CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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 Fund 29

Housing in Lieu Fund 30

CITY OF LARKSPUR

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)

Proprietary Funds:

Statement of Net Assets 32

Statement of Revenues, Expenses and Changes in Net Assets 33

Statement of Cash Flows 34

Fiduciary Funds:

Statement of Fiduciary Net Assets 36

Notes to Financial Statements 37

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 62

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances 64

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual 66

Fiduciary Funds:

Statements of Changes in Assets and Liabilities – All Agency Funds 70

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 73

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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, 2010, 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 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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, 2010 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.

As described in Note 11, the City implemented the provision of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2010, on our consideration of the City of Larkspur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 10, 2010

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

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 2009-10 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, 2010, the net assets of the City's Governmental Activities totaled $23.5 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities
Net Assets at June 30, 2010

	2009-10	2008-09	Inc./(Dec.)
Cash & Investments	$ 6,009,971	$ 6,698,172	(688,201)
Other Assets	9,657,322	1,508,664	8,148,658
Capital Assets	10,700,057	9,925,721	774,336
Total Assets	$ 26,367,350	$ 18,132,557	$ 8,234,793
Accounts Payable	326,298	247,780	78,518
Compensated Absences	103,022	175,514	(72,492)
Other Liabilities	1,140,375	1,210,156	(69,781)
Deferred Revenue	50,183	126,098	(75,915)
Net OPEB Laibility	582,129	-	582,129
Capital Lease Obligation	701,407	895,913	(194,506)
Total Liabilities	$ 2,903,414	$ 2,655,461	$ 247,953
Net Assets:			
Invested in capital assets, net of debt	9,998,650	9,029,808	968,842
Restricted	2,653,334	2,187,670	465,664
Unrestricted	10,811,952	4,259,618	6,552,334
Total Net Assets	$ 23,463,936	$ 15,477,096	$ 7,986,840

- ✓ The total net assets for the City's Governmental Activities increased by $7.9 million in 2009-10.

- ✓ The increase of net assets is largely attributable to the payment of the award for Larkspur vs. Jacobs Engineering. Although the cash was actually received during FY 2010-11, it was received prior to the closing of the fiscal year financial statements and deemed to be both measurable and available under the modified accrual basis of accounting and therefore included in the FY 2009-10 financial statements as a receivable item.

- ✓ Also increasing the City's net assets are amounts spent on capital projects, both finished and in-progress, including the Magnolia Avenue ARRA rehabilitation, work done on the three bridges, Doherty Drive, and various pathways in the city.

- ✓ New to the Statement of Assets this year is an amount for Other Post Employment Benefits (OPEB). This amount represents the unpaid liability for FY 2009-10 per the actuarial valuation done this year to comply with GASB Statement No. 45. More detailed information on this amount is found in Note 11.

For fiscal year comparison purposes, the Statement of Assets below and the remaining discussion does not include the proceeds received from Larkspur vs. Jacobs Engineering.

Statement of Assets: Governmental Activities
Net Assets at June 30, 2010
RESTATED-WITHOUT PROCEEDS

	2009-10	2008-09	Inc./(Dec.)
Cash & Investments	$ 6,009,971	$ 6,698,172	(688,201)
Other Assets- MINUS PROCEEDS	**1,719,611**	1,508,664	210,947
Capital Assets	10,700,057	9,925,721	774,336
Total Assets	$ 18,429,639	$ 18,132,557	$ 297,082
Accounts Payable	326,298	247,780	78,518
Compensated Absences	103,022	175,514	(72,492)
Other Liabilities	1,140,375	1,210,156	(69,781)
Deferred Revenue	50,183	126,098	(75,915)
Net OPEB Laibility	582,129	-	582,129
Capital Lease Obligation	701,407	895,913	(194,506)
Total Liabilities	$ 2,903,414	$ 2,655,461	$ 247,953
Net Assets:			
Invested in capital assets, net of debt	9,998,650	9,029,808	968,842
Restricted	2,653,334	2,187,670	465,664
Unrestricted- MINUS PROCEEDS	**2,874,241**	4,259,618	(1,385,377)
Total Net Assets	$ 15,526,225	$ 15,477,096	$ 49,129

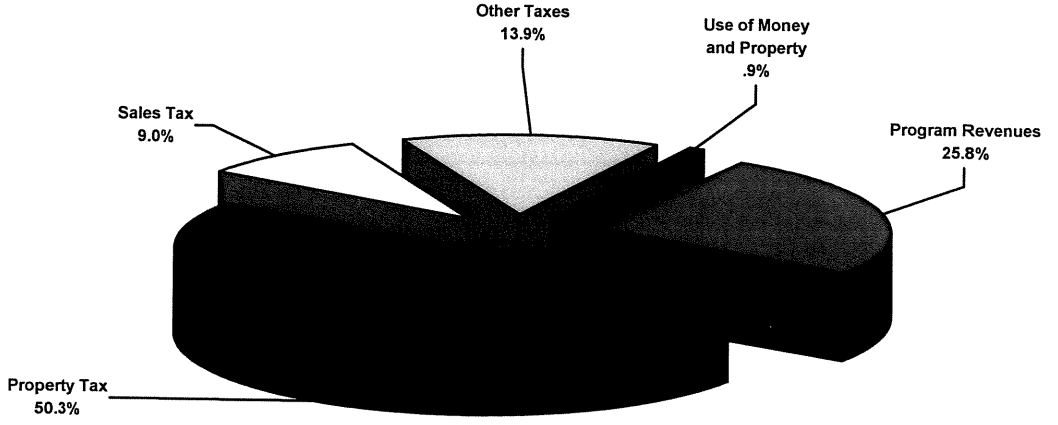
During 2009-10, the City's Governmental Activities were supported by $16.15 million in revenues, derived from many sources, as is summarized in the next chart.

Statement of Activities: Governmental Activities
2009-10 Revenues by Source

Source	2009-10	2008-09	% of Total
Program Revenues:			
Charges for services	$ 2,194,444	$ 2,176,364	13.6%
Operating contributions & grants	592,438	693,388	3.7%
Capital contributions & grants	1,382,968	1,247,260	8.6%
Total Program Revenues	$ 4,169,850	$ 4,117,012	25.8%
General Revenues:			
Property tax	8,127,759	8,100,287	50.3%
Sales tax	1,458,308	1,524,672	9.0%
Other taxes	2,246,286	2,188,026	13.9%
Use of Money and Property	143,265	1,219,039	0.9%
Other income		-	0.0%
Total General Revenues	$ 11,975,618	$ 13,032,024	74.2%
Total Revenues	**$ 16,145,468**	**$ 17,149,036**	**100.0%**

The following provides a graphic depiction of the composition of the various revenue sources reported in the Statement of Activities for the Governmental Activities. As is depicted, Program Revenues, which are directly assigned to program or functional areas of the City's activities, comprised 25.8% of total revenue sources for the year. Property tax continues to be our greatest source of revenue at 50.3% and Use of Money and Property (primarily interest earned) has become almost non-existent at less than 1%.

Sources of Revenue - Governmental Activities



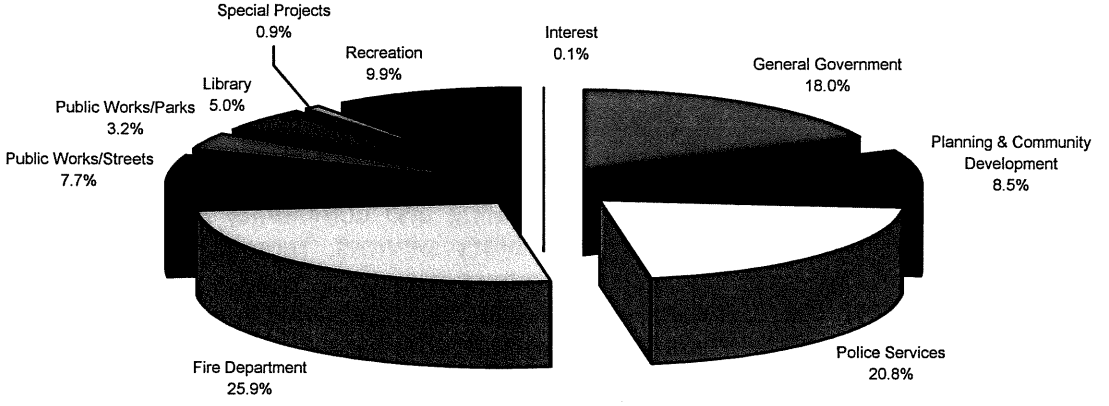
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because 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 General Administration Program reflects an expenditure of $1,884,957 for 2009-10. This same program reflects total expenses of $2,896,849 in the next chart. The $1,011,892 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
2009-10 Expenses by Program

Program	Total Expense	% of Total
General Government	$ 2,896,849	18.0%
Planning & Community Development	1,367,290	8.5%
Police Services	3,349,800	20.8%
Fire Department	4,171,897	25.9%
Public Works/Streets	1,235,706	7.7%
Public Works/Parks	522,407	3.2%
Recreation	1,592,645	9.9%
Library	802,628	5.0%
Special Projects	139,127	0.9%
Interest on long-term debt	17,990	0.1%
Total	$ 16,096,339	100.0%

The total expenses of $16,096,339 are graphically depicted by program area in the next chart.

Expenses by Program - Governmental Activities



The net change in assets from 2008-09 to 2009-10 of $7.99 million reported and discussed earlier is equal to the difference between the total revenues of $24,083,179 ($16,145,468 plus $7,937,711 Larkspur vs. Jacobs proceeds) minus total expenses of $16,096,339 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, 2010, were about $6.6 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	$ 5,545,511	$ 800,247	$ 4,745,264
Gas Tax	204,017	165,212	38,805
Housing in Lieu	342,472	263,662	78,810
Twin Cities Childrens' Center	35,170	18,303	16,867
Capital Projects	174,694	970,570	(795,876)
Other Governmental Funds	2,607,748	88,896	2,518,852
Total Net Assets	$ 8,909,612	$ 2,306,890	$ 6,602,722

The combined fund balances of $6,602,722 from the various Governmental Funds comprise about 28% of Total Net Assets at June 30, 2010. These fund balances increased by about $89,050, or .05%, during 2009-10. 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, 2010

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	$ 12,854,618	$ 13,052,445	$ (197,827)	$ 145,381	$ (52,446)
Gas Tax	551,341	379,339	172,002	(19,483)	152,519
Housing in Lieu	28,352	37,358	(9,006)		(9,006)
Twin Cities Childrens' Center	643,517	632,235	11,282		11,282
Capital Projects	598,046	1,447,846	(849,800)	525,632	(324,168)
Other Governmental Funds	1,469,594	507,195	962,399	(651,530)	310,869
Subtotal	$ 16,145,468	$ 16,056,418	$ 89,050	$ -	$ 89,050
Beginning Fund Balances					6,513,672
Ending Fund Balances					$ 6,602,722

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 2009-10 fiscal year with a fund balance of $4,745,264, a decrease of $52,446 from the previous year. This decrease results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

2009-10 General Fund Performance

Revenues	$ 12,854,618
Expenditures	13,052,445
Excess of Expenditures	**$ (197,827)**
Other Financing Sources (Uses)	
Transfers In	170,000
Transfers Out	(24,619)
Net Other Uses	**$ 145,381**
Net Change in Fund Balance	(52,446)
Beginning Fund Balance	4,797,710
Ending Fund Balance	**$ 4,745,264**

The overall economic downturn produced an overall decline in revenues during 2009-10. Total revenues of $12,854,618 were received in 2009-10, as compared with $13,952,130 in 2008-09. The 7.87% or $1,097,512, decrease is depicted in the following chart that compares revenue performance for the two years.

Two-year Comparison of General Fund Revenues

	2009-10	2008-09	Inc. (Dec.)	% Inc. (Dec.)
Property Taxes	$ 8,127,759	$ 8,100,287	$ 27,472	0.34%
Sales Tax	1,458,308	1,524,672	(66,364)	-4.35%
Other Taxes	1,586,956	1,599,258	(12,302)	-0.77%
Licenses & Permits	392,003	353,395	38,608	10.92%
Penalties & Fines	64,835	15,993	48,842	305.40%
Use of Money and Property	94,040	69,134	24,906	36.03%
Other Agencies	192,099	336,660	(144,561)	-42.94%
Charges for Services	740,009	766,199	(26,190)	-3.42%
Other Revenue	198,609	1,186,532	(987,923)	-83.26%
Total	**$ 12,854,618**	**$ 13,952,130**	**$ (1,097,512)**	**-7.87%**

Property taxes showed a very slight growth of $27,742. The growth was significantly smaller this year due to the Assessors office reassessing properties to reflect the current housing market. **Sales taxes** reported decreased from $1,524,672 in 2008-09 to $1,458,308 in 2009-10. This decrease in sales taxes is reflective the continuing effect of current economic conditions. The economy will continue to affect this source of revenue. **Other Taxes** decreased by less than 1%. Revenues included in this category are business license fees, franchise fees and transient occupancy taxes. **Penalties and Fines** increased due to last years' payoff of the Court Revenue overpayment the County had been withholding from our

vehicle code fines. **Use of Money and Property** includes the sale of a small piece of property to an adjacent homeowner. **Other Agencies** decreased by $144,561 as there were far less calls from the state for fire responses this fiscal year. **Charges for service** decreased by 3.42%, mostly due to fewer planning projects submitted during the year. **Other Revenue** decreased primarily due to the real estate transaction with the Twin Cities Police Authority last fiscal year.

General Fund expenditures totaled $13,052,445 in 2009-10, a decrease of .2%, or $23,372 from 2008-09. 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 one-time expenditures for hiring a new City Manager. Fire department expenditures reflect negotiated salary and benefit increases as well as amounts for contracting with the City of San Rafael for Battalion Chief and OES services. Public Works/Parks department decreased due to previously contracted parks maintenance now being done by our in-house employees. Debt Service payments now reflect the completion of the lease on Fire Station 16.

Two-year Comparison of General Fund Expenditures

Program Area	2009-10	2008-09	Inc. (Dec.)	Percent
General Administration	$ 1,884,957	$ 1,841,895	$43,062	2.3%
Planning & Community Development	1,047,266	1,020,202	27,064	2.7%
Police Services	3,349,800	3,369,259	(19,459)	-0.6%
Fire Department	3,897,919	3,770,678	127,241	3.4%
Public Works/Streets	871,663	880,717	(9,054)	-1.0%
Public Works/Parks	452,295	618,160	(165,865)	-26.8%
Recreation	565,932	585,560	(19,628)	-3.4%
Library	770,117	718,198	51,919	7.2%
Debt Service	212,496	271,148	(58,652)	-21.6%
Total	**$13,052,445**	**$13,075,817**	**$ (23,372)**	**-0.2%**

The General Fund remained stable throughout 2009-10. The ending fund balance at June 30, 2010 of $4,745,264 represents 36.9% of General Fund revenues and 36.3% of General Fund expenditures for the fiscal year. The General Fund balance is not reserved for any program activity and provides a 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 2009-10, the Gas Tax Fund experienced an increase in fund balance of $152,519 and currently has a fund balance of $38,805, which is highlighted in the following chart.

2009-10 Gas Tax Fund Performance

Revenues	$	551,341
Expenditures		379,339
Excess of Revenues	**$**	**172,002**
Other Financing Sources (Uses)		
Transfers In/(Out)	$	**(19,483)**
Net Other Uses	**$**	**(19,483)**
Increase to Fund Balance		152,519
Beginning Fund Balance		(113,714)
Ending Fund Balance	**$**	**38,805**

Total revenues for 2009-10 were $551,341, as compared to $609,769 in 2008-09. Expenditures in 2009-10 were $379,339, as compared with $1,060,111 in 2008-09. Smaller road projects were completed this year as well as preparing for major future road and bridge projects.

- **Capital Projects**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major facilities. The Capital Projects fund balance decreased by $324,168 during 2009-10 as several significant projects were begun or completed during the fiscal year. Large projects included Magnolia Avenue Pavement Rehabilitation, several Doherty Drive projects, and the relocation of the Corporation Yard. Expenses related to the Housing Element and the General Plan Update are also accounted for in this fund. The ending fund balance (deficit) represents expenditures made in previous years on the CLASP project and is expected to be funded when projects related to that begin.

2009-10Capital Projects Fund Performance

Revenues	$	598,046
Expenditures		1,447,846
Excess of Revenues	**$**	**(849,800)**
Other Financing Sources (Uses)		
Transfers In/(Out)	$	**525,632**
Net Other Uses	**$**	**525,632**
Decrease to Fund Balance		(324,168)
Beginning Fund Balance		(471,708)
Ending Fund Balance	**$**	**(795,876)**

- **Other Governmental Funds**

Included in this category are the Special Revenue Funds (Park Development, Property Development, Transit Mitigation, Business Enhancement, Heritage Preservation, Ross Valley Summer School, Tidal Waves Swim Team, Storm Drain Run Off, Road Impact, Measure A) 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 2009-10.

2009-10 Performance of Other Governmental Funds

Revenues	$	1,469,594
Expenditures		507,195
Excess of Revenues	**$**	**962,399**
Other Financing Sources (Uses)		
Transfers In/Out	$	(651,530)
Net Other Uses	**$**	**(651,530)**
Increase to Fund Balance		310,869
Beginning Fund Balance		2,207,983
Ending Fund Balance	**$**	**2,518,852**

Debt Administration

The City's debt consists of the Capital Lease Obligations that were used to finance the Multi-Use Field and a seven-year lease for a Pierce Fire truck. The City participates in partnership with the Larkspur School District in the Multi-Use Field lease. As the lead Agency, Larkspur recognizes the full amount of the lease, as per the written agreement. The Multi-Use Field had an outstanding balance of $361,907 at June 30, 2010, with an interest rate of 3.75%. The lease will retire in 2012. The Pierce Fire Truck had an outstanding balance of $339,500 at June 30, 2010 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, 2010

ASSETS	
Cash and investments (Note 3):	
Available for operations	$6,009,971
Receivables:	
Accounts	8,864,039
Interest	78,986
Loans	433,344
Due from other governmental units	204,017
Deposit with risk pool (Note 11)	60,783
Prepaid items	16,153
Capital assets, net of depreciation (Note 5)	10,700,057
Total Assets	26,367,350
LIABILITIES	
Accounts payable	326,298
Accrued payroll	147,455
Accrued liabilities	132,263
Claims payable (Note 12)	425,263
Deposits	344,764
Unearned revenue	50,813
Compensated absences payable (Note 2H)	193,022
Net OPEB obligation (Note 11)	582,129
Long-Term Debt (Note 7):	
Due within one year	202,456
Due in more than one year	498,951
Total Liabilities	2,903,414
NET ASSETS (Note 9)	
Invested in capital assets, net of related debt	9,998,650
Restricted for:	
Capital projects	132,656
Special revenue projects	2,520,678
Total Restricted Net Assets	2,653,334
Unrestricted	10,811,952
Total Net Assets	$23,463,936

See accompanying notes to financial statements

CITY OF LARKSPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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	$2,896,849	$200,845			($2,696,004)
Planning and community development	1,367,290	230,672	$399,589		(737,029)
Police services	3,349,800		39,749		(3,310,051)
Fire	4,171,897	139,599			(4,032,298)
Public works / streets	1,235,706	218,395	84,975	$1,382,968	450,632
Public works / parks	522,407				(522,407)
Recreation	1,592,645	1,404,933			(187,712)
Library	802,628		68,125		(734,503)
Special projects	139,127				(139,127)
Interest on long-term debt	17,990				(17,990)
Total Governmental Activities	$16,096,339	$2,194,444	$592,438	$1,382,968	(11,926,489)
General revenues:					
Taxes:					
Sales tax					1,458,308
Property taxes					8,127,759
Other taxes					2,246,286
Use of money and property					143,265
Special item (Note 14)					7,937,711
Total general revenues					19,913,329
Change in Net Assets					7,986,840
Net Assets-Beginning					15,477,096
Net Assets-Ending					$23,463,936

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 2010. 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, 2010

	General	Gas Tax	Housing in Lieu	Twin Cities Child Care
ASSETS				
Cash and investments (Note 3):				
Available for operations	$3,643,681		$78,585	$34,532
Accounts receivable	404,551			
Interest receivable	10,931		225	338
Loans receivable	169,682		263,662	
Due from other governments		$204,017		
Due from other funds (Note 4)	1,300,813			
Prepaid items	15,853			300
Total Assets	$5,545,511	$204,017	$342,472	$35,170
LIABILITIES				
Accounts payable	$128,619	$65,416		$3,155
Accrued payroll	129,010			15,098
Accrued liabilities	132,263			
Due to other funds (Note 4)		99,796		
Deposits	255,035			50
Deferred revenue	155,320		$263,662	
Total Liabilities	800,247	165,212	263,662	18,303
FUND BALANCES				
Fund balances (Note 9)				
Reserved for:				
Loans receivable	14,362			
Prepaid items	15,853			300
Unreserved				
Designated for:				
Equipment replacement	676,107			
Dry period	700,000			
Long-term contingency reserve	3,057,702			
State bailout	321,614			
Capital outlay		38,805	78,810	
Business enhancement projects				
Road impact fees				
Undesignated				
Special revenue fund				16,567
Capital projects fund	(40,374)			
Total Fund Balances (Deficits)	4,745,264	38,805	78,810	16,867
Total Liabilities and Fund Balances	$5,545,511	$204,017	$342,472	$35,170

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	$2,253,173	$6,009,971
$174,694	347,083	926,328
	7,492	18,986
		433,344
		204,017
		1,300,813
		16,153
$174,694	$2,607,748	$8,909,612
$91,505	$34,736	$323,431
	3,347	147,455
		132,263
789,386		889,182
89,679		344,764
	50,813	469,795
970,570	88,896	2,306,890
		14,362
		16,153
		676,107
		700,000
		3,057,702
		321,614
	691,943	809,558
	49,660	49,660
	622,313	622,313
	1,154,936	1,171,503
(795,876)		(836,250)
(795,876)	2,518,852	6,602,722
$174,694	$2,607,748	$8,909,612

CITY OF LARKSPUR
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances reported on the governmental funds balance sheet	$6,602,722
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.	10,700,057
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	
Interest receivable	60,000
Deposit with risk pool	60,783
Accounts payable	(2,867)
Due to other funds	(411,631)
Claims payable	(425,263)
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.	418,982
Special item	7,937,711
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	(701,407)
Non-current portion of compensated absences	(193,022)
Net OPEB obligation	(582,129)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$23,463,936

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, 2010

	General	Gas Tax	Housing in Lieu	Twin Cities Child Care
REVENUES				
Taxes	$11,173,023	$210,528		
Licenses and permits	392,003			
Penalties and fines	64,835			
Use of money and property	94,040		$623	$534
Other agencies	192,099	335,312		
Charges for services	740,009			642,983
Other revenue	198,609	5,501	27,729	
Total Revenues	12,854,618	551,341	28,352	643,517
EXPENDITURES				
Current:				
General administration	1,884,957			
Planning and community development	1,047,266			
Police services	3,349,800			
Fire	3,897,919			
Public works / streets	871,663			
Public works / parks	452,295			
Recreation	565,932			632,235
Library	770,117			
Special projects				
Capital outlay		379,339	37,358	
Debt service:				
Principal retirement	194,506			
Interest and fiscal charges	17,990			
Total Expenditures	13,052,445	379,339	37,358	632,235
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(197,827)	172,002	(9,006)	11,282
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	170,000	150,000		
Transfers (out) (Note 4)	(24,619)	(169,483)		
Total Other Financing Sources (Uses)	145,381	(19,483)		
NET CHANGE IN FUND BALANCES	(52,446)	152,519	(9,006)	11,282
BEGINNING FUND BALANCES (DEFICITS)	4,797,710	(113,714)	87,816	5,585
ENDING FUND BALANCES (DEFICITS)	$4,745,264	$38,805	$78,810	$16,867

See accompanying notes to financial statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
	$448,803	$11,832,354
	160,265	552,268
		64,835
	18,480	113,677
$585,008	426,398	1,538,817
	326,526	1,709,518
13,038	89,122	333,999
598,046	1,469,594	16,145,468
		1,884,957
11,889		1,059,155
		3,349,800
		3,897,919
		871,663
	32,904	485,199
	352,742	1,550,909
		770,117
	102,868	102,868
1,435,957	18,681	1,871,335
		194,506
		17,990
1,447,846	507,195	16,056,418
(849,800)	962,399	89,050
525,632		845,632
	(651,530)	(845,632)
525,632	(651,530)	
(324,168)	310,869	89,050
(471,708)	2,207,983	6,513,672
($795,876)	$2,518,852	$6,602,722

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, 2010

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	$89,050
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	1,261,382
Depreciation expense is deducted from the fund balance	(487,046)
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	194,506
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	(292,897)
Compensated absences	(17,508)
Net OPEB obligation	(582,129)
Special item	7,937,711
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	(116,229)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$7,986,840

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	$11,740,000	$11,740,000	$11,173,023	($566,977)
Licenses and permits	373,000	373,000	392,003	19,003
Penalties and fines	7,200	7,200	64,835	57,635
Use of money and property	84,550	84,550	94,040	9,490
Other agencies	105,000	105,000	192,099	87,099
Charges for services	756,900	756,900	740,009	(16,891)
Other revenue	166,500	166,500	198,609	32,109
Total Revenues	13,233,150	13,233,150	12,854,618	(378,532)
EXPENDITURES:				
Current:				
General administration	1,961,797	1,961,797	1,884,957	76,840
Planning and community development	1,215,304	1,215,304	1,047,266	168,038
Police services	3,349,800	3,349,800	3,349,800	
Fire	3,898,885	3,898,885	3,897,919	966
Public works / streets	874,057	874,057	871,663	2,394
Public works / parks	565,966	565,966	452,295	113,671
Recreation	623,338	623,338	565,932	57,406
Library	788,619	788,619	770,117	18,502
Debt service:				
Principal retirement	194,506	194,506	194,506	
Interest and fiscal charges	17,990	17,990	17,990	
Total Expenditures	13,490,262	13,490,262	13,052,445	437,817
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(257,112)	(257,112)	(197,827)	59,285
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	336,505	336,505	170,000	(166,505)
Transfers (out) (Note 4)	(392,000)	(392,000)	(24,619)	367,381
Total other financing sources (uses)	(55,495)	(55,495)	145,381	200,876
NET CHANGE IN FUND BALANCE	($312,607)	($312,607)	(52,446)	$260,161
BEGINNING FUND BALANCE			4,797,710	
ENDING FUND BALANCE			$4,745,264	

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	$232,000	$232,000	$210,528	($21,472)
Use of money and property	12,000	12,000		(12,000)
Other agencies	240,000	240,000	335,312	95,312
Other revenue	720,000	720,000	5,501	(714,499)
Total Revenues	1,204,000	1,204,000	551,341	(652,659)
EXPENDITURES:				
Current:				
Capital Outlay	1,455,000	1,455,000	379,339	1,075,661
Total Expenditures	1,455,000	1,455,000	379,339	1,075,661
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(251,000)	(251,000)	172,002	423,002
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)			150,000	150,000
Transfers (out) (Note 4)	(182,856)	(182,856)	(169,483)	13,373
Total Other Financing Sources (Uses)	(182,856)	(182,856)	(19,483)	13,373
NET CHANGE IN FUND BALANCE	($433,856)	($433,856)	152,519	$436,375
BEGINNING FUND BALANCE (DEFICIT)			(113,714)	
ENDING FUND BALANCE			$38,805	

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Use of money and property			$534	$534
Program fees	$630,000	$630,000	642,983	12,983
Total Revenues	630,000	630,000	643,517	13,517
EXPENDITURES:				
Current:				
Childcare/preschool	630,940	630,940	632,235	(1,295)
Total Expenditures	630,940	630,940	632,235	(1,295)
NET CHANGE IN FUND BALANCE	($940)	($940)	11,282	$12,222
BEGINNING FUND BALANCE			5,585	
ENDING FUND BALANCE			$16,867	

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Use of money and property			$623	$623
Other revenue			27,729	27,729
Total Revenues			28,352	28,352
EXPENDITURES:				
Current:				
Capital outlay	$120,000	$120,000	37,358	82,642
Total Expenditures	120,000	120,000	37,358	82,642
NET CHANGE IN FUND BALANCE	($120,000)	($120,000)	(9,006)	$110,994
BEGINNING FUND BALANCE			87,816	
ENDING FUND BALANCE			$78,810	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUND

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

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

INTERNAL SERVICE FUND

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

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities- Insurance Internal Service Fund
ASSETS	
Accounts receivable	$60,000
Deposit with risk pool (Note 12)	60,783
Total Assets	120,783
LIABILITIES	
Accounts payable	2,867
Due to other funds	411,631
Claims payable (Note 12)	425,263
Total Liabilities	839,761
NET ASSETS (DEFICIT)	
Unrestricted	(718,978)
Total Net Assets (Deficit)	($718,978)

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, 2010

	Governmental Activities- Insurance Internal Service Fund
OPERATING EXPENSES	
Claims and administrative expense	$116,229
Operating Income (Loss)	(116,229)
NON-OPERATING INCOME	
Interest income	
Change in net assets	(116,229)
BEGINNING NET ASSETS (DEFICIT)	(602,749)
ENDING NET ASSETS (DEFICIT)	($718,978)

See accompanying notes to financial statements

CITY OF LARKSPUR
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities- Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	($38,836)
Claims paid	150,961
Net Cash Provided (Used) from Operating Activities	112,125
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	
Net Cash Flows	112,125
Cash and investments at beginning of period	(112,125)
Cash and investments at end of period	
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	($116,229)
Change in assets and liabilities:	
Deposit with risk pool	82,204
Accounts receivable	(38,836)
Accounts payable	(22,827)
Due to other funds	411,631
Claims payable	(203,818)
Cash Flows from Operating Activities	$112,125

See accompanying notes to financial statements

FIDUCIARY FUND

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

CITY OF LARKSPUR
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Agency Funds
ASSETS	
Restricted cash and investments (Note 3)	$3,545,895
Accounts receivable	260,913
Interest receivable	10,923
Deposit with risk manager	50,595
Prepaid items	10,806
Total Assets	$3,879,132
LIABILITIES	
Accounts payable	$81,644
Accrued payroll	225,671
Deposits	9,353
Claims payable	517,760
Due to property owners & bondholders	1,267,566
Due to Ross Valley Paramedic Authority	1,266,641
Due to Twin Cities Police Authority	320,773
Compensated absences payable	189,724
Total Liabilities	$3,879,132

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, 2010 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, 2010, 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 and part time hourly Library employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

The financial statements described below are presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements: The Statement of Net 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditures in Excess of Appropriations

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

Fund	Excess of Expenditures Over Appropriations
Twin Cities Child Care Special Revenue Fund	$1,295
Summer School Special Revenue Fund	70,555
Tidal Waves Special Revenue Fund	9,206
Storm Drain Run Off Special Revenue Fund	7,868

G. Cash Flows

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

H. Property Tax

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

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

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

I. Compensated Absences Payable

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	2010	2009
Beginning balance	$175,514	$173,372
Net change	17,508	2,142
Ending Balance	$193,022	$175,514

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

J. Deferred Compensation Plans

Employees of the City and the 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	$6,009,971
Cash and investments in Fiduciary Funds (separate statement)	3,545,895
Total City Cash and Investments	$9,555,866

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

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

D. *Interest Rate Risk*

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, 2010, these investments matured in an average of 203 days.

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Medium-Term Fund has a target portfolio duration of 0 to 4 years. At June 30, 2010, these investments matured in an average of 704 days.

Money Market funds are available for withdrawal and at June 30, 2010, have an average maturity of 32 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, 2010, interfund balances were as follows:

Due from other funds	Due to other Funds	Amount
General Fund	Gas Tax	$99,796
	Capital Projects	789,386
	Total Due to other Funds	$889,182

NOTE 4 - INTERFUND TRANSFERS (Continued)

B. Interfund Transfers

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Gas Tax	$150,000
	Non-Major Governmental Funds	20,000
Gas Tax	Non-Major Governmental Funds	150,000
Capital Projects Fund	General Fund	24,619
	Gas Tax	19,483
	Non-major Governmental Funds	481,530
	Total Interfund Transfers	$845,632

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, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$830,756			$830,756
Total capital assets not being depreciated	830,756			830,756
Capital assets being depreciated:				
Land Improvements	4,637,974	$26,941		4,664,915
Streets, Curbs, & Gutters	2,116,890	1,108,644		3,225,534
Machinery & Equipment	1,384,820			1,384,820
Buildings	3,240,786	125,797	($136,597)	3,229,986
Vehicles	2,171,839			2,171,839
Total capital assets being depreciated	13,552,309	1,261,382	(136,597)	14,677,094
Less accumulated depreciation for:				
Land Improvements	(526,444)	(116,698)		(643,142)
Streets, Curbs, & Gutters	(90,686)	(80,638)		(171,324)
Machinery & Equipment	(1,168,051)	(91,713)		(1,259,764)
Buildings	(1,285,260)	(75,811)	136,597	(1,224,474)
Vehicles	(1,386,903)	(122,186)		(1,509,089)
Total accumulated depreciation	(4,457,344)	(487,046)	136,597	(4,807,793)
Net capital assets being depreciated	9,094,965	774,336		9,869,301
Governmental activity capital assets, net	$9,925,721	$774,336		$10,700,057

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	$214,541
Fire	143,058
Public works/streets	34,664
Public works/parks	23,109
Recreation	30,454
Library	4,961
Special projects	36,259
Total Governmental Activities	$487,046

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, 2010 is $137,870.

NOTE 7 – LONG-TERM DEBT

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

Type of Obligation	Authorized and Issued	Balance June 30, 2009	Retirements	Balance June 30, 2010	Current Portion
West America Bank	$1,050,000	$497,517	$135,610	$361,907	$140,744
Fire Engine Lease	440,000	398,396	58,896	339,500	61,712
Total Governmental Activity Debt	$1,490,000	$895,913	$194,506	$701,407	$202,456

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 Engine Lease*

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

C. *Debt Service Requirements*

At June 30, 2010, 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
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	$701,407	$70,808	$772,215

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, 2010 is as follows:

Drake's Landing Residential Community	$865,000
LMFA Dredging and Maintenance project	960,000
North Magnolia Avenue Assessment District	195,000

At June 30, 2010, 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.

B. Reserves

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.

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

The City cannot modify or remove these restrictions or reserves. At June 30, 2010, 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, 2010, 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.

NOTE 9 - FUND BALANCE RESERVATIONS AND DESIGNATIONS (Continued)

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 Deficit

The Capital Projects Fund had a fund balance deficit of $795,876 as of June 30, 2010.

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, 2010, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4% - 3.0%	2.0% - 2.5%
Required employee contribution rates	9%	8%
Required employer contribution rates	34.652%	13.061%

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.

NOTE 10 - PENSION PLAN (Continued)

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.

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

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	$1,473,284,852	$1,252,059,468	$221,225,384	85.0%	$177,088,890	124.9%
2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%
2008	1,755,559,311	1,517,609,609	237,949,702	86.4%	210,590,567	113.0%

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
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%
2008	1,537,909,933	1,337,707,835	200,202,098	87.0%	333,307,600	60.1%

As required by State law, effective July 1, 2005, the City's Safety Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry was that the City true-up any unfunded liabilities or overfunded assets in the former Plan, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability of $1,261,497 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 $2,616,011 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 7 years.

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

Annual required contributions for fiscal years 2010, 2009 and 2008 amounted to $1,536,681 $994,034, $897,296, and respectively. The City made these contributions as required by CALPERS.

NOTE 10 - PENSION PLAN (Continued)

B. Social Security

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

The City's part-time, seasonal and temporary employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees pay. Total contributions to Social Security during the year ended June 30, 2010 amounted to $60,731 which the City paid one-half.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

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

A. Plan Description and Funding Policy

The City provides postretirement health care benefits to all employees who retire on or after attaining a minimum of 10 years of public service. For Safety employees hired prior to 9/1/08, the City will pay for the cost of medical coverage for the employee. In addition, for an employee who retires from the City and has completed 15 or more years of public service, the City will pay for the cost of medical coverage for the employee and their spouse. For Safety employees hired after 9/1/08, the City will pay for medical coverage for the employee only. Current Miscellaneous employees hired prior to 7/1/07 who have completed 10 or 15 years of public service receive the same benefits as the Safety employees. For Miscellaneous employees hired after 7/1/07 the City will pay for medical coverage for the employee only. All eligible retirees can continue medical coverage with the Plan provided for active employees. The cost of the benefits provided by the Plan is currently being paid by the City on a pay-as-you-go basis. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated. Currently, 39 retirees meet the eligibility requirements and receive reimbursements.

B. Actuarial Assumptions

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

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. *Funding Progress and Funded Status*

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

Annual required contribution	$833,138
Adjustment to annual required contribution	0
Annual OPEB cost	833,138
Contributions made	(251,009)
(Decrease) increase in net OPEB obligations	582,129
Net OPEB obligation (asset) June 30, 2009	0
Net OPEB obligation (asset) June 30, 2010	$582,129

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

The Plan's annual required contributions and actual contributions for fiscal year ended June 30, 2010 is set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	$833,138	$251,009	30%	$582,129

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

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

NOTE 12 - WORKER'S COMPENSATION AND GENERAL LIABILITY PROGRAMS

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

A. Coverage and Deposits

Bay Cities Joint Powers Insurance Authority Workers Compensation:

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

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

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:	2010	2009
Beginning balance	$142,987	$201,070
Interest earned	619	5,794
Expenses	(82,823)	(63,877)
Ending balance	$60,783	$142,987
Claims Payable:		
Outstanding claims	$343,209	$345,978
Claims incurred but not reported	151,567	(2,769)
Claims paid	(212,090)	
Total liability for unpaid claims	$282,686	$343,209

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

Bay Cities Joint Powers Insurance Authority - Liability Coverage:

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

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

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

Financial statements for BCJPIA may be obtained from Bickmoore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

	2010	2009
Outstanding claims	$285,872	$303,280
Claims incurred but not reported	72,243	(17,408)
Claims paid	(215,538)	
Total liability for unpaid claims	$142,577	$285,872

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

NOTE 13 - JOINT POWERS AGENCIES

A. General

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

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

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

NOTE 13 - JOINT POWERS AGENCIES (Continued)

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, 2010, the tax was $42 unit, which includes a collection fee of $0.50 levied by the County of Marin.

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

D. Marin Telecommunications Authority

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

NOTE 13 - JOINT POWERS AGENCIES (Continued)

E. Marin General Services Authority

The Marin General Services Authority (MGSA) was created in 2005 by the cities, towns, and County of Marin and two Community Service Districts to offer various public services effectively and efficiently throughout the county in a uniform manner with minimal expense. These services now include Streetlight Maintenance, Abandoned Vehicle Abatement, and Taxicab Regulation. The City has been a member of the MGSA since the Authority's inception.

F. Marin Emergency Radio Authority

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

G. Major Crime Task Force

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

NOTE 14 – SPECIAL ITEM

The City brought a lawsuit against an Engineering Company for design flaws on one of its bridges. In 2008 the City obtained an $8.3 million dollar verdict at the trial court level. The decision was affirmed by the Appellate Court and the California Supreme Court recently denied review. The City received $7,937,711 after legal fees were paid shortly after year end.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 16 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA AND SECURITIZATION

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the $584,287 it borrowed from the City, plus interest, by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forgoe interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

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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, 2010

	SPECIAL REVENUE FUNDS					
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
ASSETS						
Cash and investments:						
Available for operations	$72,301	$33,903	$368,932	$451,670	$45,892	$180,589
Accounts receivable			31,048		3,768	320
Interest receivable			1,494	1,413		
Total Assets	$72,301	$33,903	$401,474	$453,083	$49,660	$180,909
LIABILITIES						
Accounts payable						
Accrued payroll						
Deferred revenue			$50,813			
Total Liabilities			50,813			
FUND EQUITY						
Fund balances						
Unreserved						
Designated for:						
Capital outlay	$72,301	$33,903		$453,083		
Business enhancement projects					$49,660	
Road impact fees						
Undesignated						
Special revenue			350,661			$180,909
Total Fund Balances	72,301	33,903	350,661	453,083	49,660	180,909
Total Liabilities and Fund Balances	$72,301	$33,903	$401,474	$453,083	$49,660	$180,909

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
$219,512	$31,260	$17,488	$619,546	$79,566	$42,260	$26,052	$64,202	$2,253,173
	142	1,419	821	308,927		638		347,083
478			1,946	1,722	137	94	208	7,492
$219,990	$31,402	$18,907	$622,313	$390,215	$42,397	$26,784	$64,410	$2,607,748
$23,363	$8,313	$2,125				$935		$34,736
3,347								3,347
								50,813
26,710	8,313	2,125				935		88,896
					$42,397	25,849	$64,410	691,943
								49,660
			$622,313					622,313
193,280	23,089	16,782		$390,215				1,154,936
193,280	23,089	16,782	622,313	390,215	42,397	25,849	64,410	2,518,852
$219,990	$31,402	$18,907	$622,313	$390,215	$42,397	$26,784	$64,410	$2,607,748

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS					
	Park Development	Property Development	Transportation Congestion	Transit Mitigation	Business Enhancement	Heritage Preservation
REVENUES						
Taxes					$46,895	
License and permits						
Use of money and property			$3,687	$3,494		$843
Charges for services						
Other agencies			111,181			30,000
Other revenue		$2,396		84,975		1,751
Total Revenues		2,396	114,868	88,469	46,895	32,594
EXPENDITURES						
Current:						
Recreation					53,781	
Special projects						
Public works / parks	$32,904					
Capital outlay				5,092		1,092
Total Expenditures	32,904			5,092	53,781	1,092
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(32,904)	2,396	114,868	83,377	(6,886)	31,502
OTHER FINANCING SOURCES (USES)						
Transfers (out)				(20,000)		
Total Other Financing Sources (Uses)				(20,000)		
NET CHANGE IN FUND BALANCES	(32,904)	2,396	114,868	63,377	(6,886)	31,502
BEGINNING FUND BALANCES	105,205	31,507	235,793	389,706	56,546	149,407
ENDING FUND BALANCES	$72,301	$33,903	$350,661	$453,083	$49,660	$180,909

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
		$94,119		$295,372		$12,417		$448,803
			$160,265					160,265
$604	$187		5,113	3,427	$362	214	$549	18,480
246,609	79,917							326,526
				285,217				426,398
								89,122
247,213	80,104	94,119	165,378	584,016	362	12,631	549	1,469,594
220,455	78,506							352,742
		102,868						102,868
								32,904
						12,497		18,681
220,455	78,506	102,868				12,497		507,195
26,758	1,598	(8,749)	165,378	584,016	362	134	549	962,399
			(150,000)	(481,530)				(651,530)
			(150,000)	(481,530)				(651,530)
26,758	1,598	(8,749)	15,378	102,486	362	134	549	310,869
166,522	21,491	25,531	606,935	287,729	42,035	25,715	63,861	2,207,983
$193,280	$23,089	$16,782	$622,313	$390,215	$42,397	$25,849	$64,410	$2,518,852

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, 2010

	TRANSIT MITIGATION			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Use of money and property	$5,000	$3,494	($1,506)		$604	$604
Charges for services				$150,000	246,609	96,609
Other agencies						
Other revenue		84,975	84,975			
Total Revenues	5,000	88,469	83,469	150,000	247,213	97,213
EXPENDITURES						
Current:						
Recreation				149,900	220,455	(70,555)
Special projects						
Capital outlay	56,000	5,092	50,908			
Total Expenditures	56,000	5,092	50,908	149,900	220,455	(70,555)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(51,000)	83,377	134,377	100	26,758	26,658
OTHER FINANCING SOURCES (USES)						
Transfers (out)	(20,000)	(20,000)				
Total Other Financing Sources (Uses)	(20,000)	(20,000)				
NET CHANGE IN FUND BALANCES	($71,000)	63,377	$134,377	$100	26,758	$26,658
BEGINNING FUND BALANCES		389,706			166,522	
ENDING FUND BALANCES		$453,083			$193,280	

TIDAL WAVES SWIM TEAM			STORM DRAIN RUN OFF			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	$187	$187	$94,000	$94,119	$119	$99,000	$98,404	($596)
$70,000	79,917	9,917			-			
							84,975	84,975
70,000	80,104	10,104	94,000	94,119	119	99,000	183,379	84,379
69,300	78,506	(9,206)				219,200	298,961	(79,761)
			95,000	102,868	(7,868)	95,000	102,868	(7,868)
						56,000	5,092	50,908
69,300	78,506	(9,206)	95,000	102,868	(7,868)	370,200	406,921	(36,721)
700	1,598	898	(1,000)	(8,749)	(7,749)	($271,200)	(223,542)	$47,658
			(30,000)		30,000	(50,000)	(20,000)	30,000
			(30,000)		30,000	(50,000)	(20,000)	30,000
$700	1,598	$898	($31,000)	(8,749)	$22,251	($321,200)	(243,542)	$77,658
	21,491			25,531			603,250	
	$23,089			$16,782			$359,708	

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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, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
East Sir Francis Drake Redemption Fund				
Restricted cash and investments	$87,762	$556		$88,318
Interest receivable	306	286	$306	286
Total Assets	$88,068	$842	$306	$88,604
Due to property owners & bondholders	$88,068	$842	$306	$88,604
Total Liabilities	$88,068	$842	$306	$88,604
Larkspur Marina Community Facilities District				
Restricted cash and investments	$700,392	$222,164	$161,673	$760,883
Accounts receivable	1,257	3,206	1,257	3,206
Interest receivable	2,378	2,393	2,378	2,393
Total Assets	$704,027	$227,763	$165,308	$766,482
Accounts payable	$116	$4,718	$116	$4,718
Due to property owners & bondholders	703,911	223,045	165,192	761,764
Total Liabilities	$704,027	$227,763	$165,308	$766,482
King Mountain Assessment District Fund				
Restricted cash and investments	$27,354	$242		$27,596
Interest receivable	95	90	$95	90
Total Assets	$27,449	$332	$95	$27,686
Due to property owners & bondholders	$27,449	$332	$95	$27,686
Total Liabilities	$27,449	$332	$95	$27,686

CITY OF LARKSPUR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Ross Valley Paramedic Authority Fund				
Restricted cash and investments	$1,270,937	$1,675,036	$1,872,495	$1,073,478
Accounts receivable	219,479		6,255	213,224
Interest receivable	4,451	3,397	4,451	3,397
Prepaid items	3,000		1,625	1,375
Total Assets	$1,497,867	$1,678,433	$1,884,826	$1,291,474
Accounts payable	$44,016	$20,798	$44,016	$20,798
Deposits payable	4,035			4,035
Due to members	1,449,816	1,657,635	1,840,810	1,266,641
Total Liabilities	$1,497,867	$1,678,433	$1,884,826	$1,291,474
Drake's Landing Community Facilities District Fund				
Restricted cash and investments	$277,785	$250,054	$246,547	$281,292
Accounts receivable	1,469	3,713	1,469	3,713
Interest receivable	887	838	887	838
Total Assets	$280,141	$254,605	$248,903	$285,843
Accounts payable	$1,200			$1,200
Due to property owners & bondholders	278,941	$254,605	$248,903	284,643
Total Liabilities	$280,141	$254,605	$248,903	$285,843

(Continued)

CITY OF LARKSPUR
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
North Magnolia Agency Fund				
Restricted cash and investments	$102,418	$48,572	$48,933	$102,057
Accounts receivable	297	709	297	709
Interest receivable	355	329	355	329
Total Assets	$103,070	$49,610	$49,585	$103,095
Due to property owners & bondholders	$103,070	$49,610	$49,585	$103,095
Total Liabilities	$103,070	$49,610	$49,585	$103,095
Twin Cities Police Authority				
Restricted cash and investments	$1,553,386		$341,115	$1,212,271
Accounts receivable	93,867		54,774	39,093
Interest receivable	6,335		2,745	3,590
Deposit with risk manager	28,345	$22,250		50,595
Prepaid items	12,056		2,625	9,431
Total Assets	$1,693,989	$22,250	$401,259	$1,314,980
Accounts payable	$149,843		$94,109	$55,734
Accrued payroll	260,873		35,202	225,671
Deposits payable	15,042		9,724	5,318
Claims payable	677,497		159,737	517,760
Due to members	407,645		86,872	320,773
Compensated absences payable	183,089	$6,635		189,724
Total Liabilities	$1,693,989	$6,635	$385,644	$1,314,980
Total Agency Funds				
Restricted cash and investments	$4,020,034	$2,196,624	$2,670,763	$3,545,895
Accounts receivable	317,643	7,628	64,358	260,913
Interest receivable	14,501	7,333	10,911	10,923
Deposit with risk manager	28,345	22,250		50,595
Prepaid items	15,056		4,250	10,806
Total Assets	$4,395,579	$2,233,835	$2,750,282	$3,879,132
Accounts payable	$194,369	$25,516	$138,241	$81,644
Accrued payroll	260,873		35,202	225,671
Deposits	19,077		9,724	9,353
Claims payable	677,497		159,737	517,760
Due to property owners & bond holders	1,203,213	528,434	464,081	1,267,566
Due to members (Ross Valley)	1,449,816	1,657,635	1,840,810	1,266,641
Due to members (TCPA)	407,645		86,872	320,773
Compensated absences payable	183,089	6,635		189,724
Total Liabilities	$4,395,579	$2,218,220	$2,734,667	$3,879,132

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

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

We have audited the financial statements of the City of Larkspur as of and for the year ended June 30, 2010, and have issued our report thereon dated September 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated September 10, 2010.

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

September 10, 2010