

**CITY OF LARKSPUR**  
**BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2008**

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CITY OF LARKSPUR  
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FISCAL YEAR ENDED JUNE 30, 2008

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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, 2008, 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, 2008 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 12, 2008

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# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

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

## ***Reporting the City as a Whole: Government-wide Statements***

The Government-wide Statements present the financial position of the City with a longer-term view of the City's activities as a whole, and consist of the *Statement of Net 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 2006-07 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 30<sup>th</sup>) or soon enough thereafter to be used. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

### ***Proprietary Funds***

Internal Service Funds are used for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other departments on a cost-reimbursement basis. The City's 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, 2008, the net assets of the City's Governmental Activities totaled \$13.6 million, as is highlighted in the following chart.

	2007-08	2006-07	Inc./ (Dec.)
Cash & Investments	\$ 6,220,358	\$ 6,826,319	(605,961)
Other Assets	3,243,549	3,036,461	207,088
Capital Assets	8,032,034	5,176,126	2,855,908
<b>Total Assets</b>	<b>\$ 17,495,941</b>	<b>\$ 15,038,906</b>	<b>\$ 2,457,035</b>
Accounts Payable	637,800	473,510	164,290
Compensated Absences	173,372	176,770	(3,398)
Other Liabilities	1,477,476	2,033,915	(556,439)
Deferred Revenue	505,222	168,830	336,392
Capital Lease Obligation	1,125,788	885,473	240,315
<b>Total Liabilities</b>	<b>\$ 3,919,658</b>	<b>\$ 3,738,498</b>	<b>\$ 181,160</b>
<b>Net Assets:</b>			
Invested in capital assets, net of debt	6,906,246	4,290,653	2,615,593
Restricted	2,562,940	2,702,750	(139,810)
Unrestricted	4,107,097	4,317,005	(209,908)
<b>Total Net Assets</b>	<b>\$ 13,576,283</b>	<b>\$ 11,310,408</b>	<b>\$ 2,265,875</b>

- ✓ The total net assets for the City's Governmental Activities increased by \$2.266 million in 2007-08.
- ✓ The increase of net assets is attributable mainly to the retaining walls completed during the fiscal year. They are now recognized as capital assets of the city. In addition to the retaining walls a new fire engine was leased this year and that too added to our capital assets.

During 2007-08, the City's Governmental Activities were supported by \$17.4 million in revenues, derived from many sources, as is summarized in the next chart.

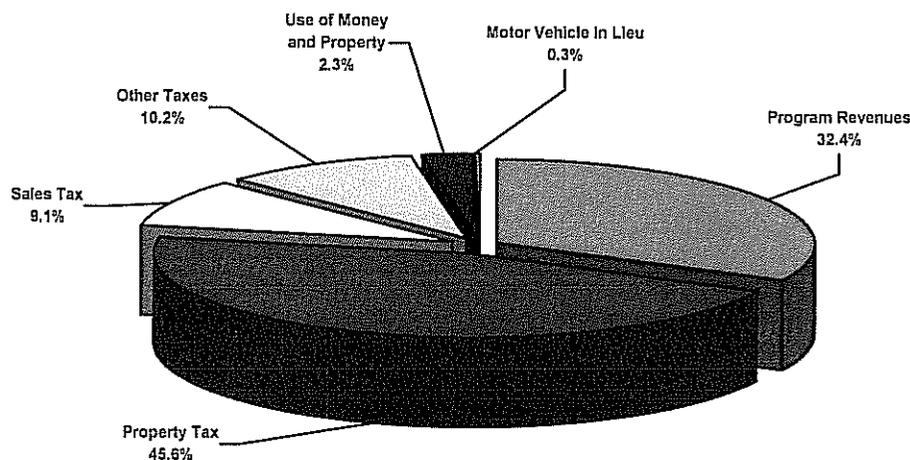
### Statement of Activities: Governmental Activities 2007-08 Revenues by Source

Program Revenues:			
Charges for services	\$ 1,988,088	\$ 1,671,648	11.4%
Operating contributions & grants	558,452	783,429	3.2%
Capital contributions & grants	3,266,521	552,474	18.8%
<b>Total Program Revenues</b>	<b>\$ 5,813,061</b>	<b>\$ 3,007,551</b>	<b>33.4%</b>
General Revenues:			
Property tax	7,934,386	7,215,668	45.6%
Sales tax	1,585,117	1,631,938	9.1%
Other taxes	1,779,098	2,084,027	10.2%
Use of Money and Property	218,429	273,064	1.3%
Motor vehicle in lieu	53,755	70,305	0.3%
<b>Total General Revenues</b>	<b>\$ 11,570,785</b>	<b>\$ 11,275,002</b>	<b>66.6%</b>
<b>Total Revenues</b>	<b>\$ 17,383,846</b>	<b>\$ 14,282,553</b>	<b>100.0%</b>

The following provides a graphic depiction of the composition of the various revenue sources reported in the Statement of Activities for the Governmental Activities. As is depicted, Program Revenues, which are directly assigned to program or functional areas of the City's activities, comprised 33.4% of total revenue sources for the year. This percentage compared to last year's percentage of 21.1% highlights the effect of the grants from the State of California and FEMA towards the retaining walls.

Also of note, Motor Vehicle In Lieu fees received have ceased to be a major revenue source as a result of the "Triple-Flip". Beginning with FY 08-09, these fees will be accounted for in the "Other Taxes" category.

### Sources of Revenue - Governmental Activities



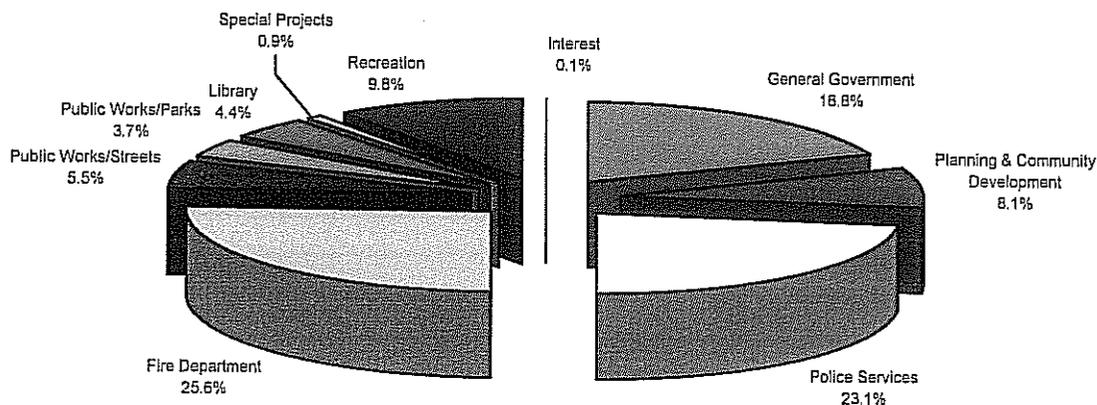
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because 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 \$1,714,369 for 2007-08. This same program reflects total expenses of \$2,840,936 in the next chart. The \$1,126,567 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  
2007-08 Expenses by Program**

Program	Total Expense	% of Total
General Government	\$ 2,840,936	18.8%
Planning & Community Development	1,229,545	8.1%
Police Services	3,487,593	23.1%
Fire Department	3,874,535	25.6%
Public Works/Streets	834,946	5.5%
Public Works/Parks	557,921	3.7%
Library	665,975	4.4%
Special Projects	128,528	0.9%
Recreation	1,481,113	9.8%
Interest Paid	16,809	0.1%
<b>Total</b>	<b>\$ 15,117,901</b>	<b>100.0%</b>

The total expenses of \$15,117,901 are graphically depicted by program area in the next chart.

**Expenses by Program - Governmental Activities**



The net change in assets from 2006-07 to 2007-08 of \$2.266 million reported and discussed earlier is equal to the difference between the total revenues of \$17,967,776 minus a transfer to the insurance fund of \$584,000, and minus total expenses of \$15,117,901 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, 2008, were about \$6.48 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	\$ 5,626,594	\$ 1,010,197	\$ 4,616,397
Gas Tax	301,071	137,933	163,138
Housing in lieu	349,475	263,534	85,941
Twin Cities Childrens' Center	18,570	16,521	2,049
Capital Projects	1,751,283	2,451,451	(700,168)
Other Governmental Funds	2,736,140	424,328	2,311,812
<b>Total Net Assets</b>	<b>\$ 10,783,133</b>	<b>\$ 4,303,964</b>	<b>\$ 6,479,169</b>

The combined fund balances of \$6,479,169 from the various Governmental Funds comprise about 47.72% of Total Net Assets at June 30, 2008. These fund balances decreased by about \$486,752, or 7%, during 2007-08. This decrease includes the \$584,000 transfer to the insurance fund. Without the transfer the fund balances would have increased by \$97,248 or 1.4%. 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, 2008**

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	\$ 13,219,865	\$ 13,002,246	\$ 217,619	\$ (502,044)	\$ (284,425)
Gas Tax	268,259	356,524	(88,265)	(210,000)	(298,265)
Housing in Lieu	28,021	127,867	(99,846)		(99,846)
Twin Cities Childrens' Center	572,446	572,219	227		227
Capital Projects	3,007,784	3,406,154	(398,370)	335,853	(62,517)
Other Governmental Funds	871,401	405,518	465,883	(207,809)	258,074
<b>Subtotal</b>	<b>\$ 17,967,776</b>	<b>\$ 17,870,528</b>	<b>\$ 97,248</b>	<b>\$ (584,000)</b>	<b>\$ (486,752)</b>
<b>Beginning Fund Balances</b>					<b>6,965,921</b>
<b>Ending Fund Balances</b>					<b>\$ 6,479,169</b>

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

▫ General Fund

The General Fund accounts for financial resources traditionally associated with government activities that are not legally required to be accounted for in another fund. The General Fund ended the 2007-08 fiscal year with a fund balance of \$4,616,397, a decrease of \$284,425 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	\$ 13,219,865
Expenditures	13,002,246
<b>Excess of Expenditures</b>	<b>\$ 217,619</b>
Other Financing Sources (Uses)	
Transfers In	280,000
Transfers Out	(782,044)
<b>Net Other Uses</b>	<b>\$ (502,044)</b>
Decrease to Fund Balance	(284,425)
Beginning Fund Balance	4,900,822
<b>Ending Fund Balance</b>	<b>\$ 4,616,397</b>

The City continued to experience economic stability during 2007-08, although there was mixed performance among the General Fund's many revenue sources. Total revenues of \$13,219,865 were received in 2007-08, as compared with \$12,394,644 in 2006-07. This 6.7% or \$825,221, increase is depicted in the following chart that compares revenue performance for the two years.

	2007-08	2006-07	Inc. (Dec.)
Property Taxes	\$ 7,934,386	\$ 7,215,668	\$ 718,718
Sales Tax	1,585,117	1,631,938	(46,821)
Other Taxes	1,740,746	1,663,806	76,940
Licenses & Permits	414,348	396,197	18,151
Penalties & Fines	35,621	92,397	(56,776)
Use of Money and Property	164,298	181,160	(16,862)
Other Agencies	94,797	120,744	(25,947)
Charges for Services	887,009	843,264	43,745
Other Revenue	363,543	249,470	114,073
<b>Total</b>	<b>\$ 13,219,865</b>	<b>\$ 12,394,644</b>	<b>\$ 825,221</b>

Property taxes grew from \$7.215 million to \$7.934 million in 2007-08, an increase of 10%. This was primarily the result of a growth in the assessed valuation of secured property in the City. Sales taxes reported decreased from \$1,631,938 in 2006-07 to \$1,585,117 in 2007-08. This decrease in sales taxes is reflective the continuing effect of key businesses that closed during FY 06-07 as well as a decrease in Prop 172 sales taxes for Police Services. Prop 172 taxes are distributed by the County of Marin based on a number of factors throughout the county. Increases in other cities have resulted in a decrease to our allocation. In addition, the

economy has certainly contributed to the decrease of and will continue to affect this source of revenue. Other Taxes increased by 4.6%. Revenues included in this category are business license fees and transient occupancy taxes. Penalties and Fines decreased sharply due to a large one time fine last year and a decrease of vehicle code fine revenue while we reimburse the county for a previous years' overpayment. Use of Money and Property decreased 9.3% this year as interest rates and amount available to invest were both lower this year. This amount is expected to decrease significantly in the coming fiscal year as interest rates continue to drop and the State continues to take longer to reimburse the City for capital expenditure grants and fire services reimbursements. Other Agencies decreased by 21.4% due to a continuing decline in Motor Vehicle License Fees received by the state. Charges for service increased during 2007-08 by about \$43,745. This increase was primarily caused by an increase in the collection of planning fees. Other Revenue increased primarily due to the fires throughout the state in which our firefighters participated.

General Fund expenditures totaled \$13,002,246 in 2007-08, an increase of 6.1%, or \$749,343 from 2006-07. The following chart highlights the difference between the two fiscal years by program area.

Program Area	2007-08	2006-07	Inc. (Dec.)	Percent
General Administration	\$ 1,714,372	\$ 1,354,294	\$360,078	26.6%
Planning & Community Development	1,030,960	1,334,459	(303,499)	-22.7%
Police Services	3,485,664	3,207,702	277,962	8.7%
Fire Department	3,807,076	3,436,489	370,587	10.8%
Public Works/Streets	930,719	884,929	45,790	5.2%
Public Works/Parks	530,186	583,812	(53,626)	-9.2%
Recreation	603,972	578,578	25,394	4.4%
Library	682,803	608,213	74,590	12.3%
Capital Outlay	-	47,894	(47,894)	-100.0%
Debt Service	216,494	216,533	(39)	0.0%
<b>Total</b>	<b>\$ 13,002,246</b>	<b>\$ 12,252,903</b>	<b>\$ 749,343</b>	<b>6.1%</b>

The General Fund remained stable and healthy throughout 2007-08. The ending fund balance at June 30, 2008 of \$4,616,397 represents 34.9% of General Fund revenues and 35.5% 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 2105, 2106, 2107, and 2107.5. The City primarily utilizes its share to maintain the City's roadway system. During 2007-08, the Gas Tax Fund experienced a decrease in fund balance of \$298,265, which is highlighted in the following chart.

### 2007-08 Gas Tax Fund Performance

Revenues	\$ 268,259
Expenditures	356,524
Excess of Revenues	\$ (88,265)
Other Financing Sources (Uses)	
Transfers In/(Out)	\$ (210,000)
Net Other Uses	\$ (210,000)
Decrease to Fund Balance	(298,265)
Beginning Fund Balance	461,403
<b>Ending Fund Balance</b>	<b>\$ 163,138</b>

Total revenues for 2007-08 were \$268,259, as compared to \$270,101 in 2006-07. Expenditures in 2007-08 were \$356,524, as compared with \$584,902 in 2006-07. This decrease reflects the City's concentration of major resources on the various slide repairs rather than major road work during 2007-08. Smaller road projects were completed this year as well as preparing for major future road and bridge projects. A total of \$253,318 was spent on street maintenance and \$37,603 on downtown tree management from this fund.

▫ **Capital Projects**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major facilities. This is where the majority of attention and resources was spent during this fiscal year. Large expenditures were made on repairing various slides and building/repairing retaining walls due to damage that occurred during the 2006 Winter Storms. The majority of funding for the slide repairs came from State and Federal dollars. The Capital Projects Fund decreased fund balance by \$62,517 during 2007-08. The ending fund balance (deficit) represents expenditures made on the CLASP project and is expected to be funded when projects related to that begin.

### 2007-08 Capital Projects Fund Performance

Expenditures	3,406,154
Excess of Revenues	\$ (398,370)
Other Financing Sources (Uses)	
Transfers In/(Out)	\$ 335,853
Net Other Uses	\$ 335,853
Decrease to Fund Balance	(62,517)
Beginning Fund Balance (Deficit)	(637,651)
<b>Ending Fund Balance (Deficit)</b>	<b>\$ (700,168)</b>

Other major capital expenditures during 2007-08 included Larkspur Marina Improvements (funded by marina homeowners), Vegetation Management/Creek Clean-up, roof repairs at Fire Station 16, Magnolia Avenue Bike/Pedestrian Path, Hazard Mitigation, downtown sidewalk repairs, and improvements to the playground at Piper Park/Hall School.

▫ **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, other 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 funds during 2007-08.

Revenues	\$	871,401
Expenditures		405,518
<b>Excess of Revenues</b>	<b>\$</b>	<b>465,883</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In/Out	\$	(207,809)
<b>Net Other Uses</b>	<b>\$</b>	<b>(207,809)</b>
Increase to Fund Balance		258,074
Beginning Fund Balance		2,053,738
<b>Ending Fund Balance</b>	<b>\$</b>	<b>2,311,812</b>

## **Debt Administration**

The City's debt consists of the Capital Lease Obligations that were used to finance the Fire Station and the Multi-Use Field leases, and a seven-year lease for the new Pierce Fire truck. 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 \$57,607 at June 30, 2008, with an interest rate of 6.25%. The lease will retire in 2009. The Multi-Use Field had an outstanding balance of \$628,181 at June 30, 2008, with an interest rate of 3.75%. The lease will retire in 2012. The Pierce Fire Truck had an outstanding balance of \$440,000 at June 30, 2008 with an interest rate of 4.78%.

## **Budgeting**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all other Major Funds. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting, consistent with generally accepted accounting practices (GAAP). Operating appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. Project-length financial plans are adopted for capital projects. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations)

is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated between departments within the same fund without City Council approval.

## Conclusion

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

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

CITY OF LARKSPUR  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

ASSETS

Cash and investments (Note 3):	
Available for operations	\$6,220,358
Receivables:	
Accounts	2,201,225
Interest	45,415
Loans (Note 6)	535,972
Due from other governmental units	242,594
Deposit with risk pool (Note 11)	201,070
Prepaid items	17,335
Capital assets, net of depreciation (Note 5)	<u>8,032,034</u>
Total Assets	<u>17,496,003</u>

LIABILITIES

Accounts payable	637,862
Accrued payroll	176,319
Accrued liabilities	319,278
Claims payable (Note 11)	649,258
Deposits	332,621
Deferred revenue	505,222
Compensated absences payable (Note 211)	173,372
Long-Term Debt (Note 7):	
Due within one year	229,875
Due in more than one year	<u>895,913</u>
Total Liabilities	<u>3,919,720</u>

NET ASSETS (Note 9)

Invested in capital assets, net of related debt	<u>6,906,246</u>
Restricted for:	
Capital projects	206,010
Special revenue projects	<u>2,356,930</u>
Total Restricted Net Assets	<u>2,562,940</u>
Unrestricted	<u>4,107,097</u>
Total Net Assets	<u><u>\$13,576,283</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General government	\$2,840,939	\$163,396	\$1,500	(\$2,676,043)
Planning and community development	1,229,548	289,234	427,152	(513,162)
Police services	3,487,593		12,843	(3,474,750)
Fire	3,874,535	210,941		(3,663,594)
Public works / streets	834,942	6,567	13,596	2,423,984
Public works / parks	557,921			(557,921)
Recreation	1,481,111	1,317,950		(135,403)
Library	665,975		103,361	(562,614)
Special projects	128,528			(128,528)
Interest on long-term debt	16,809			(16,809)
<b>Total Governmental Activities</b>	<b>\$15,117,901</b>	<b>\$1,988,088</b>	<b>\$558,452</b>	<b>(\$3,266,521)</b>
<b>General revenues:</b>				
<b>Taxes:</b>				
Sales tax				1,585,117
Property taxes				7,934,316
Other taxes				1,779,098
Motor vehicle in lieu, unrestricted				53,755
Use of money and property				218,429
<b>Total general revenues</b>				<b>11,570,715</b>
Change in Net Assets				2,265,875
Net Assets-Beginning				11,310,408
Net Assets-Ending				\$13,576,283

See accompanying notes to financial statements

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**FUND FINANCIAL STATEMENTS**

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

**MAJOR GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Funds by the City in fiscal 2008. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

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

**GAS TAX FUND**

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

**HOUSING IN LIEU FUND**

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

**TWIN CITIES CHILD 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, 2008

	<u>General</u>	<u>Gas Tax</u>	<u>Housing in Lieu</u>	<u>Twin Cities Child Care</u>
<b>ASSETS</b>				
Cash and investments (Note 3):				
Available for operations	\$3,169,096	\$56,891	\$85,316	\$17,688
Accounts receivable	331,619	1,586		
Interest receivable	28,519		625	409
Loans receivable	272,438		263,534	
Due from other governments		242,594		
Due from other funds (Note 4)	1,808,122			
Prepaid items	16,800			535
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$5,626,594</u>	<u>\$301,071</u>	<u>\$349,475</u>	<u>\$18,632</u>
<b>LIABILITIES</b>				
Accounts payable	\$122,952	\$59,839		\$599
Accrued payroll	158,237			15,984
Accrued liabilities	140,610			
Due to other funds (Note 4)				
Deposits	332,621			
Deferred revenue	255,777	78,094	\$263,534	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>1,010,197</u>	<u>137,933</u>	<u>263,534</u>	<u>16,583</u>
<b>FUND BALANCES</b>				
Fund balances (Note 9)				
Reserved for:				
Loans receivable	16,661			
Prepaid items	16,800			535
Unreserved				
Designated for:				
Equipment replacement	734,102			
Dry period	700,000			
Long-term contingency reserve	2,827,724			
State bailout	321,614			
Capital outlay		163,138	85,941	
Business enhancement projects				
Road impact fees				
Undesignated				
Special revenue fund				1,514
Capital projects fund	(504)			
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances (Deficits)	<u>4,616,397</u>	<u>163,138</u>	<u>85,941</u>	<u>2,049</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$5,626,594</u>	<u>\$301,071</u>	<u>\$349,475</u>	<u>\$18,632</u>

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	\$2,605,859	\$5,934,850
\$1,751,283	116,737	2,201,225
	13,544	43,097
		535,972
		242,594
		1,808,122
		17,335
<u>\$1,751,283</u>	<u>\$2,736,140</u>	<u>\$10,783,195</u>
\$420,872	\$22,230	\$626,492
	2,098	176,319
178,668		319,278
1,808,122		1,808,122
		332,621
43,789	400,000	1,041,194
<u>2,451,451</u>	<u>424,328</u>	<u>4,304,026</u>
		16,661
		17,335
		734,102
		700,000
		2,827,724
		321,614
	769,946	1,019,025
	53,102	53,102
	861,959	861,959
	626,805	628,319
(700,168)		(700,672)
<u>(700,168)</u>	<u>2,311,812</u>	<u>6,479,169</u>
<u>\$1,751,283</u>	<u>\$2,736,140</u>	<u>\$10,783,195</u>

CITY OF LARKSPUR  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet \$6,479,169

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. 8,032,034

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,  
 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	285,508
Interest receivable	2,318
Deposit with risk pool	201,070
Accounts payable	(11,370)
Claims payable	(649,258)

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. 535,972

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	(1,125,788)
Non-current portion of compensated absences	(173,372)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$13,576,283

See accompanying notes to financial statements

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CITY OF LARKSPUR  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

	General	Gas Tax	Housing in Lieu	Twin Cities Child Care
<b>REVENUES</b>				
Taxes	\$11,260,249	\$228,951		
Licenses and permits	414,348			
Penalties and fines	35,621			
Use of money and property	164,299	15,754	\$5,715	\$1,084
Other agencies	280,795			
Charges for services	887,009			571,362
Other revenue	177,544	23,554	22,306	
<b>Total Revenues</b>	<b>13,219,865</b>	<b>268,259</b>	<b>28,021</b>	<b>572,446</b>
<b>EXPENDITURES</b>				
Current:				
General administration	1,714,372			
Planning and community development	1,030,960			
Police services	3,485,664			
Fire	3,807,076			
Public works / streets	930,719			
Public works / parks	530,186			
Recreation	603,974			572,219
Library	682,803			
Special projects				
Capital outlay		356,524	127,867	
Debt service:				
Principal retirement	199,685			
Interest and fiscal charges	16,809			
<b>Total Expenditures</b>	<b>13,002,248</b>	<b>356,524</b>	<b>127,867</b>	<b>572,219</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>217,617</b>	<b>(88,265)</b>	<b>(99,846)</b>	<b>227</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 4)	280,000			
Transfers (out) (Note 4)	(782,044)	(210,000)		
<b>Total Other Financing Sources (Uses)</b>	<b>(502,044)</b>	<b>(210,000)</b>		
<b>NET CHANGE IN FUND BALANCES</b>	<b>(284,427)</b>	<b>(298,265)</b>	<b>(99,846)</b>	<b>227</b>
<b>BEGINNING FUND BALANCES (Deficit)</b>	<b>4,900,822</b>	<b>461,403</b>	<b>185,787</b>	<b>1,822</b>
<b>ENDING FUND BALANCES (Deficit)</b>	<b>\$4,616,395</b>	<b>\$163,138</b>	<b>\$85,941</b>	<b>\$2,049</b>

See accompanying notes to financial statements

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$167,343	\$11,656,543
	233,470	647,818
		35,621
	61,314	248,166
\$2,358,761		2,639,556
		1,458,371
<u>649,023</u>	<u>409,274</u>	<u>1,281,701</u>
<u>3,007,784</u>	<u>871,401</u>	<u>17,967,776</u>
		1,714,372
57,476		1,088,436
		3,485,664
		3,807,076
		930,719
		530,186
	274,022	1,450,215
		682,803
	90,769	90,769
\$3,348,678	40,727	3,873,796
		199,685
		16,809
<u>3,406,154</u>	<u>405,518</u>	<u>17,870,530</u>
<u>(398,370)</u>	<u>465,883</u>	<u>97,246</u>
335,853		615,853
	(207,809)	(1,199,853)
<u>335,853</u>	<u>(207,809)</u>	<u>(584,000)</u>
(62,517)	258,074	(486,754)
<u>(637,651)</u>	<u>2,053,738</u>	<u>6,965,921</u>
<u>(\$700,168)</u>	<u>\$2,311,812</u>	<u>\$6,479,167</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, 2008

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 (\$486,752)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 3,247,714  
 Depreciation expense is deducted from the fund balance (391,806)

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.

Proceeds from long-term lease (440,000)  
 Repayment of debt principal is added back to fund balance 199,685

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 (33,229)  
 Compensated absences 3,398

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - Internal Service Fund 166,865

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$2,265,875

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$10,735,000	\$10,735,000	\$11,260,249	\$525,249
Licenses and permits	348,000	348,000	414,348	66,348
Penalties and fines	55,000	55,000	35,621	(19,379)
Use of money and property	115,050	115,050	164,299	49,249
Other agencies	135,000	135,000	280,795	145,795
Charges for services	804,400	804,400	887,009	82,609
Other revenue	245,500	245,500	177,544	(67,956)
<b>Total Revenues</b>	<b>12,437,950</b>	<b>12,437,950</b>	<b>13,219,865</b>	<b>781,915</b>
<b>EXPENDITURES:</b>				
Current:				
General administration	1,731,034	1,731,034	1,714,372	16,662
Planning and community development	1,107,727	1,107,727	1,030,960	76,767
Police services	3,485,669	3,485,669	3,485,664	5
Fire	3,758,342	3,758,342	3,807,076	(48,734)
Public works / streets	905,536	905,536	930,719	(25,183)
Public works / parks	563,857	563,857	530,186	33,671
Recreation	611,326	611,326	603,972	7,354
Library	675,559	689,559	682,803	6,756
Debt service:				
Principal retirement	209,997	209,997	199,685	10,312
Interest and fiscal charges	82,000	82,000	16,809	65,191
<b>Total Expenditures</b>	<b>13,131,047</b>	<b>13,145,047</b>	<b>13,002,246</b>	<b>142,801</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(693,097)</b>	<b>(707,097)</b>	<b>217,619</b>	<b>924,716</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	740,747	960,747	280,000	(680,747)
Transfers (out)	(118,650)	(752,650)	(782,044)	(29,394)
<b>Total other financing sources (uses)</b>	<b>622,097</b>	<b>208,097</b>	<b>(502,044)</b>	<b>(710,141)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$71,000)</b>	<b>(\$499,000)</b>	<b>(284,425)</b>	<b>\$214,575</b>
<b>BEGINNING FUND BALANCE</b>			<b>4,900,822</b>	
<b>ENDING FUND BALANCE</b>			<b>\$4,616,397</b>	

See accompanying notes to financial statements

CITY OF LARKSPUR  
GAS TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$992,000	\$232,000	\$228,951	(\$3,049)
Use of money and property	25,000	25,000	15,754	(9,246)
Other revenue		760,000	23,554	(736,446)
Total Revenues	<u>1,017,000</u>	<u>1,017,000</u>	<u>268,259</u>	<u>(748,741)</u>
EXPENDITURES:				
Current:				
Capital Outlay	1,355,000	1,355,000	356,524	998,476
Total Expenditures	<u>1,355,000</u>	<u>1,355,000</u>	<u>356,524</u>	<u>998,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(338,000)</u>	<u>(338,000)</u>	<u>(88,265)</u>	<u>249,735</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(210,000)</u>	<u>(210,000)</u>	<u>(210,000)</u>	
Total Other Financing Sources (Uses)	<u>(210,000)</u>	<u>(210,000)</u>	<u>(210,000)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$548,000)</u>	<u>(\$548,000)</u>	(298,265)	<u>\$249,735</u>
BEGINNING FUND BALANCE			<u>461,403</u>	
ENDING FUND BALANCE			<u>\$163,138</u>	

See accompanying notes to financial statements

CITY OF LARKSPUR  
TWIN CITIES CHILD CARE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property			\$1,084	\$1,084
Program fees	\$630,000	\$630,000	571,362	(58,638)
Total Revenues	630,000	630,000	572,446	(57,554)
EXPENDITURES:				
Current:				
Childcare/preschool	629,610	629,610	572,219	57,391
Total Expenditures	629,610	629,610	572,219	57,391
NET CHANGE IN FUND BALANCE	\$390	\$390	227	(\$163)
BEGINNING FUND BALANCE			1,822	
ENDING FUND BALANCE			\$2,049	

See accompanying notes to financial statements

CITY OF LARKSPUR  
HOUSING IN LIEU SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<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			\$5,715	\$5,715
Other revenue			22,306	22,306
Total Revenues			<u>28,021</u>	<u>28,021</u>
EXPENDITURES:				
Current:				
Capital outlay		\$127,500	127,867	(367)
Total Expenditures		<u>127,500</u>	<u>127,867</u>	<u>(367)</u>
NET CHANGE IN FUND BALANCE		<u>(\$127,500)</u>	(99,846)	<u>\$27,654</u>
BEGINNING FUND BALANCE			<u>185,787</u>	
ENDING FUND BALANCE			<u>\$85,941</u>	

See accompanying notes to financial statements

CITY OF LARKSPUR  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities- Insurance Internal Service Fund
<b>ASSETS</b>	
Cash and investments available for operations (Note 3)	\$285,508
Interest receivable	2,318
Deposit with risk pool (Note 11)	201,070
Total Assets	488,896
<b>LIABILITIES</b>	
Accounts payable	11,370
Claims payable (Note 11)	649,258
Total Liabilities	660,628
<b>NET ASSETS (DEFICIT)</b>	
Unrestricted	(171,732)
Total Net Assets (Deficit)	(\$171,732)

See accompanying notes to financial statements

CITY OF LARKSPUR  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities- Insurance Internal Service Fund
OPERATING EXPENSES	
Claims and administrative expense	\$440,314
Operating Income (Loss)	(440,314)
NON-OPERATING INCOME	
Interest income	23,179
Transfer in (Note 4)	584,000
Change in net assets	166,865
BEGINNING NET ASSETS (DEFICIT)	(338,597)
ENDING NET ASSETS (DEFICIT)	(\$171,732)

See accompanying notes to financial statements

CITY OF LARKSPUR  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities- Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Claims paid	<u>(\$319,353)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>20,861</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (Note 4)	<u>584,000</u>
Net Cash Flows	285,508
Cash and investments at beginning of period	<u>                    </u>
Cash and investments at end of period	<u><u>\$285,508</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows	
from Operating Activities:	
Operating income (loss)	(\$440,314)
Change in assets and liabilities:	
Deposit with risk pool	630,144
Accounts payable	(246,273)
Claims payable	(50,996)
Due to other funds	<u>(211,914)</u>
Cash Flows from Operating Activities	<u><u>(\$319,353)</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Restricted cash and investments (Note 3)	\$3,915,620
Accounts receivable	186,289
Interest receivable	30,775
Deposit with risk manager	594
Prepaid items	<u>14,549</u>
Total Assets	<u><u>\$4,147,827</u></u>
LIABILITIES	
Accounts payable	\$63,888
Accrued payroll	228,196
Deposits	18,807
Claims payable	482,345
Due to property owners & bondholders	1,136,485
Due to Ross Valley Paramedic Authority	1,581,668
Due to Twin Cities Police Authority	454,887
Compensated absences payable	<u>181,551</u>
Total Liabilities	<u><u>\$4,147,827</u></u>

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, 2008 was approximately 12,150.

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, 2008 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.

The financial statements described below are presented.

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

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

**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 2105, 2106, 2107 and 2107.5 and expenditures used for the maintenance and construction of city streets.

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

**Twin Cities Child 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.

The City also reports the following fund types:

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

**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 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, Business Enhancement, Road Impact Fees, 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:

	<u>2008</u>
Beginning balance	<u>\$176,770</u>
Net change	<u>(3,398)</u>
Ending Balance	<u><u>\$173,372</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 40 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 \$293,204 for the year ended June 30, 2008.

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

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

**NOTE 3 - CASH AND INVESTMENTS**

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

**A. *Policies***

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

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

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

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

**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	\$6,220,558
Cash and investments in Fiduciary Funds ( separate statement )	3,915,620
Total City Cash and Investments	\$10,136,178

**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, 2008, these investments matured in an average of 212 days.

**NOTE 4 - INTERFUND TRANSFERS**

**A. Current Interfund Balances**

Current interfund balances are amounts due from one fund to another, all of which are expected to be repaid in the normal course of business. As of June 30, 2008 interfund balances were as follows:

Due from other funds	Due to other funds	Amount
General Fund	Capital Projects Fund	\$1,808,122

**B. Interfund Transfers**

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2008 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax	\$200,000
	Non-major Governmental Funds	80,000
Capital Projects Fund	General Fund	198,044
	Gas Tax	10,000
	Non-major Governmental Funds	127,809
Internal Service Fund	General Fund	584,000
	Total Interfund Transfers	\$1,199,853

**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.

Infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. 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, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$830,756			\$830,756
Total capital assets not being depreciated	830,756			830,756
Capital assets being depreciated:				
Land Improvements	1,274,092	\$2,473,153		3,747,245
Streets, Curbs, & Gutters	519,621	158,431		678,052
Machinery & Equipment	1,489,212	65,728	(\$162,585)	1,392,355
Buildings	3,194,862	30,544		3,225,406
Vehicles	1,887,981	519,858	(56,000)	2,351,839
Total capital assets being depreciated	8,365,768	3,247,714	(218,585)	11,394,897
Less accumulated depreciation for:				
Land Improvements	(312,833)	(95,671)		(408,504)
Streets, Curbs, & Gutters	(20,813)	(16,951)		(37,764)
Machinery & Equipment	(1,164,145)	(97,248)	162,585	(1,098,808)
Buildings	(1,133,776)	(75,550)		(1,209,326)
Vehicles	(1,388,831)	(106,386)	56,000	(1,439,217)
Total accumulated depreciation	(4,020,398)	(391,806)	218,585	(4,193,619)
Net capital assets being depreciated	4,345,370	2,855,908		7,201,278
<b>Governmental activity capital assets, net</b>	<b>\$5,176,126</b>	<b>\$2,855,908</b>		<b>\$8,032,034</b>

**A. Capital Asset Contributions**

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. 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	\$138,205
Police	1,929
Fire	121,945
Public works/streets	39,119
Public works/parks	26,079
Recreation	21,809
Library	4,961
Special projects	37,759
<b>Total Governmental Activities</b>	<b>\$391,806</b>

**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 used 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, 2008 is \$239,307.

**NOTE 7 – LONG-TERM DEBT**

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

Type of Obligation	Authorized and Issued	Balance June 30,	Additions	Retirements	Balance June 30, 2008	Current Portion
West America Bank	\$1,050,000	\$754,079		\$125,898	\$628,181	\$130,664
Fire Station Lease	668,100	131,394		73,787	57,607	57,607
Fire Engine Lease	440,000		\$440,000		440,000	41,604
Total Governmental Activity Debt	<u>\$2,158,100</u>	<u>\$885,473</u>	<u>\$440,000</u>	<u>\$199,685</u>	<u>\$1,125,788</u>	<u>\$229,875</u>

**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 used the proceeds for the construction of a multi-use playfield at the Hall Middle School Campus. The loan with West America Bank bears interest at 3.75 percent and is payable in semi-annual principal and interest payments of \$47,359, commencing September 1, 2004 through August 1, 2012.

*B. Fire Station Lease*

In March 1997, the City entered into 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. Fire Engine Lease*

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

*D. Debt Service Requirements*

At June 30, 2008, the fire station and fire engine annual leases along with the West America Bank loan payments to maturity, including interest payments, were as follows:

Year ending June30,	Principal	Interest	Total
2009	\$229,875	\$59,776	\$289,651
2010	194,506	36,440	230,946
2011	202,456	28,493	230,949
2012	210,731	20,215	230,946
2013	142,845	11,595	154,440
2014-2015	145,375	10,505	155,880
Total	<u>\$1,125,788</u>	<u>\$167,024</u>	<u>\$1,292,812</u>

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

**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, 2008 is as follows:

Drake's Landing Residential Community	\$1,260,000
LMFA Dredging and Maintenance project	1,025,000
North Magnolia Avenue Assessment District	255,000

At June 30, 2008, 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**

**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, and debt service requirements.

*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.

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

**NOTE 9 - FUND BALANCE RESERVATIONS AND DESIGNATIONS (Continued)**

The City cannot modify or remove these restrictions or reserves. At June 30, 2008, 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.

**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, 2008, 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 set aside to fund a portion of the City's operations from July 1st through its first receipt of property tax revenues in December of each year.

Designated for Long-Term Contingency Reserve is the portion of fund balance set aside for future capital projects and operational priorities per the direction of City Council.

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 and the Internal Service Fund had fund balance deficits of \$700,168 and \$171,732, respectively, as of June 30, 2008.

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

**NOTE 10 - PENSION PLAN**

*A. CALPERS Safety and Miscellaneous Employees Plans*

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

The Plans' provisions and benefits in effect at June 30, 2008, 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	35.359%	13.293%

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.

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

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

As required by 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 \$1,010,055 agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 12 years. It satisfied its Safety Plan's liability of \$2,882,675 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 10 years.

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

Annual required contributions for fiscal years 2008, 2007 and 2006 amounted to \$897,296, \$841,851 and \$847,056, 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, 2008 amounted to \$31,396, which the City paid one-half.

**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 \$1,000,000 of loss per accident. Excess coverage is provided by an outside insurance carrier up to statutory limits (\$300,000,000).

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

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

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>	2008	2007
Beginning balance	\$831,214	\$807,747
Interest earned	21,644	71,983
Expenses	(651,788)	(48,516)
Ending balance	\$201,070	\$831,214
 <i>Claims Payable:</i>		
Outstanding claims	\$275,618	\$233,270
Claims incurred but not reported	70,360	42,348
Total liability for unpaid claims	\$345,978	\$275,618

**Bay Cities Joint Powers Insurance Authority - Liability Coverage:**

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

Bay Cities Joint Powers Insurance Authority does not purchase excess insurance above the self-insured retention limit. Instead, it provides a risk sharing pool for its members from \$1,000,000 up to \$24,000,000 for each occurrence through the California Affiliated Risk Management Authorities.

**CITY OF LARKSPUR**  
**Notes to Basic Financial Statements**

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

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.

	2008	2007
Outstanding claims	\$424,636	\$324,014
Claims incurred but not reported	(121,356)	100,622
Total liability for unpaid claims	\$303,280	\$424,636

**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, 2008, the tax was \$39 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 and Tiburon. The agreement provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on its number of cable television subscribers. Audited financial statements may be obtained by mailing a request to the Authority at Marin County Auditor-Controller, County of Marin, Room 209, San Rafael, CA 94903.

**E. *Main General Services Authority***

The Main General Services 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 and 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.

NON-MAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds**

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

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

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

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

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

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

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

*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.

*Measure A* – revenue from the County of Marin Transportation ½ cent sales tax. Used for projects that reduce traffic congestion and improve transportation in Marin County.

**Capital Projects Funds**

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

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

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

CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
<b>ASSETS</b>						
Cash and investments:						
Available for operations	\$372,521	\$30,755	\$516,334	\$63,297	\$38,053	\$132,803
Accounts receivable				99,650	15,049	1,287
Interest receivable			4,041	547		
<b>Total Assets</b>	<u>\$372,521</u>	<u>\$30,755</u>	<u>\$520,375</u>	<u>\$163,494</u>	<u>\$53,102</u>	<u>\$134,090</u>
<b>LIABILITIES</b>						
Accounts payable				\$2,834		
Accrued payroll						
Deferred revenue			\$400,000			
<b>Total Liabilities</b>			<u>400,000</u>	<u>2,834</u>		
<b>FUND EQUITY</b>						
Fund balances						
Unreserved						
Designated for:						
Capital outlay	\$372,521	\$30,755		160,660		
Business enhancement projects					\$53,102	
Road impact fees						
Undesignated						
Special revenue			120,375			\$134,090
<b>Total Fund Balances</b>	<u>372,521</u>	<u>30,755</u>	<u>120,375</u>	<u>160,660</u>	<u>53,102</u>	<u>134,090</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$372,521</u>	<u>\$30,755</u>	<u>\$520,375</u>	<u>\$163,494</u>	<u>\$53,102</u>	<u>\$134,090</u>

SPECIAL REVENUE FUNDS

CAPITAL PROJECTS FUNDS

Summer School	Tidal Waves Swin Team	Storm Drain Run Off	Road Impact Fee	Measure A	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	Total Nonmajor Governmental Funds
\$106,093	\$15,848	\$62,008	\$855,710	\$207,781	\$40,826	\$101,806	\$62,024	\$2,605,859
362	164		225					116,737
551			6,024	1,027	311	570	473	13,544
<u>\$107,006</u>	<u>\$16,012</u>	<u>\$62,008</u>	<u>\$861,959</u>	<u>\$208,808</u>	<u>\$41,137</u>	<u>\$102,376</u>	<u>\$62,497</u>	<u>\$2,736,140</u>
\$6,797	\$6,359	\$5,960		\$280				\$22,230
2,098								2,098
								400,000
<u>8,895</u>	<u>6,359</u>	<u>5,960</u>		<u>280</u>				<u>424,328</u>
					\$41,137	\$102,376	\$62,497	769,946
			\$861,959					53,102
								861,959
98,111	9,653	56,048		208,528				626,805
98,111	9,653	56,048	861,959	208,528	41,137	102,376	62,497	2,311,812
<u>\$107,006</u>	<u>\$16,012</u>	<u>\$62,008</u>	<u>\$861,959</u>	<u>\$208,808</u>	<u>\$41,137</u>	<u>\$102,376</u>	<u>\$62,497</u>	<u>\$2,736,140</u>

CITY OF LARKSPUR  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation	Summer School
<b>REVENUES</b>							
Taxes					\$61,575		
License and permits							
Use of money and property			\$10,235	\$3,655		\$5,580	
Other revenue	\$27,758	\$2,476		13,596		2,118	\$167,531
<b>Total Revenues</b>	<b>27,758</b>	<b>2,476</b>	<b>10,235</b>	<b>17,251</b>	<b>61,575</b>	<b>7,698</b>	<b>167,531</b>
<b>EXPENDITURES</b>							
Current:							
Recreation					74,031		140,294
Special projects							
Capital outlay				40,395		332	
<b>Total Expenditures</b>				<b>40,395</b>	<b>74,031</b>	<b>332</b>	<b>140,294</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>27,758</b>	<b>2,476</b>	<b>10,235</b>	<b>(23,144)</b>	<b>(12,456)</b>	<b>7,366</b>	<b>27,237</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers (out)	(40,000)		(20,000)				
<b>Total Other Financing Sources (Uses)</b>	<b>(40,000)</b>		<b>(20,000)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,242)</b>	<b>2,476</b>	<b>(9,765)</b>	<b>(23,144)</b>	<b>(12,456)</b>	<b>7,366</b>	<b>27,237</b>
<b>BEGINNING FUND BALANCES</b>	<b>384,763</b>	<b>28,279</b>	<b>130,140</b>	<b>183,804</b>	<b>65,558</b>	<b>126,724</b>	<b>70,874</b>
<b>ENDING FUND BALANCES</b>	<b>\$372,521</b>	<b>\$30,755</b>	<b>\$120,375</b>	<b>\$160,660</b>	<b>\$53,102</b>	<b>\$134,090</b>	<b>\$98,111</b>

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Tidal Waves Swim Team	Storm Drain Run Off	Road Impact Fee	Measure A	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	
	\$93,323				\$12,445		\$167,343
\$380		\$233,470	\$4,579	\$1,759	2,198	\$2,673	233,470
48,094		30,255	109,721		37,980		61,314
48,474	93,323	263,725	114,300	1,759	52,623	2,673	409,274
							871,401
59,697							274,022
	87,974		2,795				90,769
							40,727
59,697	87,974		2,795				405,518
(11,223)	5,349	263,725	111,505	1,759	52,623	2,673	465,883
	(142,000)				(5,809)		(207,809)
	(142,000)				(5,809)		(207,809)
(11,223)	(136,651)	263,725	111,505	1,759	46,814	2,673	258,074
20,876	192,699	598,234	97,023	39,378	55,562	59,824	2,053,738
\$9,653	\$56,048	\$861,959	\$208,528	\$41,137	\$102,376	\$62,497	\$2,311,812

CITY OF LARKSPUR  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	TRANSIT MITIGATION			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property	\$5,000	\$3,655	(\$1,345)			
Other revenue		13,596	13,596	\$145,000	\$167,531	\$22,531
Total Revenues	<u>5,000</u>	<u>17,251</u>	<u>12,251</u>	<u>145,000</u>	<u>167,531</u>	<u>22,531</u>
EXPENDITURES						
Current:						
Recreation				139,900	140,294	(394)
Special projects						
Capital outlay	56,000	40,395	15,605			
Total Expenditures	<u>56,000</u>	<u>40,395</u>	<u>15,605</u>	<u>139,900</u>	<u>140,294</u>	<u>(394)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(51,000)</u>	<u>(23,144)</u>	<u>27,856</u>	<u>5,100</u>	<u>27,237</u>	<u>22,137</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(20,000)		20,000			
Total Other Financing Sources (Uses)	<u>(20,000)</u>		<u>20,000</u>			
NET CHANGE IN FUND BALANCES	<u><u>(\$71,000)</u></u>	<u>(23,144)</u>	<u><u>\$47,856</u></u>	<u><u>\$5,100</u></u>	<u>27,237</u>	<u><u>\$22,137</u></u>
BEGINNING FUND BALANCES		<u>183,804</u>			<u>70,874</u>	
ENDING FUND BALANCES		<u><u>\$160,660</u></u>			<u><u>\$98,111</u></u>	

TIDAL WAVES SWIM TEAM			STORM DRAIN RUN OFF		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$380	\$380	\$94,000	\$93,323	(\$677)
\$60,000	48,094	(11,906)			
60,000	48,474	(11,526)	94,000	93,323	(677)
74,300	59,697	14,603			
			95,000	87,974	7,026
74,300	59,697	14,603	95,000	87,974	7,026
(14,300)	(11,223)	3,077	(1,000)	5,349	6,349
			(150,000)	(142,000)	8,000
			(150,000)	(142,000)	8,000
<u>(\$14,300)</u>	<u>(11,223)</u>	<u>\$3,077</u>	<u>(\$151,000)</u>	<u>(136,651)</u>	<u>\$14,349</u>
	20,876			192,699	
	<u>\$9,653</u>			<u>\$56,048</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 the Facilities District (LMCFD)* - accounts for monies held for Marina Dredging and Maintenance and Refunding of LMFA Bonds.

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

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

*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, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
<u>East Sir Francis Drake Redemption Fund</u>				
Restricted cash and investments	\$85,101	\$2,003		\$87,104
Accounts receivable	1,093		\$436	657
Total Assets	<u>\$86,194</u>	<u>\$2,003</u>	<u>\$436</u>	<u>\$87,761</u>
Due to property owners & bondholders	<u>\$86,194</u>	<u>\$2,003</u>	<u>\$436</u>	<u>\$87,761</u>
Total Liabilities	<u>\$86,194</u>	<u>\$2,003</u>	<u>\$436</u>	<u>\$87,761</u>
<u>Larkspur Marina Community Facilities District</u>				
Restricted cash and investments	\$447,900	\$223,890	\$94,161	\$577,629
Accounts receivable	1,007		1,007	
Interest receivable	5,434		1,211	4,223
Total Assets	<u>\$454,341</u>	<u>\$223,890</u>	<u>\$96,379</u>	<u>\$581,852</u>
Accounts payable	\$116			\$116
Due to property owners & bondholders	454,225	\$223,890	\$96,379	581,736
Total Liabilities	<u>\$454,341</u>	<u>\$223,890</u>	<u>\$96,379</u>	<u>\$581,852</u>
<u>King Mountain Assessment District Fund</u>				
Restricted cash and investments	\$25,388	\$1,272		\$26,660
Interest receivable	326		\$123	203
Total Assets	<u>\$25,714</u>	<u>\$1,272</u>	<u>\$123</u>	<u>\$26,863</u>
Due to property owners & bondholders	<u>\$25,714</u>	<u>\$1,272</u>	<u>\$123</u>	<u>\$26,863</u>
Total Liabilities	<u>\$25,714</u>	<u>\$1,272</u>	<u>\$123</u>	<u>\$26,863</u>

CITY OF LARKSPUR  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
<u>Ross Valley Paramedic Authority Fund</u>				
Restricted cash and investments	\$1,449,882		\$27,098	\$1,422,784
Accounts receivable	250,754		84,035	166,719
Interest receivable		\$12,265		12,265
Prepaid items	2,000	615		2,615
<b>Total Assets</b>	<b>\$1,702,636</b>	<b>\$12,880</b>	<b>\$111,133</b>	<b>\$1,604,383</b>
Accounts payable	\$17,416	\$18,680	\$17,416	\$18,680
Deposits payable	4,035			4,035
Due to Ross Valley Paramedic Authority	1,681,185		99,517	1,581,668
<b>Total Liabilities</b>	<b>\$1,702,636</b>	<b>\$18,680</b>	<b>\$116,933</b>	<b>\$1,604,383</b>
<u>Greenbrae Marina Drainage Fund</u>				
Restricted cash and investments	\$10,573		\$10,573	
Accounts Receivable	73		73	
Interest receivable	130		130	
<b>Total Assets</b>	<b>\$10,776</b>		<b>\$10,776</b>	
Due to property owners & bondholders	\$10,776		\$10,776	
<b>Total Liabilities</b>	<b>\$10,776</b>		<b>\$10,776</b>	
<u>Greenbrae Marina Dredging Fund</u>				
Restricted cash and investments	\$62,311	\$800		\$63,111
Interest receivable	800		\$360	440
<b>Total Assets</b>	<b>\$63,111</b>	<b>\$800</b>	<b>\$360</b>	<b>\$63,551</b>
Due to property owners & bondholders	\$63,111	\$800	\$360	\$63,551
<b>Total Liabilities</b>	<b>\$63,111</b>	<b>\$800</b>	<b>\$360</b>	<b>\$63,551</b>

CITY OF LARKSPUR  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
<u>Drake's Landing Community Facilities District Fund</u>				
Restricted cash and investments	\$256,647	\$16,028	\$283	\$272,392
Accounts receivable	1,644		1,644	
Interest receivable	3,006		1,114	1,892
Total Assets	<u>\$261,297</u>	<u>\$16,028</u>	<u>\$3,041</u>	<u>\$274,284</u>
Accounts payable	\$1,200			\$1,200
Due to property owners & bondholders	260,097	\$16,028	\$3,041	273,084
Total Liabilities	<u>\$261,297</u>	<u>\$16,028</u>	<u>\$3,041</u>	<u>\$274,284</u>
<u>North Magnolia Agency Fund</u>				
Restricted cash and investments	\$92,814	\$8,139		\$100,953
Accounts receivable	234		\$234	
Interest receivable	1,182		419	763
Total Assets	<u>\$94,230</u>	<u>\$8,139</u>	<u>\$653</u>	<u>\$101,716</u>
Due to property owners & bondholders	\$94,230	\$8,139	\$653	\$101,716
Total Liabilities	<u>\$94,230</u>	<u>\$8,139</u>	<u>\$653</u>	<u>\$101,716</u>
<u>Twin Cities Police Authority</u>				
Restricted cash and investments	\$2,107,656		\$742,669	\$1,364,987
Accounts receivable	11,231	\$6,714		17,945
Interest receivable	29,861		18,872	10,989
Deposit with risk manager	384	210		594
Prepaid items	10,619	1,315		11,934
Total Assets	<u>\$2,159,751</u>	<u>\$8,239</u>	<u>\$761,541</u>	<u>\$1,406,449</u>
Accounts payable	\$310,576		\$265,878	\$44,698
Accrued payroll	177,453	\$50,743		228,196
Deposits payable	27,938		13,166	14,772
Claims payable	482,345			482,345
Due to Twin Cities Police Authority	977,048		522,161	454,887
Compensated absences payable	184,391		2,840	181,551
Total Liabilities	<u>\$2,159,751</u>	<u>\$50,743</u>	<u>\$804,045</u>	<u>\$1,406,449</u>

(Continued)

CITY OF LARKSPUR  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Total Agency Funds</u>				
Restricted cash and investments	\$4,538,272	\$252,132	\$874,784	\$3,915,620
Accounts receivable	267,004	6,714	87,429	186,289
Interest receivable	40,739	12,265	22,229	30,775
Deposit with risk manager	384	210		594
Prepaid items	12,619	1,930		14,549
<b>Total Assets</b>	<u>\$4,859,018</u>	<u>\$273,251</u>	<u>\$984,442</u>	<u>\$4,147,827</u>
Accounts payable	\$328,502	\$18,680	\$283,294	\$63,888
Accrued payroll	177,453	50,743		228,196
Deposits	31,973		13,166	18,807
Claims payable	482,345			482,345
Due to property owners & bond holders	996,121	252,132	111,768	1,136,485
Due to Ross Valley Paramedic Authority	1,681,185		99,517	1,581,668
Due to Twin Cities Police Authority	977,048		522,161	454,887
Compensated absences payable	184,391		2,840	181,551
<b>Total Liabilities</b>	<u>\$4,859,018</u>	<u>\$321,555</u>	<u>\$1,032,746</u>	<u>\$4,147,827</u>

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