CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report on Basic Financial Statements 1

Management's Discussion and Analysis 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 16

Statement of Activities 17

Fund Financial Statements:

Governmental Funds:

Balance Sheet 20

Reconciliation of the Governmental Funds-Balance Sheet with the Statement of Net Assets 22

Statement of Revenues, Expenditures, and Changes in Fund Balances 24

Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities 26

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

General Fund 27

Gas Tax Fund 28

Twin Cities Childcare 29

Housing in Lieu Fund 30

CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)

Proprietary Funds:

Statement of Net Assets 31

Statement of Revenues, Expenses and Changes in Net Assets 32

Statement of Cash Flows 33

Fiduciary Funds:

Statement of Fiduciary Net Assets 34

Notes to Financial Statements 35

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 56

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances 58

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual 60

Fiduciary Funds:

Statements of Changes in Assets and Liabilities – All Agency Funds 64

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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, 2009, 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, 2009 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 11, 2009

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 2008-09 are the General Fund, the Gas Tax Fund, the Housing in Lieu Fund, the Larkspur-Corte Madera Day Care Fund, and the Capital Projects Fund, which are all governmental funds.

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Financial Analysis: Government-wide Statements

As has been previously explained, the government-wide statements report Governmental Activities in the Statement of Net Assets and the Statement of Activities. **Governmental Activities** consist of most of the programs and functions of the City. As of June 30, 2009, the net assets of the City's Governmental Activities totaled $15.5 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities
Net Assets at June 30, 2009

	2008-09	2007-08	Inc./(Dec.)
Cash & Investments	$ 6,698,172	$ 6,220,358	477,814
Other Assets	1,508,664	3,243,549	(1,734,885)
Capital Assets	9,925,721	8,032,034	1,893,687
Total Assets	$ 18,132,557	$ 17,495,941	$ 636,616
Accounts Payable	247,780	637,800	(390,020)
Compensated Absences	175,514	173,372	2,142
Other Liabilities	1,210,156	1,477,476	(267,320)
Deferred Revenue	126,098	505,222	(379,124)
Capital Lease Obligation	895,913	1,125,788	(229,875)
Total Liabilities	$ 2,655,461	$ 3,919,658	$ (1,264,197)
Net Assets:			
Invested in capital assets, net of debt	9,029,808	6,906,246	2,123,562
Restricted	2,187,670	2,562,940	(375,270)
Unrestricted	4,259,618	4,107,097	152,521
Total Net Assets	$ 15,477,096	$ 13,576,283	$ 1,900,813

- ✓ The total net assets for the City's Governmental Activities increased by $1.9 million in 2008-09.

- ✓ The increase of net assets is, again this year, attributable mainly to the retaining walls completed during fiscal year 08-09. They are now recognized as capital assets of the city. In addition to the retaining walls, improvements made to the newly named Centennial Park and various road rehabilitations added to our capital assets.

During 2008-09, the City's Governmental Activities were supported by $17.15 million in revenues, derived from many sources, as is summarized in the next chart.

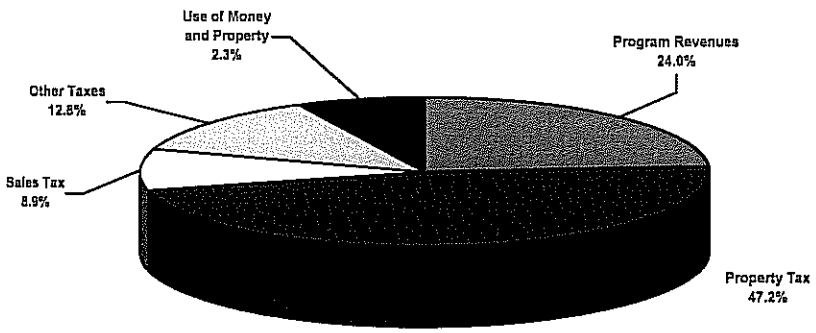
Statement of Activities: Governmental Activities
2008-09 Revenues by Source

Source	2008-09	2007-08	% of Total
Program Revenues:			
Charges for services	$ 2,176,364	$ 1,988,088	12.7%
Operating contributions & grants	693,388	517,411	4.0%
Capital contributions & grants	1,247,260	3,118,821	7.3%
Total Program Revenues	$ 4,117,012	$ 5,624,320	24.0%
General Revenues:			
Property tax	8,100,287	7,934,386	47.2%
Sales tax	1,524,672	1,585,117	8.9%
Other taxes	2,188,026	1,832,853	12.8%
Use of Money and Property	1,219,039	407,100	7.1%
Other income	-	-	0.0%
Total General Revenues	$ 13,032,024	$ 11,759,456	76.0%
Total Revenues	$ 17,149,036	$ 17,383,776	100.0%

The following provides a graphic depiction of the composition of the various revenue sources reported in the Statement of Activities for the Governmental Activities. As is depicted, Program Revenues, which are directly assigned to program or functional areas of the City's activities, comprised 24% of total revenue sources for the year. This percentage compared to last year's percentage of 32.4% highlights the effect of the grants from the State of California and FEMA towards the retaining walls last fiscal year.

As noted in last years' report, 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 are accounted for in the "Other Taxes" category.

Sources of Revenue - Governmental Activities



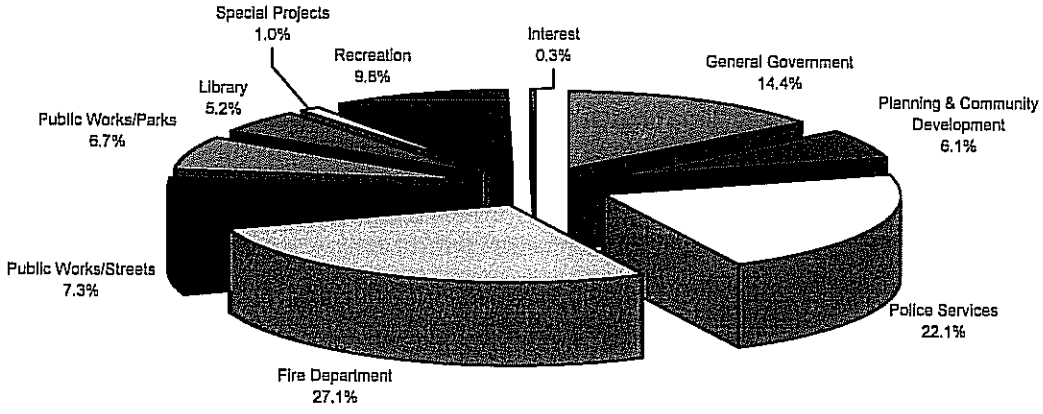
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because 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 $1,841,897 for 2008-09. This same program reflects total expenses of $2,192,401 in the next chart. The $350,504 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
2008-09 Expenses by Program

Program	Total Expense	% of Total
General Government	$ 2,233,024	14.6%
Planning & Community Development	585,065	3.8%
Police Services	3,371,188	22.1%
Fire Department	4,136,680	27.1%
Public Works/Streets	1,462,801	9.6%
Public Works/Parks	1,021,723	6.7%
Recreation	1,497,703	9.8%
Library	747,481	4.9%
Special Projects	151,285	1.0%
Interest on long-term debt	41,273	0.3%
Total	$ 15,248,223	100.0%

The total expenses of $15,248,223 are graphically depicted by program area in the next chart.

Expenses by Program - Governmental Activities



The net change in assets from 2007-08 to 2008-09 of $1.900 million reported and discussed earlier is equal to the difference between the total revenues of $17,149,036 minus total expenses of $15,248,223 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, 2009, were about $6.51 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	$ 5,557,241	$ 809,308	$ 4,747,933
Gas Tax	31,272	144,986	(113,714)
Housing in lieu	351,413	263,597	87,816
Twin Cities Childrens' Center	22,716	17,131	5,585
Capital Projects	435,958	907,666	(471,708)
Other Governmental Funds	2,424,071	216,088	2,207,983
Total Net Assets	$ 8,822,671	$ 2,358,776	$ 6,463,895

The combined fund balances of $6,513,672 from the various Governmental Funds comprise about 42% of Total Net Assets at June 30, 2009. These fund balances increased by about $34,503, or .05%, during 2008-09. The following summary of the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds illustrates the details of this net increase.

Governmental Funds
Net Change in Fund Balances at June 30, 2009

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	$ 13,952,130	$ 13,075,817	$ 876,313	$ (695,000)	$ 181,313
Gas Tax	609,769	1,060,111	(450,342)	173,490	(276,852)
Housing in Lieu	1,875	-	1,875		1,875
Twin Cities Childrens' Center	600,411	596,875	3,536		3,536
Capital Projects	528,816	1,545,405	(1,016,589)	1,245,049	228,460
Other Governmental Funds	1,456,035	836,325	619,710	(723,539)	(103,829)
Subtotal	$ 17,149,036	$ 17,114,533	$ 34,503	$ -	$ 34,503
Beginning Fund Balances					6,479,169
Ending Fund Balances					$ 6,513,672

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 2008-09 fiscal year with a fund balance of $4,797,710, an increase of $181,313 from the previous year. This increase results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

2008-09 General Fund Performance

Revenues	$	13,952,130
Expenditures		13,075,817
Excess of Expenditures	**$**	**876,313**
Other Financing Sources (Uses)		
Transfers In		250,000
Transfers Out		(945,000)
Net Other Uses	**$**	**(695,000)**
Increase to Fund Balance		181,313
Beginning Fund Balance		4,616,397
Ending Fund Balance	**$**	**4,797,710**

The City experienced economic stability concerning some revenues during 2008-09, although other revenues were impacted by the overall economic downturn many cities have been experiencing. Total revenues of $13,952,130 were received in 2008-09, as compared with $13,219,865 in 2007-08. General Fund revenues were helped out significantly by the one-time payment related to the real estate transaction with Twin Cities Police Authority. The 5.54% or $732,265, increase is depicted in the following chart that compares revenue performance for the two years.

Two-year Comparison of General Fund Revenues

		2008-09		2007-08		Inc. (Dec.)	% Inc. (Dec.)
Property Taxes	$	8,100,287	$	7,934,386	$	165,901	2.09%
Sales Tax		1,524,672		1,585,117		(60,445)	-3.81%
Other Taxes		1,599,258		1,740,746		(141,488)	-8.13%
Licenses & Permits		353,395		414,348		(60,953)	-14.71%
Penalties & Fines		15,993		35,621		(19,628)	-55.10%
Use of Money and Property		69,134		164,298		(95,164)	-57.92%
Other Agencies		336,660		94,797		241,863	255.14%
Charges for Services		766,199		887,009		(120,810)	-13.62%
Other Revenue		1,186,532		363,543		822,989	226.38%
Total	**$**	**13,952,130**	**$**	**13,219,865**	**$**	**732,265**	**5.54%**

Property taxes grew from $7.9 million to $8.1 million in 2008-09, an increase of 2.0%. This was primarily the result of a growth in the assessed valuation of secured property in the City. Sales taxes reported decreased from $1,585,117 in 2007-08 to $1,524,672 in 2008-09. This decrease in sales taxes is reflective the continuing effect of current economic conditions. This decrease would have been larger were it not for several new businesses replacing businesses closed during the previous fiscal year. The economy will continue to affect this source of revenue. Other Taxes decreased by 8.1%. Revenues included in this category are

increase of fees charged by the county. Use of Money and Property decreased 57.9% this year as interest rates and amount available to invest continue to decrease sharply. Other Agencies increased by $241,863 due to revenue received from the state for fire responses last summer. Charges for service decreased during 2008-09 by about $120,810. This decrease was primarily caused by a decrease in the collection of planning fees and a decrease in Recreation Fees due to a summer program being deleted (this also resulted in a matching expenditure decrease in that department). Other Revenue increased primarily due to the real estate transaction with the Twin Cities Police Authority.

General Fund expenditures totaled $13,075,817 in 2008-09, an increase of .6%, or $73,571 from 2007-08. The following chart highlights the difference between the two fiscal years by program area. The increase in expenditures in General Administration is due to increased legal fees and a one-time payment to the County of Marin for payback of previous years court revenue overpayment. Public Works/Park department increased due to increased tree maintenance (storm preparation) and larger water usage by the parks. Debt Service payments now include the lease on the new fire engine. Library expenses for FY 08/09 includes the annual expense to the County of Marin for their participation in MariNet-previously coded to equipment replacement.

Two-year Comparison of General Fund Expenditures

Program Area	2008-09	2007-08	Inc. (Dec.)	Percent
General Administration	$ 1,841,895	$ 1,714,372	$127,523	7.4%
Planning & Community Development	1,020,202	1,030,960	(10,758)	-1.0%
Police Services	3,369,259	3,485,664	(116,405)	-3.3%
Fire Department	3,770,678	3,807,076	(36,398)	-1.0%
Public Works/Streets	880,717	930,719	(50,002)	-5.4%
Public Works/Parks	618,160	530,186	87,974	16.6%
Recreation	585,560	603,972	(18,412)	-3.0%
Library	718,198	682,803	35,395	5.2%
Capital Outlay	-	-	0	0.0%
Debt Service	271,148	216,494	54,654	25.2%
Total	$ 13,075,817	$ 13,002,246	$ 73,571	0.6%

The General Fund remained stable and healthy throughout 2008-09. The ending fund balance at June 30, 2009 of $4,797,710 represents 34.4% of General Fund revenues and 36.7% 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 2008-09,

the Gas Tax Fund experienced a decrease in fund balance of $276,852 and currently has a negative fund balance of $113,714, which is highlighted in the following chart. Monies from the Road Impact fund are covering this negative fund balance, which will be replenished during FY 09/10.

2008-09 Gas Tax Fund Performance

Revenues	$	609,769
Expenditures		1,060,111
Excess of Revenues	**$**	**(450,342)**
Other Financing Sources (Uses)		
Transfers In/(Out)	$	173,490
Net Other Uses	**$**	**173,490**
Decrease to Fund Balance		(276,852)
Beginning Fund Balance		163,138
Ending Fund Balance	**$**	**(113,714)**

Total revenues for 2008-09 were $609,769, as compared to $268,259 in 2007-08. Expenditures in 2008-09 were $1,060,111, as compared with $356,524 in 2007-08. This increase reflects the City's commitment to major repairs on three bridges. Smaller road projects were completed this year as well as preparing for major future road and bridge projects. A total of $364,322 was spent on street maintenance and $24,795 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. The Capital Projects Fund increased fund balance by $228,460 during 2008-09. This is due to the transfer of one-time monies (from the real estate transaction with Twin Cities Police Authority) into the fund to help with the cost of a new Corporation Yard. 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

Revenues	$	528,816
Expenditures		1,545,405
Excess of Revenues	**$**	**(1,016,589)**
Other Financing Sources (Uses)		
Transfers In/(Out)	$	1,245,049
Net Other Uses	**$**	**1,245,049**
Increase to Fund Balance		228,460
Beginning Fund Balance		(700,168)
Ending Fund Balance	**$**	**(471,708)**

Other major capital expenditures during 2008-09 included the Magnolia Avenue Class 1 Bike Path; slide repair work on Cedar Avenue and Myrtle-Hawthorne and beginning work on the Doherty Drive improvements scheduled for FY 09/10.

- **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 2008-09.

2008-09 Performance of Other Governmental Funds

Revenues	$	1,456,035
Expenditures		836,325
Excess of Revenues	**$**	**619,710**
Other Financing Sources (Uses)		
Transfers In/Out	$	(723,539)
Net Other Uses	**$**	**(723,539)**
Increase to Fund Balance		(103,829)
Beginning Fund Balance		2,311,812
Ending Fund Balance	**$**	**2,207,983**

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 was paid off during FY 08-09. The Multi-Use Field had an outstanding balance of $497,517 at June 30, 2009, with an interest rate of 3.75%. The lease will retire in 2012. The Pierce Fire Truck had an outstanding balance of $398,396 at June 30, 2009 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 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, 2009

ASSETS	
Cash and investments (Note 3):	
Available for operations	$6,698,172
Receivables:	
Accounts	790,783
Interest	43,566
Loans (Note 6)	483,728
Due from other governmental units	31,272
Deposit with risk pool (Note 11)	142,987
Prepaid items	16,328
Capital assets, net of depreciation (Note 5)	9,925,721
Total Assets	18,132,557
LIABILITIES	
Accounts payable	247,780
Accrued payroll	139,687
Accrued liabilities	121,404
Claims payable (Note 11)	629,081
Deposits	319,984
Deferred revenue	126,098
Compensated absences payable (Note 2H)	175,514
Long-Term Debt (Note 7):	
Due within one year	194,506
Due in more than one year	701,407
Total Liabilities	2,655,461
NET ASSETS (Note 9)	
Invested in capital assets, net of related debt	9,029,808
Restricted for:	
Capital projects	131,611
Special revenue projects	2,056,059
Total Restricted Net Assets	2,187,670
Unrestricted	4,259,618
Total Net Assets	$15,477,096

See accompanying notes to financial statements

CITY OF LARKSPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:					
General government	$2,192,401	$167,809			($2,024,592)
Planning and community development	930,934	203,300	359,708		(367,926)
Police services	3,371,188		7,292		(3,363,896)
Fire	4,139,320	283,439			(3,855,881)
Public works / streets	1,116,932	194,349	259,728	$1,168,347	505,492
Public works / parks	1,021,723				(1,021,723)
Recreation	1,497,703	1,327,467		78,913	(91,323)
Library	785,464		66,660		(718,804)
Special projects	151,285				(151,285)
Interest on long-term debt	41,273				(41,273)
Total Governmental Activities	$15,248,223	$2,176,364	$693,388	$1,247,260	(11,131,211)
General revenues:					
Taxes:					
Sales tax					1,524,672
Property taxes					8,100,287
Other taxes					2,188,026
Use of money and property					1,219,039
Total general revenues					13,032,024
Change in Net Assets					1,900,813
Net Assets-Beginning					13,576,283
Net Assets-Ending					$15,477,096

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 2009. 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, 2009

	General	Gas Tax	Housing in Lieu	Twin Cities Child Care
ASSETS				
Cash and investments (Note 3):				
Available for operations	$4,347,417		$87,510	$22,515
Accounts receivable	290,455			
Interest receivable	15,049		306	201
Loans receivable	220,131		263,597	
Due from other governments		$31,272		
Due from other funds (Note 4)	667,861			
Prepaid items	16,328			
Total Assets	$5,557,241	$31,272	$351,413	$22,716
LIABILITIES				
Accounts payable	$69,920	$61,331		$1,469
Accrued payroll	118,115			15,612
Accrued liabilities	106,998			
Due to other funds (Note 4)		83,655		
Deposits	270,326			50
Deferred revenue	194,172		$263,597	
Total Liabilities	759,531	144,986	263,597	17,131
FUND BALANCES				
Fund balances (Note 9)				
Reserved for:				
Loans receivable	25,959			
Prepaid items	16,328			
Unreserved				
Designated for:				
Equipment replacement	676,107			
Dry period	700,000			
Long-term contingency reserve	3,057,702			
State bailout	321,614			
Capital outlay		(113,714)	87,816	
Business enhancement projects				
Road impact fees				
Undesignated				
Special revenue fund				5,585
Capital projects fund				
Total Fund Balances (Deficits)	4,797,710	(113,714)	87,816	5,585
Total Liabilities and Fund Balances	$5,557,241	$31,272	$351,413	$22,716

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	$2,352,855	$6,810,297
$435,958	64,370	790,783
	6,846	22,402
		483,728
		31,272
		667,861
		16,328
$435,958	$2,424,071	$8,822,671
$69,519	$19,847	$222,086
	5,960	139,687
	14,406	121,404
584,206		667,861
49,608		319,984
204,333	175,875	837,977
907,666	216,088	2,308,999
		25,959
		16,328
		676,107
		700,000
		3,057,702
		321,614
	658,029	632,131
	56,546	56,546
	606,935	606,935
	886,473	892,058
(471,708)		(471,708)
(471,708)	2,207,983	6,513,672
$435,958	$2,424,071	$8,822,671

CITY OF LARKSPUR
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet	$6,513,672
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.	9,925,721
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	(112,125)
Interest receivable	21,164
Deposit with risk pool	142,987
Accounts payable	(25,694)
Claims payable	(629,081)
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.	711,879
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	(895,913)
Non-current portion of compensated absences	(175,514)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$15,477,096

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, 2009

	General	Gas Tax	Housing in Lieu	Twin Cities Child Care
REVENUES				
Taxes	$11,224,217	$211,358		
Licenses and permits	353,395			
Penalties and fines	15,993			
Use of money and property	69,134	88	$1,875	$704
Other agencies	336,660	398,323		
Charges for services	766,199			599,707
Other revenue	1,186,532			
Total Revenues	13,952,130	609,769	1,875	600,411
EXPENDITURES				
Current:				
General administration	1,841,897			
Planning and community development	1,020,202			
Police services	3,369,259			
Fire	3,770,678			
Public works / streets	880,714			
Public works / parks	618,161			
Recreation	585,558			596,875
Library	718,200			
Special projects				
Capital outlay		1,060,111		
Debt service:				
Principal retirement	229,875			
Interest and fiscal charges	41,273			
Total Expenditures	13,075,817	1,060,111		596,875
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	876,313	(450,342)	1,875	3,536
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	250,000	421,688		
Transfers (out) (Note 4)	(945,000)	(248,198)		
Total Other Financing Sources (Uses)	(695,000)	173,490		
NET CHANGE IN FUND BALANCES	181,313	(276,852)	1,875	3,536
BEGINNING FUND BALANCES (DEFICITS)	4,616,397	163,138	85,941	2,049
ENDING FUND BALANCES (DEFICITS)	$4,797,710	($113,714)	$87,816	$5,585

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	$148,935	$11,584,510
	151,152	504,547
		15,993
	50,634	122,435
$528,816	410,047	1,673,846
	322,904	1,688,810
	372,363	1,558,895
528,816	1,456,035	17,149,036
		1,841,897
51,080		1,071,282
		3,369,259
		3,770,678
		880,714
	346,230	964,391
	262,404	1,444,837
		718,200
	114,214	114,214
1,494,325	113,477	2,667,913
		229,875
		41,273
1,545,405	836,325	17,114,533
(1,016,589)	619,710	34,503
1,245,049		1,916,737
	(723,539)	(1,916,737)
1,245,049	(723,539)	
228,460	(103,829)	34,503
(700,168)	2,311,812	6,479,169
($471,708)	$2,207,983	$6,513,672

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, 2009

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	$34,503
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	2,364,061
Depreciation expense is deducted from the fund balance	(470,374)
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of capital lease principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	229,875
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	175,907
Compensated absences	(2,142)
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	(431,017)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$1,900,813

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	$11,280,000	$11,280,000	$11,224,217	($55,783)
Licenses and permits	363,000	363,000	353,395	(9,605)
Penalties and fines	42,000	42,000	15,993	(26,007)
Use of money and property	115,050	115,050	69,134	(45,916)
Other agencies	221,500	221,500	336,660	115,160
Charges for services	731,500	731,500	766,199	34,699
Other revenue	149,000	149,000	1,186,532	1,037,532
Total Revenues	12,902,050	12,902,050	13,952,130	1,050,080
EXPENDITURES:				
Current:				
General administration	1,984,696	2,094,696	1,841,897	252,799
Planning and community development	738,000	738,000	1,020,202	(282,202)
Police services	3,588,098	3,588,098	3,369,259	218,839
Fire	3,807,621	3,807,621	3,770,678	36,943
Public works / streets	1,362,817	1,362,817	880,714	482,103
Public works / parks	573,720	643,720	618,161	25,559
Recreation	598,100	598,100	585,558	12,542
Library	707,517	707,517	718,200	(10,683)
Debt service:				
Principal retirement	219,654	219,261	229,875	(10,614)
Interest and fiscal charges	51,349	51,887	41,273	10,614
Total Expenditures	13,631,572	13,811,717	13,075,817	735,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(729,522)	(909,667)	876,313	1,785,980
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	280,000	280,000	250,000	(30,000)
Transfers (out) (Note 4)	(350,665)	(1,295,665)	(945,000)	350,665
Total other financing sources (uses)	(70,665)	(1,015,665)	(695,000)	320,665
NET CHANGE IN FUND BALANCE	($800,187)	($1,925,332)	181,313	$2,106,645
BEGINNING FUND BALANCE			4,616,397	
ENDING FUND BALANCE			$4,797,710	

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	$232,000	$232,000	$211,358	($20,642)
Use of money and property	25,000	25,000	88	(24,912)
Other agencies	240,000	240,000	398,323	158,323
Other revenue	720,000	720,000		(720,000)
Total Revenues	1,217,000	1,217,000	609,769	(607,231)
EXPENDITURES:				
Current:				
Capital Outlay	1,805,000	1,805,000	1,060,111	744,889
Total Expenditures	1,805,000	1,805,000	1,060,111	744,889
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(588,000)	(588,000)	(450,342)	137,658
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)			421,688	421,688
Transfers (out) (Note 4)		(275,040)	(248,198)	26,842
Total Other Financing Sources (Uses)		(275,040)	173,490	26,842
NET CHANGE IN FUND BALANCE	($588,000)	($863,040)	(276,852)	$164,500
BEGINNING FUND BALANCE			163,138	
ENDING FUND BALANCE (DEFICIT)			($113,714)	

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Use of money and property			$704	$704
Program fees	$620,000	$620,000	599,707	(20,293)
Total Revenues	620,000	620,000	600,411	(19,589)
EXPENDITURES:				
Current:				
Childcare/preschool	619,090	619,090	596,875	22,215
Total Expenditures	619,090	619,090	596,875	22,215
NET CHANGE IN FUND BALANCE	$910	$910	3,536	$2,626
BEGINNING FUND BALANCE			2,049	
ENDING FUND BALANCE			$5,585	

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Use of money and property			$1,875	$1,875
Total Revenues			1,875	1,875
EXPENDITURES:				
Current:				
Capital outlay	120,000	$127,500		127,500
Total Expenditures	120,000	127,500		127,500
NET CHANGE IN FUND BALANCE	($120,000)	($127,500)	1,875	$129,375
BEGINNING FUND BALANCE			85,941	
ENDING FUND BALANCE			$87,816	

See accompanying notes to financial statements

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities- Insurance Internal Service Fund
ASSETS	
Cash and investments available for operations (Note 3)	($112,125)
Accounts receivable	21,164
Deposit with risk pool (Note 11)	142,987
Total Assets	52,026
LIABILITIES	
Accounts payable	25,694
Claims payable (Note 11)	629,081
Total Liabilities	654,775
NET ASSETS (DEFICIT)	
Unrestricted	(602,749)
Total Net Assets (Deficit)	($602,749)

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, 2009

	Governmental Activities- Insurance Internal Service Fund
OPERATING EXPENSES	
Claims and administrative expense	$433,911
Operating Income (Loss)	(433,911)
NON-OPERATING INCOME	
Interest income	2,894
Change in net assets	(431,017)
BEGINNING NET ASSETS (DEFICIT)	(171,732)
ENDING NET ASSETS (DEFICIT)	($602,749)

See accompanying notes to financial statements

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities- Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Claims paid	($399,951)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	2,318
Net Cash Flows	(397,633)
Cash and investments at beginning of period	285,508
Cash and investments at end of period	($112,125)
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	($433,911)
Change in assets and liabilities:	
Deposit with risk pool	58,659
Accounts receivable	(18,846)
Accounts payable	14,324
Claims payable	(20,177)
Cash Flows from Operating Activities	($399,951)

See accompanying notes to financial statements

CITY OF LARKSPUR
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	Agency Funds
ASSETS	
Restricted cash and investments (Note 3)	$4,020,034
Accounts receivable	317,643
Interest receivable	14,501
Deposit with risk manager	28,345
Prepaid items	15,056
Total Assets	$4,395,579
LIABILITIES	
Accounts payable	$194,369
Accrued payroll	260,873
Deposits	19,077
Claims payable	677,497
Due to property owners & bondholders	1,203,213
Due to Ross Valley Paramedic Authority	1,449,816
Due to Twin Cities Police Authority	407,645
Compensated absences payable	183,089
Total Liabilities	$4,395,579

See accompanying notes to 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, 2009 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, 2009, the City's staff comprised 55.3 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 18 employees. The City contracts for its Code Enforcement/Building Inspection Services. 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 8.8 employees who maintain its streets, curbs, gutters and related public property. The City contracts major construction projects, and some engineering services.

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

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

In addition, the City employs seasonal recreation personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

The financial statements described below are presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

C. *Major Funds*

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2009	2008
Beginning balance	$173,372	$176,770
Net change	2,142	(3,398)
Ending Balance	$175,514	$173,372

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 39 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 $288,454 for the year ended June 30, 2009.

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.

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	$6,698,172
Cash and investments in Fiduciary Funds (separate statement)	4,020,034
Total City Cash and Investments	$10,718,206

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

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

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, 2009, these investments matured in an average of 235 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, 2009, interfund balances were as follows:

Due from other funds	Due to other Funds	Amount
General Fund	Gas Tax	$83,655
	Capital Projects	584,206

B. *Interfund Transfers*

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2009 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax	$200,000
	Non-major Governmental Funds	50,000
Gas Tax	Non-major Governmental Funds	421,688
Capital Projects Fund	General Fund	945,000
	Gas Tax	48,198
	Non-major Governmental Funds	251,851
	Total Interfund Transfers	$1,916,737

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.

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

NOTE 5 – CAPITAL ASSETS (Continued)

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.

Changes in capital assets were as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
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	3,747,245	$890,729		4,637,974
Streets, Curbs, & Gutters	678,052	1,438,838		2,116,890
Machinery & Equipment	1,392,355	19,114	($26,649)	1,384,820
Buildings	3,225,406	15,380		3,240,786
Vehicles	2,351,839		(180,000)	2,171,839
Total capital assets being depreciated	11,394,897	2,364,061	(206,649)	13,552,309
Less accumulated depreciation for:				
Land Improvements	(408,504)	(117,940)		(526,444)
Streets, Curbs, & Gutters	(37,764)	(52,922)		(90,686)
Machinery & Equipment	(1,098,808)	(95,892)	26,649	(1,168,051)
Buildings	(1,209,326)	(75,934)		(1,285,260)
Vehicles	(1,439,217)	(127,686)	180,000	(1,386,903)
Total accumulated depreciation	(4,193,619)	(470,374)	206,649	(4,457,344)
Net capital assets being depreciated	7,201,278	1,893,687		9,094,965
Governmental activity capital assets, net	$8,032,034	$1,893,687		$9,925,721

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Contributions

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

B. Depreciation Allocation

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

	Depreciation Expense
General government	$188,016
Police	1,929
Fire	146,829
Public works/streets	36,668
Public works/parks	24,445
Recreation	30,455
Library	4,961
Special projects	37,071
Total Governmental Activities	$470,374

NOTE 6 – LOAN RECEIVABLE

On August 11, 2004, the City entered into a $1,050,000 loan agreement with WestAmerica Bank as described in Note 7 below. The City then loaned $400,000 of the proceeds to the Larkspur School District. The City and the School District used the proceeds for the construction of a multi-use playfield at the Hall Middle School campus. The balance of the loan as of June 30, 2009 is $189,530.

NOTE 7 – LONG-TERM DEBT

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

Type of Obligation	Authorized and Issued	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
West America Bank	$1,050,000	$628,181	$130,664	$497,517	$135,610
Fire Station Lease	668,100	57,607	57,607		
Fire Engine Lease	440,000	440,000	41,604	398,396	58,896
Total Governmental Activity Debt	$2,158,100	$1,125,788	$229,875	$895,913	$194,506

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. As of June 30, 2009 the lease has been paid off.

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, 2009, the fire engine annual lease along with the West America Bank loan payments to maturity, including interest payments, were as follows:

Year ending June30,	Principal	Interest	Total
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	70,991	6,949	77,940
2015	74,384	3,556	77,940
Total	$895,913	$107,248	$1,003,161

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, 2009 is as follows:

Drake's Landing Residential Community	$1,080,000
LMFA Dredging and Maintenance project	995,000
North Magnolia Avenue Assessment District	225,000

At June 30, 2009, 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. 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.

NOTE 9 - FUND BALANCE RESERVATIONS AND DESIGNATIONS (Continued)

The City cannot modify or remove these restrictions or reserves. At June 30, 2009, 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, 2009, 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 Bailout 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 Gas Tax Fund and the Capital Projects Fund had fund balance deficits of $113,714 and $471,708 respectively as of June 30, 2009.

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, 2009, 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	35.272%	13.192%

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 acturial 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.

NOTE 10 - PENSION PLAN (Continued)

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

Larkspur
Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	$1,325,510,754	$1,105,298,221	$220,212,533	83.4%	$161,446,071	136.40%
2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.92%
2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.70%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	$579,276,103	$500,388,523	78,887,580	86.4%	129,379,492	61.0%
2006	912,988,585	787,758,909	125,229,676	86.3%	200,320,145	62.5%
2007	1,315,454,361	1,149,247,298	166,207,063	87.4%	289,090,187	57.5%

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 $969,775 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 $2,759,735 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 8 years.
Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Annual required contributions for fiscal years 2009, 2008 and 2007 amounted to $994,034, $897,296, $841,851and 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.

NOTE 10 - PENSION PLAN (Continued)

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, 2009 amounted to $38,273 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).

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.

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

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

Deposit with risk pool:	2009	2008
Beginning balance	$201,070	$831,214
Interest earned	5,794	21,644
Expenses	(63,877)	(651,788)
Ending balance	$142,987	$201,070
Claims Payable:		
Outstanding claims	$345,978	$275,618
Claims incurred but not reported	(2,769)	70,360
Total liability for unpaid claims	$343,209	$345,978

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.

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.

	2009	2008
Outstanding claims	$303,280	$424,636
Claims incurred but not reported	(17,408)	(121,356)
Total liability for unpaid claims	$285,872	$303,280

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

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.

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, 2009, the tax was $42 unit, which includes a collection fee of $0.50 levied by the County of Marin.

NOTE 12 - JOINT POWERS AGENCIES (Continued)

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 Street Light Acquisition Authority

The Main Street Light Acquisition Authority was created on October 2, 1991, between the County of Marin, Marinwood Community Services District, Bel Marin Keys Community Services District, Cities of Belvedere, Mill Valley, San Rafael, Novato, Larkspur, Sausalito, and Towns of Fairfax, Tiburon, San Anselmo 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.

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, 2009

	SPECIAL REVENUE FUNDS					
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
ASSETS						
Cash and investments:						
Available for operations	$86,846	$31,507	$384,842	$388,625	$51,316	$149,065
Accounts receivable	32,765		24,696		5,230	342
Interest receivable			2,130	1,081		
Total Assets	$119,611	$31,507	$411,668	$389,706	$56,546	$149,407
LIABILITIES						
Accounts payable						
Accrued payroll						
Accrued liabilities	$14,406					
Deferred revenue			$175,875			
Total Liabilities	14,406		175,875			
FUND EQUITY						
Fund balances						
Unreserved						
Designated for:						
Capital outlay	105,205	$31,507		$389,706		
Business enhancement projects					$56,546	
Road impact fees						
Undesignated						
Special revenue			235,793			$149,407
Total Fund Balances	105,205	31,507	235,793	389,706	56,546	149,407
Total Liabilities and Fund Balances	$119,611	$31,507	$411,668	$389,706	$56,546	$149,407

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS			
Summer School	Tidal Waves Swim Team	Storm Drain Run Off	Road Impact Fee	Measure A	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	Total Nonmajor Governmental Funds
$183,477	$28,107	$26,798	$604,565	$286,630	$41,889	$25,550	$63,638	$2,352,855
	129	393	738			77		64,370
447			1,632	1,099	146	88	223	6,846
$183,924	$28,236	$27,191	$606,935	$287,729	$42,035	$25,715	$63,861	$2,424,071
$11,442	$6,745	$1,660						$19,847
5,960								5,960
								14,406
								175,875
17,402	6,745	1,660						216,088
					$42,035	$25,715	$63,861	658,029
								56,546
			$606,935					606,935
166,522	21,491	25,531		$287,729				886,473
166,522	21,491	25,531	606,935	287,729	42,035	25,715	63,861	2,207,983
$183,924	$28,236	$27,191	$606,935	$287,729	$42,035	$25,715	$63,861	$2,424,071

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS						
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation	Summer School
REVENUES							
Taxes					$41,664		
License and permits							
Use of money and property			$12,055	$2,238		$2,616	$316
Charges for services							228,602
Other agencies	$67,559		327,488	15,000			
Other revenue	11,355	$752		244,726		14,851	
Total Revenues	78,914	752	339,543	261,964	41,664	17,467	228,918
EXPENDITURES							
Current:							
Recreation					38,220		160,507
Special projects							
Public works / parks	346,230						
Capital outlay				12,918		2,150	
Total Expenditures	346,230			12,918	38,220	2,150	160,507
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(267,316)	752	339,543	249,046	3,444	15,317	68,411
OTHER FINANCING SOURCES (USES)							
Transfers in							
Transfers (out)			(224,125)	(20,000)			
Total Other Financing Sources (Uses)			(224,125)	(20,000)			
NET CHANGE IN FUND BALANCES	(267,316)	752	115,418	229,046	3,444	15,317	68,411
BEGINNING FUND BALANCES	372,521	30,755	120,375	160,660	53,102	134,090	98,111
ENDING FUND BALANCES	$105,205	$31,507	$235,793	$389,706	$56,546	$149,407	$166,522

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS			
Tidal Waves Swim Team	Storm Drain Run Off	Road Impact Fee	Measure A	King Mountain Improvement	Greenbrae Marina Improvement	East Sir Francis Drake	Total Nonmajor Governmental Funds
	$94,697				$12,574		$148,935
		$151,152					151,152
$213		15,512	$6,248	$898	9,174	$1,364	50,634
75,302	19,000						322,904
							410,047
			100,679				372,363
75,515	113,697	166,664	106,927	898	21,748	1,364	1,456,035
63,677							262,404
	114,214						114,214
							346,230
					98,409		113,477
63,677	114,214				98,409		836,325
11,838	(517)	166,664	106,927	898	(76,661)	1,364	619,710
	(30,000)	(421,688)	(27,726)				(723,539)
	(30,000)	(421,688)	(27,726)				(723,539)
11,838	(30,517)	(255,024)	79,201	898	(76,661)	1,364	(103,829)
9,653	56,048	861,959	208,528	41,137	102,376	62,497	2,311,812
$21,491	$25,531	$606,935	$287,729	$42,035	$25,715	$63,861	$2,207,983

CITY OF LARKSPUR
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	TRANSIT MITIGATION			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property	$5,000	$2,238	($2,762)		$316	$316
Charges for services				$150,000	228,602	78,602
Other agencies		15,000	15,000			
Other revenue		244,726	244,726			
Total Revenues	5,000	261,964	256,964	150,000	228,918	78,918
EXPENDITURES						
Current:						
Recreation				149,900	160,507	(10,607)
Special projects						
Capital outlay	46,000	12,918	33,082			
Total Expenditures	46,000	12,918	33,082	149,900	160,507	(10,607)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,000)	249,046	290,046	100	68,411	68,311
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(20,000)	(20,000)				
Total Other Financing Sources (Uses)	(20,000)	(20,000)				
NET CHANGE IN FUND BALANCES	($61,000)	229,046	$290,046	$100	68,411	$68,311
BEGINNING FUND BALANCES		160,660			98,111	
ENDING FUND BALANCES		$389,706			$166,522	

TIDAL WAVES SWIM TEAM			STORM DRAIN RUN OFF			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	$213	$213	$94,000	$94,697	$697	$99,000	$97,464	($1,536)
$50,000	75,302	25,302		19,000	19,000			
							244,726	244,726
50,000	75,515	25,515	94,000	113,697	19,697	99,000	342,190	243,190
64,300	63,677	623				214,200	224,184	(9,984)
			120,000	114,214	5,786	120,000	114,214	5,786
						46,000	12,918	33,082
64,300	63,677	623	120,000	114,214	5,786	380,200	351,316	28,884
(14,300)	11,838	26,138	(26,000)	(517)	25,483	($281,200)	(9,126)	$272,074
			(110,000)	(30,000)	80,000	(130,000)	(50,000)	80,000
			(110,000)	(30,000)	80,000	(130,000)	(50,000)	80,000
($14,300)	11,838	$26,138	($136,000)	(30,517)	$105,483	($411,200)	(59,126)	$352,074
	9,653			56,048			324,472	
	$21,491			$25,531			$265,346	

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AGENCY FUNDS

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

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

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

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

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

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

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

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 YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
East Sir Francis Drake Redemption Fund				
Restricted cash and investments	$87,104	$658		$87,762
Accounts receivable	657		$351	306
Total Assets	$87,761	$658	$351	$88,068
Due to property owners & bondholders	$87,761	$658	$351	$88,068
Total Liabilities	$87,761	$658	$351	$88,068
Larkspur Marina Community Facilities District				
Restricted cash and investments	$577,629	$122,987	$224	$700,392
Accounts receivable		1,257		1,257
Interest receivable	4,223		1,845	2,378
Total Assets	$581,852	$124,244	$2,069	$704,027
Accounts payable	$116			$116
Due to property owners & bondholders	581,736	$124,244	$2,069	703,911
Total Liabilities	$581,852	$124,244	$2,069	$704,027
King Mountain Assessment District Fund				
Restricted cash and investments	$26,660	$694		$27,354
Interest receivable	203		$108	95
Total Assets	$26,863	$694	$108	$27,449
Due to property owners & bondholders	$26,863	$694	$108	$27,449
Total Liabilities	$26,863	$694	$108	$27,449

CITY OF LARKSPUR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Ross Valley Paramedic Authority Fund				
Restricted cash and investments	$1,422,784		$151,847	$1,270,937
Accounts receivable	166,719	$52,760		219,479
Interest receivable	12,265		7,814	4,451
Prepaid items	2,615	385		3,000
Total Assets	$1,604,383	$53,145	$159,661	$1,497,867
Accounts payable	$18,680	$25,336		$44,016
Deposits payable	4,035			4,035
Due to Ross Valley Paramedic Authority	1,581,668		$131,852	1,449,816
Total Liabilities	$1,604,383	$25,336	$131,852	$1,497,867
Greenbrae Marina Dredging Fund				
Restricted cash and investments	$63,111		$63,111	
Interest receivable	440		440	
Total Assets	$63,551		$63,551	
Due to property owners & bondholders	$63,551		$63,551	
Total Liabilities	$63,551		$63,551	
Drake's Landing Community Facilities District Fund				
Restricted cash and investments	$272,392	$5,623	$230	$277,785
Accounts receivable		1,469		1,469
Interest receivable	1,892		1,005	887
Total Assets	$274,284	$7,092	$1,235	$280,141
Accounts payable	$1,200			$1,200
Due to property owners & bondholders	273,084	$7,092	$1,235	278,941
Total Liabilities	$274,284	$7,092	$1,235	$280,141

(Continued)

CITY OF LARKSPUR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
North Magnolia Agency Fund				
Restricted cash and investments	$100,953	$1,475	$10	$102,418
Accounts receivable		297		297
Interest receivable	763		408	355
Total Assets	$101,716	$1,772	$418	$103,070
Due to property owners & bondholders	$101,716	$1,772	$418	$103,070
Total Liabilities	$101,716	$1,772	$418	$103,070
Twin Cities Police Authority				
Restricted cash and investments	$1,364,987	$188,399		$1,553,386
Accounts receivable	17,945	75,922		93,867
Interest receivable	10,989		$4,654	6,335
Deposit with risk manager	594	27,751		28,345
Prepaid items	11,934	122		12,056
Total Assets	$1,406,449	$292,194	$4,654	$1,693,989
Accounts payable	$44,698	$105,145		$149,843
Accrued payroll	228,196	$32,677		260,873
Deposits payable	14,772	270		15,042
Claims payable	482,345	195,152		677,497
Due to Twin Cities Police Authority	454,887		$47,242	407,645
Compensated absences payable	181,551	1,538		183,089
Total Liabilities	$1,406,449	$334,782	$47,242	$1,693,989
Total Agency Funds				
Restricted cash and investments	$3,915,620	$319,836	$215,422	$4,020,034
Accounts receivable	186,289	131,705	351	317,643
Interest receivable	30,775		16,274	14,501
Deposit with risk manager	594	27,751		28,345
Prepaid items	14,549	507		15,056
Total Assets	$4,147,827	$479,799	$232,047	$4,395,579
Accounts payable	$63,888	$130,481		$194,369
Accrued payroll	228,196	32,677		260,873
Deposits	18,807	270		19,077
Claims payable	482,345	195,152		677,497
Due to property owners & bond holders	1,136,485	134,460	$67,732	1,203,213
Due to Ross Valley Paramedic Authority	1,581,668		131,852	1,449,816
Due to Twin Cities Police Authority	454,887		47,242	407,645
Compensated absences payable	181,551	1,538		183,089
Total Liabilities	$4,147,827	$494,578	$246,826	$4,395,579