				
Annuity Contracts				77,763
Total Cash and Investments				\$17,153,583

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, 2014, these investments matured in an average of 232 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, 2014, these investments matured in an average of 748.25 days.

Money Market funds are available for withdrawal and at June 30, 2014, have an average maturity of 43 days.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 4 - INTERFUND TRANSACTIONS**

*A. Transfers Between Funds*

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2014, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax Fund Capital Projects Fund Non-Major Governmental Funds	\$75,000 20,000 30,000
Capital Projects Fund	General Fund Local Roads Fund Non-Major Governmental Funds	185,824 185,000 33,225
Insurance Internal Service Fund	General Fund	15,250
	Total Interfund Transfers	\$544,299

*B. 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 side fund liabilities with California Public Employees Retirement System (CalPERS). This advance is being repaid 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, 2014, is \$2,312,836.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

Changes in capital assets were as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$830,756			\$830,756
Construction In Progress		\$1,781,224		1,781,224
<b>Total capital assets not being depreciated</b>	<b>830,756</b>	<b>1,781,224</b>		<b>2,611,980</b>
Capital assets being depreciated:				
Land Improvements	4,697,899			4,697,899
Streets, Curbs, & Gutters	9,269,668	6,126,572		15,396,240
Machinery & Equipment	1,587,551			1,587,551
Buildings	3,458,801	124,031		3,582,832
Vehicles	2,060,384	28,728	(\$26,070)	2,063,042
<b>Total capital assets being depreciated</b>	<b>21,074,303</b>	<b>6,279,331</b>	<b>(26,070)</b>	<b>27,327,564</b>
Less accumulated depreciation for:				
Land Improvements	(890,858)	(117,522)		(1,008,380)
Streets, Curbs, & Gutters	(659,294)	(236,763)		(896,057)
Machinery & Equipment	(1,315,298)	(63,074)		(1,378,372)
Buildings	(1,496,215)	(78,058)		(1,574,273)
Vehicles	(1,816,350)	(95,549)	26,070	(1,885,829)
<b>Total accumulated depreciation</b>	<b>(6,178,015)</b>	<b>(590,966)</b>	<b>26,070</b>	<b>(6,742,911)</b>
<b>Net capital assets being depreciated</b>	<b>14,896,288</b>	<b>5,688,365</b>		<b>20,584,653</b>
<b>Governmental activity capital assets, net</b>	<b>\$15,727,044</b>	<b>\$7,469,589</b>		<b>\$23,196,633</b>

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

**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	\$383,395
Fire	138,189
Public works/streets	4,443
Public works/parks	2,962
Recreation	24,564
Library	1,579
Special projects	35,834
<b>Total Governmental Activities</b>	<b>\$590,966</b>

**NOTE 6 – LOAN RECEIVABLE**

On June 1, 1989, the City entered into a \$262,378 ground lease agreement with EAH Larkspur Creekside Associates. On August 1, 2006, that agreement was amended and restated, as EAH Larkspur Creekside Associates II, L.P. assumed all rights and obligations under the ground lease agreement. The ground lease was amended to extend the maturity date to January 1, 2062. The lease agreement states annual rent shall be equal to the lesser of ten percent (10%) of annual gross receipts and sixty percent (60%) of surplus cash. The loan bears zero interest and the unpaid deferred rent is due at maturity.

**NOTE 7 – LONG-TERM DEBT**

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

Type of Obligation	Authorized and Issued	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Fire Engine Lease	\$440,000	\$145,375		\$70,991	\$74,384	\$74,384
Corporation Yard Lease	3,067,000		\$3,067,000	183,425	2,883,575	176,768
Total Governmental Activity Debt	\$3,507,000	\$145,375	\$3,067,000	\$254,416	\$2,957,959	\$251,152

**A. 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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**B. Corporation Yard Lease**

On July 1, 2013, the City entered into a \$3,067,000 lease agreement with Municipal Asset Finance Corporation for the purpose of financing corporation yard and other public capital improvements. The lease bears interest of 2.30 percent and principal and interest payments are payable semi-annually on each December 1 and June 1 commencing on December 1, 2013 through June 1, 2028.

**C. Debt Service Requirements**

At June 30, 2014, the fire engine and corporation yard lease payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$251,152	\$68,868	\$320,020
2016	180,856	61,222	242,078
2017	185,040	57,039	242,079
2018	189,321	52,758	242,079
2019	193,700	48,379	242,079
2020-2024	1,037,821	172,577	1,210,398
2025-2028	920,069	48,149	968,218
Total	<u>\$2,957,959</u>	<u>\$508,992</u>	<u>\$3,466,951</u>

**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, 2014 is as follows:

LMFA Dredging and Maintenance project	\$770,000
---------------------------------------	-----------

At June 30, 2014, 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. The balances of \$225,000 and \$75,000 with the Drake's Landing Residential Community and North Magnolia Avenue Assessment District, respectively, were fully repaid as of June 30, 2014.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

*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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 9 – NET POSITION AND FUND BALANCE (Continued)**

*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, 2014 are below:

Fund Balance Classifications	General Fund	Gas Tax	Housing in Lieu	Capital Projects	Local Roads	Other Governmental Funds	Total
<b>Nonspendable:</b>							
Items not in spendable form:							
Prepaid Items	\$14,027						\$14,027
<b>Total Nonspendable Fund Balances</b>	<u>14,027</u>						<u>14,027</u>
<b>Restricted for:</b>							
Storm Drain Run Off						\$71,281	71,281
Street Improvements						142,915	142,915
Child Care						55,225	55,225
Capital Projects		\$432,044	\$62,820				494,864
<b>Total Restricted Fund Balances</b>		<u>432,044</u>	<u>62,820</u>			<u>269,421</u>	<u>764,285</u>
<b>Committed to:</b>							
State Bail Out	321,614						321,614
Business Enhancement						217,891	217,891
Road Impact Fees						1,705,797	1,705,797
Capital Projects				\$5,639,003		8,924	5,647,927
<b>Total Committed Fund Balances</b>	<u>321,614</u>			<u>5,639,003</u>		<u>1,932,612</u>	<u>7,893,229</u>
<b>Assigned to:</b>							
Park Development						192,180	192,180
Property Development						51,529	51,529
Transit Mitigation						578,017	578,017
Heritage Preservation						136,751	136,751
Summer School						212,327	212,327
<b>Total Assigned Fund Balances</b>						<u>1,170,804</u>	<u>1,170,804</u>
<b>Unassigned</b>	<u>3,275,502</u>				<u>(180,566)</u>		<u>3,094,936</u>
<b>Total Fund Balances (Deficit)</b>	<u>\$3,611,143</u>	<u>\$432,044</u>	<u>\$62,820</u>	<u>\$5,639,003</u>	<u>(\$180,566)</u>	<u>\$3,372,837</u>	<u>\$12,937,281</u>

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 9 – NET POSITION AND FUND BALANCE (Continued)**

***E. Deficit Fund Balance and Accumulated Deficits***

At June 30, 2014, the Local Road Capital Projects Fund had a deficit fund balance of \$180,566 and the Insurance Internal Service Fund had deficit net position of \$246,010. The deficits will be eliminated by future revenues.

***F. Restatements of Fund Balance and Net Position***

Accounts Receivable – During fiscal year 2014, the City determined that accounts receivable in the Capital Projects Fund had been received and recognized as revenue in previous fiscal year in the amount of \$653,503. As a result, as of July 1, 2013, accounts receivable has been restated and decreased and fund balance has been restated and reduced in that amount.

During fiscal year 2014, the City determined that the balance of accounts receivable as of June 30, 2013 had been overstated in the Retiree Benefits Trust Fund. Therefore, as of July 1, 2013, net position has been restated and decreased in the amount of \$251,353.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2014, are summarized as follows:

	Safety		
	Prior to January 1, 2013	On or after January 1, 2013	
Hire date			
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	Monthly for life	Monthly for life	
Retirement age	50	50 - 57	
Monthly benefits, as a % of annual salary	2.4% - 3.0%	2.0% - 2.7%	
Required employee contribution rates	9%	12.25%	
Required employer contribution rates	23.397%	23.397%	
	Miscellaneous		
	Prior to May 1, 2013	After May 1, 2013	On or After January 1, 2013
Hire date			
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.5%	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	14.660%	10.282%	6.25%

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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
<i>Safety Plan</i>			
June 30, 2012	\$686,605	100%	\$0
June 30, 2013	591,803	100%	0
June 30, 2014	603,760	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2012	\$529,806	100%	\$0
June 30, 2013	525,370	100%	0
June 30, 2014	570,943	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 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:

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 10 - PENSION PLAN (Continued)**

*Safety Plan - Statewide Pool:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2012	2,183,549,942	1,896,139,291	287,410,651	86.8%	232,078,083	123.8%

The City's Safety Plan represents approximately 0.76%, 0.90%, and 0.96%, of the State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of \$1,761,753, \$2,041,919 and \$2,162,569 for those years.

*Miscellaneous Plan - Statewide Pool:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

The City's Miscellaneous Plan represents approximately 0.68%, 0.72% and 0.67%, of the State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of \$2,322,987, \$2,522,256 and \$2,347,041 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, 2014, amounted to \$34,154.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**A. Plan Description and Funding Policy**

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. Coverage requires the employee to satisfy the requirements under CalPERS, which requires attainment of age 50 (age 52, if a new member on or after January 1, 2013). Currently, 42 retirees meet the eligibility requirements and receive reimbursements. The retiree medical benefits are summarized in the table below:

Retiree Medical Benefits				
Category	Eligibility (Years of Service)	Benefit Provided	Term of Benefit	Survivor Benefit
Miscellaneous Employees hired prior to July 1, 2007 and Fire Employees hired prior to September 1, 2008	5 years in PERS but less than 10 years with the City	PEMHCA Minimum (\$119 per month in 2014)	Lifetime	PEMHCA Minimum, if spouse eligible for survivor pension
	At least 10 but less than 15 years with the City	100% premium paid for retiree only, up to Kaiser Bay Area rate	Lifetime	PEMHCA Minimum, if spouse eligible for survivor pension
	15 or more years with the City	100% premium paid for retiree & spouse, up to Kaiser Bay Area rate	Lifetime	100% premium paid for surviving spouse, up to Kaiser Bay Area rate
Miscellaneous Employees hired on/after July 1, 2007 and Fire Employees hired on/after September 1, 2008	5 years in PERS but less than 10 years with the City	PEMHCA Minimum (\$119 per month in 2014)	Lifetime	PEMHCA Minimum, if spouse eligible for survivor pension
	10 or more years with the City	100% premium paid for retiree only, up to Kaiser Bay Area rate	Lifetime	PEMHCA Minimum, if spouse eligible for survivor pension

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

**B. Actuarial Assumptions**

The annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the entry age normal cost method. This is a projected benefit cost 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) 4.0% investment rate of return, (b) 3.25% projected annual salary increase, (c) inflation rate of 3.0%, and (d) health care cost trend rates from 4.6% to 8.4% 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.

**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	\$1,026,992
Interest on net OPEB obligation	81,417
Amortization of OPEB obligation	<u>(88,995)</u>
Annual OPEB cost	<u>1,019,414</u>
Contributions made:	
Current year premiums paid	(59,702)
Current year contributions to Retiree Benefits Trust	<u>(247,678)</u>
Increase in net OPEB obligations	712,034
Net OPEB obligation June 30, 2013	<u>2,035,414</u>
<b>Net OPEB obligation June 30, 2014</b>	<u><u>\$2,747,448</u></u>

The Plan's annual required contributions and actual contributions for fiscal year ended June 30, 2014 is set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2012	\$1,067,288	\$414,862	39%	\$1,521,512
June 30, 2013	810,237	296,335	37%	2,035,414
June 30, 2014	1,019,414	307,380	30%	2,747,448

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

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. Trend data from the latest available actuarial studies 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	\$4,055,553	\$4,055,553	0.00%	\$4,733,338	85.68%
7/1/2013	0	12,308,419	12,308,419	0.00%	4,336,754	283.82%

**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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

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.

**Claims Payable:**

Outstanding claims	\$328,976	\$306,934
Claims incurred but not reported	181,174	207,575
Claims paid	<u>(209,396)</u>	<u>(185,533)</u>
Total liability for unpaid claims	<u>\$300,754</u>	<u>\$328,976</u>
Current portion	<u>\$188,615</u>	<u>\$176,620</u>

**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.

**Claims Payable:**

	<u>2014</u>	<u>2013</u>
Outstanding claims	\$89,892	\$120,333
Claims incurred but not reported	94,353	87,458
Claims paid	<u>(14,922)</u>	<u>(117,899)</u>
Total liability for unpaid claims	<u>\$169,323</u>	<u>\$89,892</u>
Current portion	<u>\$86,761</u>	<u>\$87,642</u>

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

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

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.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 13 - JOINT POWERS AGENCIES (Continued)**

**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, 2014, the tax was \$48.00 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.

**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 at 95 Rowland Way, Novato, California 94945.

**CITY OF LARKSPUR**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 13 - JOINT POWERS AGENCIES (Continued)**

**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.

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## CITY OF LARKSPUR

### 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.

***Measure C*** - to account for revenue received from Measure C funds. The funds are to be used for street repair and essential City services.

***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 Fund

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

CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Park Development	Property Development	Measure C	Transit Mitigation	Business Enhancement
<b>ASSETS</b>					
Cash and investments:					
Available for operations	\$200,582	\$51,520	\$71,502	\$577,913	\$208,289
Accounts receivable			71,400		9,564
Interest receivable	37	9	13	104	38
Prepaid items					
Total Assets	\$200,619	\$51,529	\$142,915	\$578,017	\$217,891
<b>LIABILITIES</b>					
Accounts payable	\$3,450				
Deposits payable	4,989				
Unearned Revenue					
Advance from other funds					
Total Liabilities	8,439				
<b>FUND EQUITY</b>					
Fund balances					
Nonspendable					
Restricted			\$142,915		
Committed					\$217,891
Assigned	192,180	\$51,529		\$578,017	
Total Fund Balances (Deficit)	192,180	51,529	142,915	578,017	217,891
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$200,619	\$51,529	\$142,915	\$578,017	\$217,891

SPECIAL REVENUE FUNDS

Heritage Preservation	Summer School	Storm Drain Run Off	Vehicle/Road Impact Fees	Twin Cities Child Care
\$137,707	\$235,085	\$74,640	\$1,673,083	\$175,831
	955	877	32,417	357
25	43	14	297	33
				2,000
<u>\$137,732</u>	<u>\$236,083</u>	<u>\$75,531</u>	<u>\$1,705,797</u>	<u>\$178,221</u>
\$144	\$23,756	\$4,250		\$4,041
837				6,450
				2,857
				109,648
<u>981</u>	<u>23,756</u>	<u>4,250</u>		<u>122,996</u>
		71,281		55,225
<u>136,751</u>	<u>212,327</u>		<u>\$1,705,797</u>	
<u>136,751</u>	<u>212,327</u>	<u>71,281</u>	<u>1,705,797</u>	<u>55,225</u>
<u>\$137,732</u>	<u>\$236,083</u>	<u>\$75,531</u>	<u>\$1,705,797</u>	<u>\$178,221</u>

(Continued)

CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2014

	<u>CAPITAL PROJECT FUND</u>	
	Greenbrae Marina Improvement	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and investments:		
Available for operations	\$8,820	\$3,414,972
Accounts receivable	102	115,672
Interest receivable	2	615
Prepaid items		2,000
	<hr/>	<hr/>
Total Assets	<u>\$8,924</u>	<u>\$3,533,259</u>
<b>LIABILITIES</b>		
Accounts payable		\$35,641
Deposits payable		12,276
Unearned Revenue		2,857
Advance from other funds		109,648
		<hr/>
Total Liabilities		<u>160,422</u>
<b>FUND EQUITY</b>		
Fund balances		
Nonspendable		
Restricted		269,421
Committed	\$8,924	1,932,612
Assigned		1,170,804
		<hr/>
Total Fund Balances (Deficit)	<u>8,924</u>	<u>3,372,837</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,924</u>	<u>\$3,533,259</u>

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CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Park Development	Property Development	Measure C	Transit Mitigation	Business Enhancement
REVENUES					
Taxes			\$142,881		\$89,924
License and permits					
Use of money and property	\$37	\$118	34	\$1,119	38
Charges for services					
Other revenue	148,975	8,399		171,975	
Total Revenues	149,012	8,517	142,915	173,094	89,962
EXPENDITURES					
Current:					
Recreation					3,160
Special projects					
Public works / parks	13,207				
Capital outlay				1,875	
Total Expenditures	13,207			1,875	3,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135,805	8,517	142,915	171,219	86,802
OTHER FINANCING SOURCES (USES)					
Transfers (out)				(20,000)	(10,000)
Total Other Financing Sources (Uses)				(20,000)	(10,000)
NET CHANGE IN FUND BALANCES	135,805	8,517	142,915	151,219	76,802
BEGINNING FUND BALANCES	56,375	43,012		426,798	141,089
ENDING FUND BALANCES (DEFICIT)	\$192,180	\$51,529	\$142,915	\$578,017	\$217,891

SPECIAL REVENUE FUNDS

Heritage Preservation	Summer School	Storm Drain Run Off	Vehicle/Road Impact Fees	Twin Cities Child Care
		\$91,340		
\$268	\$531	14	\$311,573	\$366
2,465	248,060		4,178	755,016
<u>2,733</u>	<u>248,591</u>	<u>91,354</u>	<u>389,003</u>	<u>9,000</u>
				764,382
	210,113			589,588
732		81,715		28,728
<u>732</u>	<u>210,113</u>	<u>81,715</u>		<u>618,316</u>
2,001	38,478	9,639	704,754	146,066
			(33,225)	
			(33,225)	
2,001	38,478	9,639	671,529	146,066
<u>134,750</u>	<u>173,849</u>	<u>61,642</u>	<u>1,034,268</u>	<u>(90,841)</u>
<u>\$136,751</u>	<u>\$212,327</u>	<u>\$71,281</u>	<u>\$1,705,797</u>	<u>\$55,225</u>

(Continued)

CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR YEAR ENDED JUNE 30, 2014

	<u>CAPITAL PROJECT FUND</u>	
	<u>Greenbrae Marina Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Taxes	\$12,429	\$336,574
License and permits		311,573
Use of money and property	15	6,718
Charges for services		1,003,076
Other revenue		729,817
	<hr/>	<hr/>
Total Revenues	12,444	2,387,758
	<hr/>	<hr/>
EXPENDITURES		
Current:		
Recreation		802,861
Special projects		81,715
Public works / parks		13,207
Capital outlay	8,267	39,602
	<hr/>	<hr/>
Total Expenditures	8,267	937,385
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,177	1,450,373
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers (out)		(63,225)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)		(63,225)
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	4,177	1,387,148
BEGINNING FUND BALANCES	4,747	1,985,689
	<hr/>	<hr/>
ENDING FUND BALANCES (DEFICIT)	\$8,924	\$3,372,837
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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, 2014

	PARK DEVELOPMENT			MEASURE C		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$135,000	\$142,881	\$7,881
Licenses and permits					34	34
Use of money and property	\$50	\$37	(\$13)			
Charges for services						
Other revenue	130,000	148,975	18,975			
Total Revenues	<u>130,050</u>	<u>149,012</u>	<u>18,962</u>	<u>135,000</u>	<u>142,915</u>	<u>7,915</u>
EXPENDITURES						
Current:						
Recreation						
Special projects						
Public works / parks	85,000	13,207	71,793			
Capital outlay						
Total Expenditures	<u>85,000</u>	<u>13,207</u>	<u>71,793</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>45,050</u>	<u>135,805</u>	<u>90,755</u>	<u>135,000</u>	<u>142,915</u>	<u>7,915</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$45,050</u>	<u>135,805</u>	<u>\$90,755</u>	<u>\$135,000</u>	<u>142,915</u>	<u>\$7,915</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>56,375</u>				
ENDING FUND BALANCES (DEFICIT)		<u>\$192,180</u>			<u>\$142,915</u>	

TRANSIT MITIGATION			BUSINESS ENHANCEMENT			SUMMER SCHOOL		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$55,000	\$89,924	\$34,924			
\$2,000	\$1,119	(\$881)		38	38	\$260,000	\$531 248,060	\$531 (11,940)
175,000	171,975	(3,025)						
177,000	173,094	(3,906)	55,000	89,962	34,962	260,000	248,591	(11,409)
			65,000	3,160	61,840	260,192	210,113	50,079
31,000	1,875	29,125						
31,000	1,875	29,125	65,000	3,160	61,840	260,192	210,113	50,079
146,000	171,219	25,219	(10,000)	86,802	96,802	(192)	38,478	38,670
(20,000)	(20,000)			(10,000)				
(20,000)	(20,000)			(10,000)				
\$126,000	151,219	\$25,219	(\$10,000)	76,802	\$96,802	(\$192)	38,478	\$38,670
	426,798			141,089			173,849	
	\$578,017			\$217,891			\$212,327	

(Continued)

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, 2014

	STORM DRAIN RUN OFF			VEHICLE/ROAD IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$94,000	\$91,340	(\$2,660)			
Licenses and permits				\$160,000	\$311,573	\$151,573
Use of money and property		14	14		4,178	4,178
Charges for services						
Other revenue				389,000	389,003	3
<b>Total Revenues</b>	<b>94,000</b>	<b>91,354</b>	<b>(2,646)</b>	<b>549,000</b>	<b>704,754</b>	<b>155,754</b>
EXPENDITURES						
Current:						
Recreation						
Special projects	78,000	81,715	(3,715)			
Public works / parks						
Capital outlay						
<b>Total Expenditures</b>	<b>78,000</b>	<b>81,715</b>	<b>(3,715)</b>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,000	9,639	(6,361)	549,000	704,754	155,754
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(20,000)		20,000		(33,225)	(33,225)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>		<b>20,000</b>		<b>(33,225)</b>	<b>(33,225)</b>
NET CHANGE IN FUND BALANCES	<u>(\$4,000)</u>	9,639	<u>\$13,639</u>	<u>\$549,000</u>	671,529	<u>\$122,529</u>
BEGINNING FUND BALANCES (DEFICIT)		61,642			1,034,268	
ENDING FUND BALANCES (DEFICIT)		<u>\$71,281</u>			<u>\$1,705,797</u>	

TWIN CITIES CHILD CARE

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$366	\$366
\$735,000	755,016	20,016
	9,000	9,000
<u>735,000</u>	<u>764,382</u>	<u>29,382</u>
765,530	589,588	175,942
	28,728	(28,728)
<u>765,530</u>	<u>618,316</u>	<u>147,214</u>
<u>(30,530)</u>	<u>146,066</u>	<u>176,596</u>
<u>(\$30,530)</u>	<u>146,066</u>	<u>\$176,596</u>
	(90,841)	
	<u>\$55,225</u>	

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<b>AGENCY FUNDS</b>
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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, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>East Sir Francis Drake Redemption Fund</u>				
Restricted cash and investments	\$94,510	\$242		\$94,752
Interest receivable	87	17	\$87	17
Total Assets	<u>\$94,597</u>	<u>\$259</u>	<u>\$87</u>	<u>\$94,769</u>
Due to property owners & bondholders	<u>\$94,597</u>	<u>\$259</u>	<u>\$87</u>	<u>\$94,769</u>
Total Liabilities	<u>\$94,597</u>	<u>\$259</u>	<u>\$87</u>	<u>\$94,769</u>
<u>Larkspur Marina Community Facilities District</u>				
Restricted cash and investments	\$872,300	\$233,099	\$96,713	\$1,008,686
Accounts receivable	2,495	1,851	2,495	1,851
Interest receivable	815	181	815	181
Total Assets	<u>\$875,610</u>	<u>\$235,131</u>	<u>\$100,023</u>	<u>\$1,010,718</u>
Accounts payable				
Due to property owners & bondholders	<u>\$875,610</u>	<u>\$235,131</u>	<u>\$100,023</u>	<u>\$1,010,718</u>
Total Liabilities	<u>\$875,610</u>	<u>\$235,131</u>	<u>\$100,023</u>	<u>\$1,010,718</u>
<u>King Mountain Assessment District Fund</u>				
Restricted cash and investments	\$59,693	\$140		\$59,833
Interest receivable	22	11	\$22	11
Total Assets	<u>\$59,715</u>	<u>\$151</u>	<u>\$22</u>	<u>\$59,844</u>
Due to property owners & bondholders	<u>\$59,715</u>	<u>\$151</u>	<u>\$22</u>	<u>\$59,844</u>
Total Liabilities	<u>\$59,715</u>	<u>\$151</u>	<u>\$22</u>	<u>\$59,844</u>

CITY OF LARKSPUR  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>Ross Valley Paramedic Authority Fund</u>				
Restricted cash and investments	\$867,968	\$1,929,706	\$2,077,740	\$719,934
Accounts receivable	297,062	297,703	297,062	297,703
Interest receivable	962	132	962	132
Prepaid items	7,313	7,313	7,313	7,313
Total Assets	<u>\$1,173,305</u>	<u>\$2,234,854</u>	<u>\$2,383,077</u>	<u>\$1,025,082</u>
Accounts payable	\$9,467	\$99,345	\$9,467	\$99,345
Deposits payable	4,135	4,135	4,135	4,135
Due to members	1,159,703	2,131,374	2,369,475	921,602
Total Liabilities	<u>\$1,173,305</u>	<u>\$2,234,854</u>	<u>\$2,383,077</u>	<u>\$1,025,082</u>
<u>Drake's Landing Community Facilities District Fund</u>				
Restricted cash and investments	\$234,205	\$2,288	\$230,780	\$5,713
Accounts receivable	2,147		2,147	
Interest receivable	202	1	202	1
Total Assets	<u>\$236,554</u>	<u>\$2,289</u>	<u>\$233,129</u>	<u>\$5,714</u>
Accounts payable	\$4,109			\$4,109
Due to property owners & bondholders	232,445	\$2,289	\$233,129	1,605
Total Liabilities	<u>\$236,554</u>	<u>\$2,289</u>	<u>\$233,129</u>	<u>\$5,714</u>

(Continued)

CITY OF LARKSPUR  
AGENCY FUNDS  
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>North Magnolia Agency Fund</u>				
Restricted cash and investments	\$86,510	\$613	\$78,186	\$8,937
Accounts receivable	549		549	
Interest receivable	82	2	82	2
<b>Total Assets</b>	<u>\$87,141</u>	<u>\$615</u>	<u>\$78,817</u>	<u>\$8,939</u>
Due to property owners & bondholders	<u>\$87,141</u>	<u>\$615</u>	<u>\$78,817</u>	<u>\$8,939</u>
<b>Total Liabilities</b>	<u>\$87,141</u>	<u>\$615</u>	<u>\$78,817</u>	<u>\$8,939</u>
<u>Central Marin Police Authority</u>				
Restricted cash and investments	\$575,581	\$11,353,497	\$11,568,510	\$360,568
Accounts receivable	201,852	163,721	201,852	163,721
Interest receivable	333	186	333	186
Deposit with risk manager				
Prepaid items	5,330	5,330	5,330	5,330
<b>Total Assets</b>	<u>\$783,096</u>	<u>\$11,522,734</u>	<u>\$11,776,025</u>	<u>\$529,805</u>
Accounts payable	\$89,035	\$131,086	\$89,035	\$131,086
Accrued liabilities	190,569	172,617	190,569	172,617
Deposits payable	36,099	34,301	36,099	34,301
Compensated absences payable	72,272		72,272	
Due to members	395,121	11,184,730	11,388,050	191,801
<b>Total Liabilities</b>	<u>\$783,096</u>	<u>\$11,522,734</u>	<u>\$11,776,025</u>	<u>\$529,805</u>
<u>Total Agency Funds</u>				
Restricted cash and investments	\$2,790,767	\$13,519,585	\$14,051,929	\$2,258,423
Accounts receivable	504,684	463,275	504,192	463,767
Interest receivable	2,892	530	2,416	1,006
Deposit with risk manager				
Prepaid items	12,643	12,643	12,643	12,643
<b>Total Assets</b>	<u>\$3,310,986</u>	<u>\$13,996,033</u>	<u>\$14,571,180</u>	<u>\$2,735,839</u>
Accounts payable	\$101,805	\$230,431	\$98,502	\$233,734
Accrued payroll	190,569	172,617	190,569	172,617
Deposits	40,234	38,436	40,234	38,436
Due to property owners & bond holders	1,351,282	238,445	412,078	1,177,649
Due to members (Ross Valley)	1,159,703	2,131,374	2,369,475	921,602
Due to members (CMPA)	395,121	11,184,730	11,388,050	191,801
Compensated absences payable	72,272		72,272	
<b>Total Liabilities</b>	<u>\$3,310,986</u>	<u>\$13,996,033</u>	<u>\$14,571,180</u>	<u>\$2,735,839</u>