

CITY OF LARKSPUR
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

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CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Larkspur, California

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Larkspur as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic 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 of Larkspur as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze + Associates
September 15, 2006

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Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

This is third fiscal year that the City of Larkspur has issued 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 Assets* and the *Statement of Activities*. The Statement of Net Assets 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 assets, or the difference between assets and liabilities, are one way to measure the City's financial health and financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The Statement of Net Assets includes the information previously reported in the City's fixed assets and long-term debt account groups. The City has chosen, within the parameters of GASB 34, not to retrospectively include the historic costs and accumulated depreciation of infrastructure in place, including but not limited to the City's roadway system.

The Statement of Activities provides information about all of the City's revenues and expenses, also on the full accrual basis, and emphasizes the measurement of the net revenues or expenses of each of the City's functional or program areas. It also incorporates changes in Net Assets 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 Assets 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 2005-06 are the General Fund, the Gas Tax Fund, the Housing in Lieu Fund, the Larkspur-Corte Madera Day Care Fund, and the Capital Projects Fund, which are all governmental funds.

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

The City is the trustee, or fiduciary, for certain funds established to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. 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 Assets and the Statement of Activities. **Governmental Activities** consist of most of the programs and functions of the City. As of June 30, 2006, the net assets of the City's Governmental Activities totaled \$12 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities Net Assets at June 30, 2006

	2005-06	2004-05	Inc./Dec.)
Cash & Investments	\$ 6,208,147	\$7,589,699	(1,381,552)
Other Assets	3,273,226	2,007,119	1,266,107
Capital Assets	5,080,990	4,796,249	284,741
Total Assets	\$ 14,562,363	\$ 14,393,067	\$ 169,296
Accounts Payable	367,515	305,768	61,747
Compensated Absences	151,201	140,701	10,500
Other Liabilities	667,187	593,727	73,460
Deferred Revenue	216,112	25,599	190,513
Capital Lease Obligation	1,076,226	1,258,470	(182,244)
Total Liabilities	\$ 2,478,241	\$ 2,324,265	\$ 153,976
Net Assets:			
Invested in capital assets, net of debt	4,004,764	3,537,779	466,985
Restricted	2,724,006	2,420,282	303,724
Unrestricted	5,355,352	6,110,741	(755,389)
Total Net Assets	\$ 12,084,122	\$ 12,068,802	\$ 15,320

- ✓ The total net assets for the City's Governmental Activities increased by \$15,320 in 2005-06.
- ✓ The decrease of approximately \$1.4 million in Cash and Investments and the increase of approximately \$1.3 million in Other Assets is attributable mainly to amounts owed the City from MTC (Greenbrae Corridor project) and FEMA (Winter Storm related expenses).

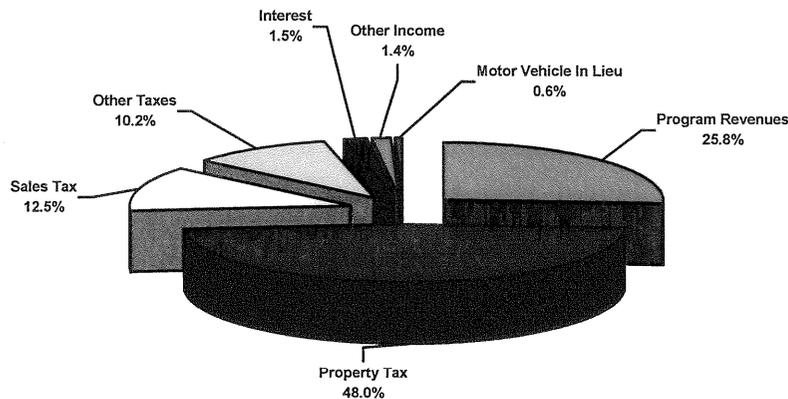
During 2005-06, the City's Governmental Activities were supported by \$14.2 million in revenues, derived from many sources, as is summarized in the next chart.

**Statement of Activities: Governmental Activities
2005-06 Revenues by Source**

Source	2005-06	2004-05	% of Total
Program Revenues:			
Charges for services	\$ 1,875,341	\$ 1,338,259	13.2%
Operating contributions & grants	1,329,302	761,194	9.3%
Capital contributions & grants	460,755	759,059	3.2%
Total Program Revenues	\$ 3,665,398	\$ 2,858,512	25.8%
General Revenues:			
Property tax	6,826,556	5,904,438	48.0%
Sales tax	1,781,313	1,507,091	12.5%
Other taxes	1,455,700	1,383,510	10.2%
Interest	210,828	145,031	1.5%
Other income	201,321	298,649	1.4%
Motor vehicle in lieu	89,009	263,711	0.6%
Total General Revenues	\$ 10,564,727	\$ 9,502,430	74.2%
Total Revenues	\$ 14,230,125	\$ 12,360,942	100.0%

The following provides a graphic depiction of the composition of the various revenue sources reported in the Statement of Activities for the Governmental Activities. As is depicted, Program Revenues, which are directly assigned to program or functional areas of the City's activities, comprised 25.8% of total revenue sources for the year.

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 assets 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 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 Administration and Finance Program reflects an expenditure of \$1,330,912 for 2005-06. This same program reflects total expenses of \$2,689,335 in the next chart. The \$1,358,423 difference is annual depreciation and acquisition of capital assets. These items, treated in the Fund Financial Statements as adjustments to balance sheet accounts, are incorporated into the total activity for this program area in the Statement of Activities. A full reconciliation of these statements is included in the Basic Financial Statements. A discussion of program expenditures for the year is included later in this MD&A.

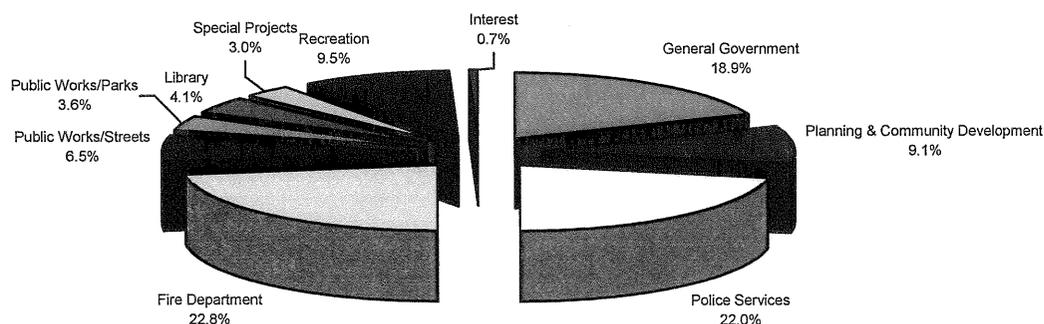
**Statement of Activities: Governmental Activities
2005-06 Expenses by Program**

Program	Total Expense	% of Total
General Government	\$ 2,675,407	18.8%
Planning & Community Development*	1,290,927	9.1%
Police Services	3,121,079	22.0%
Fire Department	3,243,771	22.8%
Public Works/Streets	925,131	6.5%
Public Works/Parks	513,950	3.6%
Recreation*	1,346,079	9.5%
Library	579,665	4.1%
Special Projects	426,079	3.0%
Interest	92,717	0.7%
Total	\$ 14,214,805	100.0%

* Planning & Community Development includes expenditures for Engineering and Building Inspection/Code Compliance. Recreation includes the Twin Cities Childcare center, Tidalwaves swim team, and Ross Valley Summer School expenditures.

The total expenses of \$14,214,805 are graphically depicted by program area in the next chart.

Expenses by Program - Governmental Activities



The net change in assets from 2004-05 to 2005-06 of \$15,320 reported and discussed earlier is equal to the difference between the total revenues of \$14,230,125 and total expenses of \$14,214,805 that are reflected in the Statement of Activities for Governmental Activities.

FUND FINANCIAL STATEMENTS

Performance of Governmental Funds

The Net Assets of the City’s Governmental Funds at June 30, 2006, were about \$6.75 million, which is the total of ending fund balances, plus capital assets, and less long-term debt. The following chart provides an overview of these Net Assets.

Governmental Funds	Total Assets	Total Liabilities	Fund Balance/ Net Assets
General	\$ 5,499,026	\$ 844,945	\$ 4,654,081
Gas Tax	1,047,189	20,985	1,026,204
Housing in lieu	434,467	244,458	190,009
Larkspur-Corte Madera Day Care	29,823	17,303	12,520
Capital Projects	460,315	1,086,866	(626,551)
Other Governmental Funds	2,127,310	632,037	1,495,273
Total Net Assets	\$ 9,598,130	\$ 2,846,594	\$ 6,751,536

The combined fund balances of \$6,751,536 from the various Governmental Funds comprise about 47.4% of Total Net Assets at June 30, 2006. These fund balances decreased by about \$129,102, or 9%, during 2005-06. The following summary of the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds illustrates the details of this net decrease.

**Governmental Funds
Net Change in Fund Balances at June 30, 2006**

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	\$ 11,439,691	\$ 11,799,224	\$ (359,533)	\$ 150,000	\$ (209,533)
Gas Tax	561,668	253,219	308,449	(151,700)	156,749
Housing in Lieu	34,154		34,154		34,154
Larkspur-Corte Madera Day Care	536,622	527,706	8,916		8,916
Capital Projects	195,910	590,903	(394,993)	171,700	(223,293)
Other Governmental Funds	1,462,080	1,188,175	273,905	(170,000)	103,905
Subtotal	\$ 14,230,125	\$ 14,359,227	\$ (129,102)	\$ -	\$ (129,102)
Beginning Fund Balances					6,880,638
Ending Fund Balances					\$ 6,751,536

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 2005-06 fiscal year with a fund balance of \$4,654,081, a decrease of \$209,533 from the previous year. This decrease results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

Revenues	\$ 11,439,691
Expenditures	11,799,224
Excess of Expenditures	\$ (359,533)
Other Financing Sources (Uses)	
Transfers Out	150,000
Net Other Uses	\$ 150,000
Decrease to Fund Balance	(209,533)
Beginning Fund Balance	4,863,614
Ending Fund Balance	\$ 4,654,081

The City continued to experience economic stability during 2005-06, although there was mixed performance among the General Fund's many revenue sources. Total revenues of \$11,439,691 were received in 2005-06, as compared with \$10,774,543 in 2004-05. This 6.1% or \$665,148, increase is depicted in the following chart that compares revenue performance for the two years.

	2005-06	2004-05	Inc. (Dec.)
Property Taxes	\$ 6,554,551	\$ 6,143,544	\$ 411,007
Sales Tax	1,606,407	1,507,091	99,316
Other Taxes	1,571,790	1,411,746	160,044
Licenses & Permits	303,394	316,288	(12,894)
Penalties & Fines	105,523	91,441	14,082
Interest	219,008	89,994	129,014
Other Agencies	124,933	302,718	(177,785)
Charges for Services	791,358	702,317	89,041
Other Revenue	162,727	209,404	(46,677)
Total	\$ 11,439,691	\$ 10,774,543	\$ 665,148

Property taxes grew from \$6.143 million to \$6.554 million in 2005-06, an increase of 6.7%. This was primarily the result of a growth in the assessed valuation of secured property in the City. **Sales taxes** reported increased from \$1,507,091 in 2004-05 to \$1,606,407 in 2005-06. This 6.6% increase in sales is reflective of increasing activity. The economy continues to recover as is shown in the increase of Other Taxes. **Other Taxes** increased by 11.0%. Revenues included in this category are business license fees and transient occupancy taxes.

Offsetting the growth of these General Fund revenues was a decrease in receipts received from Other Agencies. Other Agencies fell sharply during 2005-06 and the General Fund received only \$124,000. The decrease results from the implementation of the Triple Flip and the swap of MVLF for property taxes. The Total collections from Other Agencies dropped by \$119,497 from fiscal 2004-05 to 2005-06. Charges for service increased during 2005-06 by about \$89,000. This increase was primarily caused by an increase in the collection of Plan check fees.

General Fund expenditures totaled \$11,799,224 in 2005-06, an increase of 13.6%, or \$1,408,670 from 2004-05. The increase in the expenditures includes \$430,000 spent on a new Fire Engine. The following chart highlights the difference between the two fiscal years by program area.

Program Area	2005-06	2004-05	Inc. (Dec.)
General Administration	\$ 1,330,912	\$ 1,519,475	(\$188,563)
Planning & Community Development	1,118,702	964,161	154,541
Police Services	2,984,505	2,578,738	405,767
Fire Department	3,129,037	2,851,614	277,423
Public Works/Streets	850,671	813,609	37,062
Public Works/Parks	464,996	446,470	18,526
Recreation	574,318	479,028	95,290
Library	533,996	482,833	51,163
Capital Outlay	537,126	120,464	416,662
Debt Service	274,961	134,162	140,799
Total	\$ 11,799,224	\$ 10,390,554	\$ 1,408,670

The General Fund remained stable and healthy throughout 2005-06. The ending fund balance at June 30, 2006 of \$4,654,081 represents 40.7% of General Fund revenues and 39.4% of General Fund expenditures for the fiscal year. The General Fund balance is not reserved for any program activity and provides a generous buffer against unexpected financial events.

▫ 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 2106, 2107, and 2107.5. The City primarily utilizes its share to maintain the City's roadway system. During 2005-06, the Gas Tax Fund experienced an increase in fund balance of \$156,749, which is highlighted in the following chart.

2005-06 Gas Tax Fund Performance

Revenues	\$	561,668
Expenditures		253,219
Excess of Revenues	\$	308,449
Other Financing Sources (Uses)		
Transfers In/Out	\$	(151,700)
Net Other Uses	\$	(151,700)
Increase to Fund Balance		156,749
Beginning Fund Balance		869,455
Ending Fund Balance	\$	1,026,204

Total revenues for 2005-06 were \$561,668, as compared to \$324,320 in 2004-05. Expenditures in 2005-06 were \$253,219, as compared with \$115,288 in 2004-05. This increase of over \$137,931 reflects the City's effort preparing for major future road and bridge projects.

▫ **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 decreased fund balance by \$223,293 during 2005-06. The primary reason for this was capital outlays for the new dog park, CLASP, expenses for improving the energy efficiency of City Hall, enhancements for the new Multi-Use field, and capital expenses related to bike path and bridge projects.

▫ **Other Governmental Funds**

Included in this category are the Park Development, Property Development, Transit Mitigation, Business Enhancement, Heritage Preservation, Summer School, Tidal Waves Swim Team, Storm Drain Run Off Special Revenue Funds and the King Mountain Improvement, Greenbrae Marina and East Sir Francis Drake Capital Projects Funds. Taken as a whole, the following chart reflects the performance of these minor funds during 2005-06.

**2005-06 Performance of
Other Governmental Funds**

Revenues	\$	1,462,080
Expenditures		1,188,175
Excess of Revenues	\$	273,905
Other Financing Sources (Uses)		
Transfers In/Out	\$	(170,000)
Net Other Uses	\$	(170,000)
Increase to Fund Balance		103,905
Beginning Fund Balance		1,391,368
Ending Fund Balance	\$	1,495,273

Debt Administration

The City's only debt consists of the Capital Lease Obligations that were used to finance the Fire Station and the Multi-Use Field Leases. The City's participates in partnership with the Larkspur School District in the Multi-Use field Lease. As the lead Agency, Larkspur recognizes the full amount of the lease as per the written agreement. The Fire Station lease had an outstanding balance of \$200,841 at June 30, 2006, with an interest rate of 6.25%. The lease will retire in 2009. The Multi-Use Field had an outstanding balance of \$875,385 at June 30, 2006, with an interest rate of 3.75%. The lease will retire in 2012.

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.

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities are required by Government Accounting Standards Board Statement 34. Their purpose is to 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 Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

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

The format of the Statement of Activities differs considerably from those used in the past. It 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 Assets is computed and reconciled with the Statement of Net Assets.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

CITY OF LARKSPUR
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Cash and investments (Note 3):	
Available for operations	\$6,208,147
Receivables:	
Accounts	1,704,416
Loans	608,324
Due from other governmental units	109,365
Deposit with risk pool (Note 11)	807,747
Prepaid items	43,374
Capital assets, net of depreciation (Note 5)	<u>5,080,990</u>
Total Assets	<u>14,562,363</u>

LIABILITIES

Accounts payable	367,515
Accrued payroll	120,396
Accrued liabilities	108,349
Claims payable (Note 11)	313,171
Deposits	125,271
Deferred revenue	216,112
Compensated absences payable (Note 2H)	151,201
Noncurrent liabilities (Note 7)	
Due within one year	190,752
Due in more than one year	<u>885,474</u>
Total Liabilities	<u>2,478,241</u>

NET ASSETS (Note 9)

Invested in capital assets, net of related debt	<u>4,004,764</u>
Restricted for:	
Capital projects	186,663
Special revenue projects	<u>2,537,343</u>
Total Restricted Net Assets	<u>2,724,006</u>
Unrestricted	<u>5,355,352</u>
Total Net Assets	<u>\$12,084,122</u>

See accompanying notes to financial statements

CITY OF LARKSPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$2,675,407	\$105,718	\$58,861	(\$2,510,828)
Planning and community development	1,290,927	272,650	303,394	(714,883)
Police services	3,121,079		86,112	(3,034,967)
Fire department	3,243,771	22,885		(3,220,886)
Public works / streets	925,131	7,981	825,785	369,390
Public works / parks	513,950			(513,950)
Recreation	1,346,079	415,162		(930,917)
Library	579,665		55,150	(524,515)
Special projects	426,079	1,050,945		624,866
Interest on long term debt	92,717			(92,717)
Total Governmental Activities	\$14,214,805	\$1,875,341	\$1,329,302	(10,549,407)
General revenues:				
Taxes:				
Sales tax				1,781,313
Property taxes				6,826,556
Other taxes				1,455,700
Motor vehicle in lieu				89,009
Use of money and property				210,828
Miscellaneous				201,321
Total general revenues				10,564,727
Change in Net Assets				15,320
Net Assets-Beginning				12,068,802
Net Assets-Ending				\$12,084,122

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2006. 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 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.

LARKSPUR-CORTE MADERA DAY CARE FUND

To account for revenue received from participants and expenditures used for the Day Care Center.

CAPITAL PROJECTS FUND

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

CITY OF LARKSPUR
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General	Gas Tax	Housing in Lieu	Larkspur - Corte Madera Day Care
ASSETS				
Cash and investments (Note 3):				
Available for operations	\$3,427,782	\$937,824	\$190,009	\$29,623
Accounts receivable	302,322			
Loans receivable	363,866		244,458	
Due from other governments		109,365		
Due from other funds (Note 4)	1,361,882			
Prepaid items	43,174			200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$5,499,026</u>	<u>\$1,047,189</u>	<u>\$434,467</u>	<u>\$29,823</u>
LIABILITIES				
Accounts payable	\$158,453	\$20,985		\$2,241
Accrued payroll	104,028			15,062
Accrued liabilities	108,349			
Due to other funds (Note 4)				
Deposits	125,271			
Deferred revenue	348,844		\$244,458	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>844,945</u>	<u>20,985</u>	<u>244,458</u>	<u>17,303</u>
FUND BALANCES				
Fund balances (Note 9)				
Reserved for:				
Loans receivable	15,022			
Prepaid items	43,174			200
Unreserved				
Designated for:				
Equipment replacement	809,804			
Dry period	700,000			
Long term contingency reserve	2,764,467			
State bail-out	321,614			
Capital outlay		1,026,204	190,009	
Business enhancement projects				
Road impact fees				
Undesignated				
Special revenue fund				12,320
Capital projects fund				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>4,654,081</u>	<u>1,026,204</u>	<u>190,009</u>	<u>12,520</u>
	<u>\$5,499,026</u>	<u>\$1,047,189</u>	<u>\$434,467</u>	<u>\$29,823</u>

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	\$1,185,531	\$5,770,769
\$460,315	941,779	1,704,416
		608,324
		109,365
		1,361,882
		43,374
<u>\$460,315</u>	<u>\$2,127,310</u>	<u>\$9,598,130</u>
\$124,236	\$30,731	\$336,646
	1,306	120,396
		108,349
761,882	600,000	1,361,882
		125,271
200,748		794,050
<u>1,086,866</u>	<u>632,037</u>	<u>2,846,594</u>
		15,022
		43,374
		809,804
		700,000
		2,764,467
		321,614
	453,960	1,670,173
	64,899	64,899
	396,826	396,826
	579,588	591,908
<u>(626,551)</u>		<u>(626,551)</u>
<u>(626,551)</u>	<u>1,495,273</u>	<u>6,751,536</u>
<u>\$460,315</u>	<u>\$2,127,310</u>	<u>\$9,598,130</u>

CITY OF LARKSPUR
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances reported on the governmental funds balance sheet \$6,751,536

Amounts reported for Governmental Activities in the Statement of Net Assets
 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. 5,080,990

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to
 charge the costs of certain activities, such as insurance and central services and maintenance
 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 Assets.

Cash and investments available for operations	437,378
Deposit with risk pool	807,747
Accounts payable	(30,869)
Claims payable	(313,171)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available
 currently are taken into revenue in the Statement of Activities. 577,938

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	(1,076,226)
Non-current portion of compensated absences	(151,201)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$12,084,122

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, 2006

	General	Gas Tax	Housing in Lieu	Larkspur- Corte Madera Day Care
REVENUES				
Taxes	\$9,732,748	\$233,901		
Licenses and permits	303,394	\$5,932		
Penalties and fines	105,523			
Use of money and property	219,008	23,978	\$6,460	\$1,161
Other agencies	124,933	297,857		
Charges for services	791,358			530,121
Other revenue	162,727		27,694	5,340
Total Revenues	11,439,691	561,668	34,154	536,622
EXPENDITURES				
Current:				
General administration	1,330,912			
Planning and community development	1,118,702			
Police services	2,984,505			
Fire department	3,129,037			
Public works / streets	850,671			
Public works / parks	464,996			
Recreation	574,318			527,706
Library	533,996			
Special projects				
Capital outlay	537,126	253,219		
Debt service:				
Principal retirement	182,244			
Interest and fiscal charges	92,717			
Total Expenditures	11,799,224	253,219		527,706
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(359,533)	308,449	34,154	8,916
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	150,000			
Transfers (out) (Note 4)		(151,700)		
Total Other Financing Sources (Uses)	150,000	(151,700)		
NET CHANGE IN FUND BALANCES	(209,533)	156,749	34,154	8,916
BEGINNING FUND BALANCES (Deficit)	4,863,614	869,455	155,855	3,604
ENDING FUND BALANCES (Deficit)	\$4,654,081	\$1,026,204	\$190,009	\$12,520

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	\$163,456	\$10,130,105
	115,580	424,906
	18,312	105,523
\$195,910	943,791	268,919
	220,831	1,562,491
	110	1,542,310
		195,871
<u>195,910</u>	<u>1,462,080</u>	<u>14,230,125</u>
		1,330,912
		1,118,702
		2,984,505
		3,129,037
		850,671
		464,996
	210,693	1,312,717
		533,996
316,040	68,895	384,935
274,863	908,587	1,973,795
		182,244
		92,717
<u>590,903</u>	<u>1,188,175</u>	<u>14,359,227</u>
<u>(394,993)</u>	<u>273,905</u>	<u>(129,102)</u>
171,700		321,700
	(170,000)	(321,700)
<u>171,700</u>	<u>(170,000)</u>	
(223,293)	103,905	(129,102)
<u>(403,258)</u>	<u>1,391,368</u>	<u>6,880,638</u>
<u>(\$626,551)</u>	<u>\$1,495,273</u>	<u>\$6,751,536</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, 2006

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 Assets 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 (\$129,102)

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 capital outlay expenditures are therefore added back to fund balance	607,298
Net retirements of capital assets are deducted from fund balance	(27,340)
Depreciation expense is deducted from the fund balance	(295,217)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of capital lease principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	182,244
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue	(22,519)
Compensated absences	(10,500)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and 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 Assets - All Internal Service Funds	(289,544)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$15,320
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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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$8,759,400	\$8,759,400	\$9,732,748	\$973,348
Licenses and permits	278,000	278,000	303,394	25,394
Penalties and fines	130,000	130,000	105,523	(24,477)
Use of money and property	85,050	85,050	219,008	133,958
Other agencies	723,000	723,000	124,933	(598,067)
Charges for services	635,600	635,600	791,358	155,758
Other revenue	143,860	143,860	162,727	18,867
	10,754,910	10,754,910	11,439,691	684,781
EXPENDITURES:				
Current:				
General administration	1,307,695	1,382,695	1,330,912	51,783
Planning and community development	879,167	1,251,397	1,118,702	132,695
Police services	3,209,531	3,209,531	2,984,505	225,026
Fire department	3,061,846	3,136,846	3,129,037	7,809
Public works / streets	883,725	883,725	850,671	33,054
Public works / parks	561,958	561,958	464,996	96,962
Recreation	511,822	591,822	574,318	17,504
Library	565,597	565,597	533,996	31,601
Capital outlay	580,000	740,000	537,126	202,874
Debt service:				
Principal retirement	182,140	182,140	182,244	(104)
Interest and fiscal charges	52,867	52,867	92,717	(39,850)
	11,796,348	12,558,578	11,799,224	759,354
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,041,438)	(1,803,668)	(359,533)	1,444,135
OTHER FINANCING SOURCES (USES)				
Transfers in			150,000	150,000
			150,000	150,000
NET CHANGE IN FUND BALANCE	(\$1,041,438)	(\$1,803,668)	(209,533)	\$1,594,135
BEGINNING FUND BALANCE			4,863,614	
ENDING FUND BALANCE			\$4,654,081	

See accompanying notes to financial statements

CITY OF LARKSPUR
GAS TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$252,826	\$252,826	\$233,901	(\$18,925)
License and permits			5,932	5,932
Use of money and property	10,215	10,215	23,978	13,763
Other agencies	760,000	760,000	297,857	(462,143)
Total Revenues	<u>1,023,041</u>	<u>1,023,041</u>	<u>561,668</u>	<u>(461,373)</u>
EXPENDITURES:				
Current:				
Capital Outlay	1,676,700	1,480,000	253,219	1,226,781
Total Expenditures	<u>1,676,700</u>	<u>1,480,000</u>	<u>253,219</u>	<u>1,226,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(653,659)</u>	<u>(456,959)</u>	<u>308,449</u>	<u>765,408</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	305,600	(151,700)	(151,700)	
Total Other Financing Sources (Uses)	<u>305,600</u>	<u>(151,700)</u>	<u>(151,700)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$348,059)</u>	<u>(\$608,659)</u>	156,749	<u>\$765,408</u>
BEGINNING FUND BALANCE			<u>869,455</u>	
ENDING FUND BALANCE			<u>\$1,026,204</u>	

See accompanying notes to financial statements

CITY OF LARKSPUR
LARKSPUR - CORTE MADERA DAY CARE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property			\$1,161	\$1,161
Charges for services	\$590,000	\$590,000	530,121	(59,879)
Other revenue			5,340	5,340
	<u>590,000</u>	<u>590,000</u>	<u>536,622</u>	<u>(53,378)</u>
Total Revenues				
EXPENDITURES:				
Current:				
Recreation	\$588,510	588,510	527,706	60,804
	<u>588,510</u>	<u>588,510</u>	<u>527,706</u>	<u>60,804</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	<u>\$1,490</u>	<u>\$1,490</u>	8,916	<u>\$7,426</u>
BEGINNING FUND BALANCE			<u>3,604</u>	
ENDING FUND BALANCE			<u>\$12,520</u>	

See accompanying notes to financial statements

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities- Internal Service Funds <u>Insurance</u>
ASSETS	
Cash and investments available for operations	\$437,378
Deposit with risk pool (Note 11)	<u>807,747</u>
Total Assets	<u>1,245,125</u>
LIABILITIES	
Accounts payable	30,869
Claims payable (Note 11)	<u>313,171</u>
Total Liabilities	<u>344,040</u>
NET ASSETS	
Unrestricted	<u>901,085</u>
Total Net Assets	<u><u>\$901,085</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities- Internal Service Fund Insurance
OPERATING EXPENSES	
Claims and administrative expense	\$315,811
Operating Income (Loss)	(315,811)
NON-OPERATING INCOME	
Interest income	26,267
Change in net assets	(289,544)
BEGINNING NET ASSETS	1,190,629
ENDING NET ASSETS	\$901,085

See accompanying notes to financial statements

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities- Internal Service Fund
	<u>Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Claims paid	<u>(\$189,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>28,050</u>
Net Cash Flows	(161,310)
Cash and investments at beginning of period	<u>598,688</u>
Cash and investments at end of period	<u><u>\$437,378</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	(\$315,811)
Change in assets and liabilities:	
Deposit with risk pool	16,680
Accounts payable	23,264
Claims payable	<u>86,507</u>
Cash Flows from Operating Activities	<u><u>(\$189,360)</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

	Agency Funds
ASSETS	
Restricted cash and investments (Note 3)	\$4,657,989
Accounts receivable	247,771
Interest receivable	6,025
Deposit with risk manager	11,560
Prepaid items	10,656
Total Assets	\$4,934,001
 LIABILITIES	
Accounts payable	\$298,258
Accrued payroll	197,747
Deposits	10,055
Claims payable	394,201
Due to property owners & bond holders	843,936
Due to Ross Valley Paramedic Authority	1,664,439
Due to Twin Cities Police Authority	1,351,541
Compensated absences payable	173,824
Total Liabilities	\$4,934,001

See accompanying notes to financial statements

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 1 - GENERAL

The City of Larkspur 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, 2006 is approximately 12,148.

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, 2006 the City's staff comprised 57.5 budgeted positions. The City provides services to residents primarily by contracting with other governmental agencies and private contractors. City services are provided as follow:

Public Safety - The City provides fire protection services with 19 employees. The City is a member of the Twin Cities Police Authority with the Town of Corte Madera; 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 12.

Public Works and Engineering - The City has 9 employees who maintain its streets, curbs, gutters and related public property. The City contracts major construction projects.

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

Planning, Administration - and other services are provided by a total of 11 employees.

In addition, the City employs seasonal recreation personnel.

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 U.S.A.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements described below are presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. 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

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Larkspur-Corte Madera Day Care – To account for revenue received from participants and expenditures used for the Day Care Center.

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

The City also reports the following fund types:

Internal Service Funds – 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.

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

D. Basis of Accounting

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

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

CITY OF LARKSPUR
Notes to Basic Financial Statements

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 general 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.

The City follows Financial Accounting Standards Board Statements issued before November 30, 1989 which did not conflict with Governmental Accounting Standards Board Statements.

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 Park Development, Transportation Congestion, Housing-in-Lieu, Heritage Preservation, Property Development Special Revenue Funds and the Capital Projects Fund.
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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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.

H. Compensated Absences Payable

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

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

Beginning balance	\$140,701
Net change	<u>10,500</u>
Ending Balance	<u><u>\$151,201</u></u>

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

I. Postemployment Health Care Benefits

The City provides certain health care benefits for 35 retirees, dependents and surviving spouses. All former full time City employees are eligible for these benefits. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. Those costs totaled approximately \$221,891 and \$220,045 for the years ended June 30, 2006 and 2005, respectively.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Deferred Compensation Plans*

Employees of the City and both Authorities 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 and both Authorities 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.

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 except the Cash and Investments with fiscal agents 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

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	\$6,208,147
Cash and investments in Fiduciary Funds (separate statement)	4,657,989
Total City Cash and Investments	\$10,866,136

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

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

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

D. Interest Rate 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.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2006, these investments matured in an average of 152 days.

NOTE 4 - INTERFUND TRANSFERS

A. Current Interfund Balances

Current Interfund balances due from one fund to another, all of which are expected to be repaid in the normal course of business. As of June 30, 2006 interfund balances were as follows:

Due from other funds	Due to other funds	Amount
General Fund	Capital Projects Fund	\$761,882
General Fund	Transit Mitigation	600,000
	Total	\$1,361,882

B. Interfund Transfers

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. Interfund Transfers for the year ended June 30, 2006 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax	\$100,000
	Transportation Congestion	20,000
	Storm Drain Off	30,000
Capital Projects	Gas Tax	51,700
	Property Development	20,000
	Park Development	100,000
	Total Interfund Transfers	\$321,700

CITY OF LARKSPUR
Notes to Basic Financial Statements

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 \$1,000 and an estimated useful life in excess of three years.

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all streets and curbs and other infrastructure assets acquired subsequent to July 1, 2003.

GASB Statement 34 requires that all capital assets with limited useful lives be 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

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in capital assets were as follows:

	Balance June 30, 2005	Additions	Retirements and Transfers	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$830,756			\$830,756
Total capital assets not being depreciated	<u>830,756</u>			<u>830,756</u>
Capital assets being depreciated:				
Land Improvements	1,146,419	\$127,673		1,274,092
Streets, Curbs, & Gutters	221,221			221,221
Machinery & Equipment	1,535,634	24,002		1,559,636
Buildings	3,042,196	26,326		3,068,522
Vehicles	1,480,887	429,297	(\$27,340)	1,882,844
Total capital assets being depreciated	<u>7,426,357</u>	<u>607,298</u>	<u>(27,340)</u>	<u>8,006,315</u>
Less accumulated depreciation for:				
Land Improvements	(256,918)	(23,988)		(280,906)
Streets, Curbs, & Gutters	(3,911)	(3,911)		(7,822)
Machinery & Equipment	(1,046,446)	(100,586)		(1,147,032)
Buildings	(989,868)	(69,122)		(1,058,990)
Vehicles	(1,163,721)	(124,950)	27,340	(1,261,331)
Total accumulated depreciation	<u>(3,460,864)</u>	<u>(322,557)</u>	<u>27,340</u>	<u>(3,756,081)</u>
Net capital assets being depreciated	<u>3,965,493</u>	<u>284,741</u>		<u>4,250,234</u>
Governmental activity capital assets, net	<u><u>\$4,796,249</u></u>	<u><u>\$284,741</u></u>		<u><u>\$5,080,990</u></u>

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. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF LARKSPUR
Notes to Basic Financial Statements

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	\$54,719
Planning and community development	273
Police services	136,574
Fire services	1,929
Public works / streets	40,293
Public works / parks	26,862
Recreation	17,400
Library	3,363
Special projects	41,144
Total Governmental Activities	\$322,557

NOTE 6 – LOAN RECEIVABLE

On August 11, 2004, the City entered into a \$1,050,000 loan agreement with WestAmerica Bank. The City then loaned \$400,000 of the proceeds to the Larkspur School District. The City and the School District will use the proceeds for the construction of a multi-use playfield at the Hall Middle School campus. The balance of the loan as of June 30, 2006 is \$333,480.

NOTE 7 – LONG TERM DEBT

The City's long term debt is summarized below:

Type of Obligation	Authorized and Issued	June 30, 2005	Retirements	June 30, 2006	Current Portion
West America Bank	\$1,050,000	\$992,267	\$116,882	\$875,385	\$121,305
Fire Station Lease	668,100	266,203	65,362	200,841	69,447
Total Governmental Activity Debt	\$1,718,100	\$1,258,470	\$182,244	\$1,076,226	\$190,752

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

A. West America Bank

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

B. Fire Station Lease

In March 1997 the City entered in to a \$668,100 lease agreement with Municipal Leasing Associates, Inc., for the purpose of refinancing the construction of its existing Fire Station #2. The lease bears interest at a rate of 6.25 percent and is payable in semi-annual interest and principal payments commencing September 14, 1997 through March 14, 2009.

C. Debt Service Requirements

At June 30, 2006, fire station annual lease and the West America Bank loan payments to maturity, including interest payments, were as follows:

Year ending June30,	Principal	Interest	Total
2007	\$190,752	\$44,252	\$235,004
2008	199,686	35,321	235,007
2009	188,271	25,944	214,215
2010	135,610	17,397	153,007
2011	140,744	12,265	153,009
2012-2013	221,163	8,345	229,508
Total	<u>\$1,076,226</u>	<u>\$143,524</u>	<u>\$1,219,750</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, 2006 is as follows:

Drake's Landing Residential Community	\$1,640,000
Greenbrae Marina Drainage Assessment District 91/1	24,000
LMFA Dredging and Maintenance project	1,070,000
North Magnolia Avenue Assessment District	305,000

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 8 - SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT (Continued)

At June 30, 2006 fiscal agents for these debt issues held funds, which are pledged for the payment of these debt issues. The California Government Code requires these monies be invested in accordance with the City ordinance, resolution or indenture, unless there are specific state statutes regarding the investment.

NOTE 9 - FUND BALANCE RESERVATIONS AND DESIGNATIONS

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets 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 Assets 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, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

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

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. Portions of a fund's balance may be reserved or designated for future expenditure.

B. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds.

The City cannot modify or remove these restrictions or reserves. At June 30, 2006, reservations included the following:

Reserved for Prepaid Items and Loans Receivable is the portion of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 9 - FUND BALANCE RESERVATIONS AND DESIGNATIONS (Continued)

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. At June 30, 2006, designations included:

Designated for Equipment Replacement is the portion of fund balance set aside for the purchase of new equipment.

Designated for Dry Period is the portion of fund balance equal to the estimated amount of cash needed to fund the City's operations from July 1st through its first receipt of property tax revenues in December of each year.

Designated for State Bail-out is the estimated portion of fund balance reserved to off-set potential losses of the City's revenue from the State of California in balancing the State's budget.

Designated for Capital Outlay is the portion of fund balance set aside for capital projects.

Designated for Business Enhancement Projects is the portion of fund balance set aside for projects which enhance the business community.

Designated for Road Impact Fees is the portion of fund balance set aside for the design and construction of street and road improvements.

D. Fund Deficits

The Capital Projects Fund had a fund balance deficit of \$626,551 as of June 30, 2006.

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.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 10 - PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2004, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4% - 3.0%	1.426% - 2.052%
Required employee contribution rates	9%	7%
Required employer contribution rates	34.161%	13.753%

The City's labor contracts require it to pay employee contributions as well as its own.

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 does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. 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 new State law, effective July 1, 2005, the City's Safety Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry was that the City true-up any unfunded liabilities or overfunded assets in the former Plan, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability of \$903,618 agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 14 years. It satisfied its Safety Plan's liability of \$3,041,085 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 11 years.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 10 - PENSION PLAN (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$1,248,172,736	\$1,045,895,860	\$202,276,876	83.8%	\$154,384,703	131.02%
2004	1,252,474,736	1,026,500,742	225,973,994	82.0%	154,903,754	145.88%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.91%
2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.34%

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

Annual required contributions for fiscal years 2006, 2005, and 2004 amounted to \$847,056, \$665,574, and \$138,672, respectively. The City made these contributions as required by CALPERS.

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 and the City to each contribute 6.2% of the employees pay. Total contributions to Social Security during the year ended June 30, 2006 amounted to \$36,307, which the City paid one-half.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 11 - 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 \$500,000 of loss per accident. Excess coverage is provided by an outside insurance carrier up to statutory limits (\$150,000,000).

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

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

<i>Deposit with risk pool:</i>	2006	2005
Beginning balance	\$824,427	\$839,553
City contributions		43,461
Interest earned	26,267	13,543
Expenses	(42,947)	(72,130)
Ending balance	\$807,747	\$824,427
<i>Claims Payable:</i>		
Outstanding claims	\$226,664	\$279,283
Claims incurred but not reported	6,606	(52,619)
Total liability for unpaid claims	\$233,270	\$226,664

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 \$250,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 11 - WORKER'S COMPENSATION AND GENERAL LIABILITY PROGRAMS (Continued)

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 \$19,000,000 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 & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

	2006
Outstanding claims	\$22,984
Claims incurred but not reported	56,917
Total liability for unpaid claims	\$79,901

NOTE 12 - 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 11.

B. Twin Cities Police Authority

The Twin Cities Police Authority was created on January 30, 1980 by an agreement between the City of Larkspur and the Town of Corte Madera. The agreement provides for the operation and management of the Twin Cities Police Department, which renders police services to both these communities. The Authority is controlled by a four member Council consisting of two Council Members from each community. Neither community exercises specific control over the Authority's activities.

Twin Cities Police Authority is financed equally by its two 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.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 12 - JOINT POWERS AGENCIES (Continued)

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

C. *Ross Valley Paramedic Authority*

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

Ross Valley Paramedic Authority's operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. During the fiscal year ended June 30, 2006, the tax was \$30 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 County Cable Rate Regulation 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, 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. *Main Street Light Acquisition Authority*

The Main Street Light Acquisition Authority was created on October 2, 1991, between the County of Marin, Marinwood Community Services District, Bel Marin Keys Community Services District, Cities of Belvedere, Mill Valley, San Rafael, Novato, Larkspur, Sausalito, and Towns of Fairfax, Tiburon, San Anselmo, Corte Madera. The agreement provides for the acquisition and management of Street Lighting facilities within the areas covered by member agencies. Ownership of the street lighting facilities is transferred to the appropriate member after acquisition by the Authority. The financial responsibility of each member is based on the number of street lights acquired by the Authority. 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.

CITY OF LARKSPUR
Notes to Basic Financial Statements

NOTE 12 - JOINT POWERS AGENCIES (Continued)

F. *Marin Emergency Radio Authority*

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

NOTE 13 - 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.

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.

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.

Tidal Waves Swim Team - revenue received from participants is used for the swim team.

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

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

Capital Projects Funds

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

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

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

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
ASSETS						
Cash and investments:						
Available for operations	\$42,089	\$24,800	\$19,251	\$671	\$52,759	\$127,347
Accounts receivable			104,918	800,000	14,640	
Total Assets	<u>\$42,089</u>	<u>\$24,800</u>	<u>\$124,169</u>	<u>\$800,671</u>	<u>\$67,399</u>	<u>\$127,347</u>
LIABILITIES						
Accounts payable				\$263	\$2,500	\$5,865
Accrued payroll						(197)
Due to other funds				600,000		
Total Liabilities				<u>600,263</u>	<u>2,500</u>	<u>5,668</u>
FUND EQUITY						
Fund balances						
Unreserved						
Designated for:						
Capital outlay	\$42,089	\$24,800		\$200,408		
Business enhancement projects					\$64,899	
Road impact fees						
Undesignated						
Special revenue			\$124,169			121,679
Total Fund Balances	<u>42,089</u>	<u>24,800</u>	<u>124,169</u>	<u>200,408</u>	<u>64,899</u>	<u>121,679</u>
Total Liabilities and Fund Balances	<u>\$42,089</u>	<u>\$24,800</u>	<u>\$124,169</u>	<u>\$800,671</u>	<u>\$67,399</u>	<u>\$127,347</u>

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Summer School	Tidal Waves Swim Team	Storm Drain Run Off	Road Impact Fee	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	
\$35,881	\$38,667	\$260,641	\$396,826	\$37,457	\$92,238	\$56,904	\$1,185,531
21,887		270			64		941,779
<u>\$57,768</u>	<u>\$38,667</u>	<u>\$260,911</u>	<u>\$396,826</u>	<u>\$37,457</u>	<u>\$92,302</u>	<u>\$56,904</u>	<u>\$2,127,310</u>
\$15,033	\$2,176	\$4,894					\$30,731
1,503							1,306
							600,000
<u>16,536</u>	<u>2,176</u>	<u>4,894</u>					<u>632,037</u>
				\$37,457	\$92,302	\$56,904	453,960
			\$396,826				64,899
							396,826
<u>41,232</u>	<u>36,491</u>	<u>256,017</u>					<u>579,588</u>
<u>41,232</u>	<u>36,491</u>	<u>256,017</u>	<u>396,826</u>	<u>37,457</u>	<u>92,302</u>	<u>56,904</u>	<u>1,495,273</u>
<u>\$57,768</u>	<u>\$38,667</u>	<u>\$260,911</u>	<u>\$396,826</u>	<u>\$37,457</u>	<u>\$92,302</u>	<u>\$56,904</u>	<u>\$2,127,310</u>

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
REVENUES						
Taxes					\$57,802	
License and permits						
Use of money and property			\$378	\$471		\$4,510
Other agencies			143,791	800,000		
Charges for services		\$3,559				893
Other revenue						
Total Revenues		3,559	144,169	800,471	57,802	5,403
EXPENDITURES						
Current:						
Public works / streets						
Recreation						
Special projects				3,973		
Capital outlay				851,511	50,911	5,865
Total Expenditures				855,484	50,911	5,865
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
		3,559	144,169	(55,013)	6,891	(462)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(\$100,000)	(20,000)	(20,000)			
Total Other Financing Sources (Uses)	(100,000)	(20,000)	(20,000)			
NET CHANGE IN FUND BALANCES						
	(100,000)	(16,441)	124,169	(55,013)	6,891	(462)
BEGINNING FUND BALANCES						
	142,089	41,241		255,421	58,008	122,141
ENDING FUND BALANCES						
	\$42,089	\$24,800	\$124,169	\$200,408	\$64,899	\$121,679

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Summer School	Tidal Waves Swim Team	Storm Drain Run Off	Road Impact Fee	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	
		\$93,145			\$12,509		\$163,456
	\$1,016		\$115,580				115,580
			4,367	\$1,421	3,989	\$2,160	18,312
\$143,678	72,701						943,791
110							220,831
<u>143,788</u>	<u>73,717</u>	<u>93,145</u>	<u>119,947</u>	<u>1,421</u>	<u>16,498</u>	<u>2,160</u>	<u>1,462,080</u>
136,731	73,962						210,693
		40,026			24,896		68,895
					300		908,587
<u>136,731</u>	<u>73,962</u>	<u>40,026</u>			<u>25,196</u>		<u>1,188,175</u>
7,057	(245)	53,119	119,947	1,421	(8,698)	2,160	273,905
		(30,000)					(170,000)
		(30,000)					(170,000)
7,057	(245)	23,119	119,947	1,421	(8,698)	2,160	103,905
34,175	36,736	232,898	276,879	36,036	101,000	54,744	1,391,368
<u>\$41,232</u>	<u>\$36,491</u>	<u>\$256,017</u>	<u>\$396,826</u>	<u>\$37,457</u>	<u>\$92,302</u>	<u>\$56,904</u>	<u>\$1,495,273</u>

CITY OF LARKSPUR
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	TRANSIT MITIGATION			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property	\$5,000	\$471	(\$4,529)			
Other agencies		800,000	800,000			
Charges for services					\$143,678	\$143,678
Other revenue					110	110
Total Revenues	5,000	800,471	795,471		143,788	143,788
EXPENDITURES						
Current:						
Public works / streets						
Recreation				\$134,300	136,731	(2,431)
Special projects	15,000	3,973	11,027			
Capital outlay	56,000	851,511	(795,511)			
Total Expenditures	71,000	855,484	(784,484)	134,300	136,731	(2,431)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(66,000)	(55,013)	10,987	(134,300)	7,057	141,357
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
BEGINNING FUND BALANCES		255,421			34,175	
ENDING FUND BALANCES		\$200,408			\$41,232	

TIDAL WAVES SWIM TEAM			STORM DRAIN RUN OFF		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,016	\$1,016	\$94,000	\$93,145	(\$855)
\$60,000	72,701	12,701			
<u>60,000</u>	<u>73,717</u>	<u>13,717</u>	<u>94,000</u>	<u>93,145</u>	<u>(855)</u>
59,600	73,962	(14,362)	115,000	40,026	74,974
<u>59,600</u>	<u>73,962</u>	<u>(14,362)</u>	<u>115,000</u>	<u>40,026</u>	<u>74,974</u>
400	(245)	(645)	(21,000)	53,119	74,119
				(30,000)	
	<u>36,736</u>			<u>232,898</u>	
	<u>\$36,491</u>			<u>\$256,017</u>	

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CITY OF LARKSPUR

AGENCY FUNDS

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

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

Larkspur Marina Community Facilities District - 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.

Greenbrae Marina Drainage Fund - accounts for Greenbrae Marina Assessment District transactions.

Greenbrae Marina Dredging Fund - accounts for Greenbrae Marina Dredging Assessment District transactions.

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.

Twin Cities Police Authority - accounts for assets belonging to the Twin Cities Police Authority held in trust by the City.

CITY OF LARKSPUR
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>East Sir Francis Drake Redemption Fund</u>				
Restricted cash and investments	\$84,022			\$84,022
Total Assets	<u>\$84,022</u>			<u>\$84,022</u>
Due to property owners & bondholders	\$84,022			\$84,022
Total Liabilities	<u>\$84,022</u>			<u>\$84,022</u>
<u>Larkspur Marina Community Facilities District</u>				
Restricted cash and investments	\$200,436	\$122,121		\$322,557
Accounts receivable	968	968	\$968	968
Interest receivable	806		806	
Total Assets	<u>\$202,210</u>	<u>\$123,089</u>	<u>\$1,774</u>	<u>\$323,525</u>
Accounts payable		\$4,845		\$4,845
Due to property owners & bondholders	\$202,210	118,244	1,774	318,680
Total Liabilities	<u>\$202,210</u>	<u>\$123,089</u>	<u>\$1,774</u>	<u>\$323,525</u>
<u>King Mountain Assessment District Fund</u>				
Restricted cash and investments	\$24,266	\$291		\$24,557
Interest receivable	176		\$176	
Total Assets	<u>\$24,442</u>	<u>\$291</u>	<u>\$176</u>	<u>\$24,557</u>
Due to property owners & bondholders	\$24,442	\$291	\$176	\$24,557
Total Liabilities	<u>\$24,442</u>	<u>\$291</u>	<u>\$176</u>	<u>\$24,557</u>

CITY OF LARKSPUR
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Ross Valley Paramedic Authority Fund</u>				
Restricted cash and investments	\$1,632,092		\$139,530	\$1,492,562
Interest receivable	8,907		8,907	
Accounts receivable	180,586	\$39,200		219,786
Prepaid items	2,500		1,000	1,500
Total Assets	\$1,824,085	\$39,200	\$149,437	\$1,713,848
Accounts payable	\$8,021	\$37,353		\$45,374
Deposit	4,035	4,035	\$4,035	4,035
Due to Ross Valley Paramedic Authority	1,812,029	(2,188)	145,402	1,664,439
Total Liabilities	\$1,824,085	\$39,200	\$149,437	\$1,713,848
<u>Greenbrae Marina Drainage Fund</u>				
Restricted cash and investments	\$9,293	\$627		\$9,920
Interest receivable	149		\$149	
Total Assets	\$9,442	\$627	\$149	\$9,920
Due to property owners & bondholders	\$9,442	\$627	\$149	\$9,920
Total Liabilities	\$9,442	\$627	\$149	\$9,920
<u>Greenbrae Marina Dredging Fund</u>				
Restricted cash and investments	\$57,486	\$2,546		\$60,032
Interest receivable	265		\$265	
Total Assets	\$57,751	\$2,546	\$265	\$60,032
Due to property owners & bondholders	\$57,751	\$2,546	\$265	\$60,032
Total Liabilities	\$57,751	\$2,546	\$265	\$60,032

CITY OF LARKSPUR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Drake's Landing Community Facilities District Fund</u>				
Restricted cash and investments	\$242,347	\$9,105		\$251,452
Accounts receivable	1,692		\$12	1,680
Interest receivable	1,511		1,511	
Total Assets	\$245,550	\$9,105	\$1,523	\$253,132
Accounts payable	\$1,200			\$1,200
Due to property owners & bondholders	244,350	\$9,105	\$1,523	251,932
Total Liabilities	\$245,550	\$9,105	\$1,523	\$253,132
<u>North Magnolia Agency Fund</u>				
Restricted cash and investments	\$90,994	\$1,783		\$92,777
Accounts receivable	250		\$8	242
Interest receivable	617		617	
Total Assets	\$91,861	\$1,783	\$625	\$93,019
Due to property owners & bondholders	\$91,861	\$1,783	\$625	\$93,019
Total Liabilities	\$91,861	\$1,783	\$625	\$93,019
<u>Twin Cities Police Authority</u>				
Restricted cash and investments	\$2,079,872	\$240,238		\$2,320,110
Accounts receivable	3,413	24,127	\$3,413	24,127
Interest receivable	15,015	6,025	15,015	6,025
Deposit with risk manager	108,609		97,049	11,560
Prepaid items	10,070	9,156	10,070	9,156
Total Assets	\$2,216,979	\$279,546	\$125,547	\$2,370,978
Accounts payable	\$28,608	\$247,645	\$28,608	\$247,645
Accrued payroll	176,064	197,747	176,064	197,747
Deposits	37,953	6,020	37,953	6,020
Deferred revenue	57,076		57,076	
Claims payable	286,907	394,201	286,907	394,201
Due to Twin Cities Police Authority	1,471,058	(739,891)	(620,374)	1,351,541
Compensated absences payable	159,313	173,824	159,313	173,824
Total Liabilities	\$2,216,979	\$279,546	\$125,547	\$2,370,978

(Continued)

CITY OF LARKSPUR
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<hr/>				
<u>Total Agency Funds</u>				
Restricted cash and investments	\$4,420,808	\$376,711	\$139,530	\$4,657,989
Accounts receivable	186,909	64,295	3,433	247,771
Interest receivable	27,446	6,025	27,446	6,025
Deposit with risk manager	108,609		97,049	11,560
Prepaid items	12,570	9,156	11,070	10,656
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$4,756,342</u>	<u>\$456,187</u>	<u>\$278,528</u>	<u>\$4,934,001</u>
Accounts payable	\$37,829	\$289,037	\$28,608	\$298,258
Accrued payroll	176,064	197,747	176,064	197,747
Deposits	41,988	10,055	41,988	10,055
Deferred revenue	57,076		57,076	
Claims payable	286,907	394,201	286,907	394,201
Due to property owners & bond holders	714,078	132,596	2,738	843,936
Due to Ross Valley Paramedic Authority	1,812,029	(2,188)	145,402	1,664,439
Due to Twin Cities Police Authority	1,471,058	(739,891)	(620,374)	1,351,541
Compensated absences payable	159,313	173,824	159,313	173,824
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$4,756,342</u>	<u>\$455,381</u>	<u>\$277,722</u>	<u>\$4,934,001</u>

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