

CITY OF LARKSPUR
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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CITY OF LARKSPUR
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	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 Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund.....	24
Proprietary Funds:	
Statement of Net Position.....	26
Statement of Revenues, Expenses and Changes in Fund Net Position.....	27
Statement of Cash Flows.....	28

CITY OF LARKSPUR
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)

Fiduciary Funds:

Statement of Net Position.....	30
Statement of Changes Net Position – Retiree Benefits Trust Fund	31
Notes to Basic Financial Statements.....	33

Required Supplementary Information

Pension Plans:

Schedule of the Proportionate Share of the Net Pension Liability	64
Schedule of Contributions.....	65

Post-Retirement Health Care Defined Benefit Plan:

Schedule of Contributions.....	66
Schedule of Funding Progress	66

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets	68
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	72
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual.....	76

Agency Funds:

Combining Statements of Changes in Assets and Liabilities.....	82
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INDEPENDENT AUDITOR'S REPORT

To the City Council of the
City of Larkspur, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Larkspur (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required a prior period adjustment of beginning net position as discussed in Note 9F to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents is presented for purposes of additional analysis and is not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mare & Associates

Pleasant Hill, California
October 29, 2015

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Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

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

Reporting the City as a Whole: Government-wide Statements

The Government-wide Statements present the financial position of the City with a longer-term view of the City's activities as a whole, and consist of the *Statement of Net Position* and the *Statement of Activities*. The Statement of Net Position presents all information about the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, both current and long-term, on the full accrual basis of accounting, which is similar to the accounting used by most private sector businesses. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which liability is incurred. Highlighting net position, or the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the City's financial health and financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. The Statement of Net Position includes the information previously reported in the City's capital and long-term debt account groups. The City has chosen, within the parameters of GASB 34, not to retrospectively include the historic costs and accumulated depreciation of infrastructure in place, including but not limited to the City's roadway system.

The Statement of Activities provides information about all of the City's revenues and expenses, also on the full accrual basis, and emphasizes the measurement of the net revenues or expenses of each of the City's functional or program areas. It also incorporates changes in Net Position for the year. In accordance with GASB 34, certain eliminations have been made related to interfund activity, payables, and receivables.

Both the Statement of Net Position and the Statement of Activities present information about the City's *governmental activities*. Most of the City's basic services fall into the category of governmental activities, including administration, finance, public works, planning and community development, recreation, contractual police and fire services, and library services. Sales, property and gas taxes, user fees, interest income, and state and federal grants finance these activities.

Reporting the City's Major Funds: Fund Financial Statements

The Fund Financial Statements include *governmental*, *proprietary* and *fiduciary* funds and report the City's operations in more detail and with a shorter-term focus than the Government-wide Statements. A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach under GASB 34.

The Fund Financial Statements provide detailed information about the City's most significant funds, called *Major Funds*. The concept of Major Funds, and the determination of which funds are Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, and all of the Non-major Funds are combined in a single column. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds designated as Major Funds may change from year-to-year, based upon their specific pattern of activities. The Major Funds reported for 2014-15 are the General Fund and the Capital Projects Fund, which are 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 Internal Service Fund provides for the payment of worker's compensation and liability claims.

Fiduciary Funds

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

Financial Analysis: Government-wide Statements

As has been previously explained, the government-wide statements report Governmental Activities in the Statement of Net Position and the Statement of Activities. **Governmental Activities** consist of most of the programs and functions of the City. As of June 30, 2015, the net position of the City's Governmental Activities totaled \$24 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities Net Position at June 30, 2015			
	2014-15	2013-14*	Inc./.(Dec.)
Cash & Investments	\$ 15,036,957	\$ 14,817,397	219,560
Other Assets	2,653,899	2,242,413	411,486
Capital Assets	27,339,995	23,196,633	4,143,362
Total Assets	\$ 45,030,851	\$ 40,256,443	\$ 4,774,408
Deferred Outflows related to pension	912,156	\$ 1,153,300	(241,144)
Accounts Payable & Accrued Liabilities	1,695,406	2,039,020	(343,614)
Compensated Absences	252,738	247,244	5,494
Other Liabilities	1,592,749	1,318,304	274,445
Net OPEB Liability	3,498,164	2,747,448	750,716
Net Pension Liability	9,046,789	12,138,240	(3,091,451)
Capital Lease Obligation	2,706,806	2,957,959	(251,153)
Total Liabilities	\$ 18,792,652	\$ 21,448,215	\$ (2,655,563)
Deferred Infows related to pension	2,872,988		2,872,988
Net Position:			
Net investment in capital assets	25,518,478	21,755,720	3,762,758
Restricted	3,920,955	3,687,135	233,820
Unrestricted	(5,162,066)	(5,481,327)	319,261
Total Net Position	\$ 24,277,367	\$ 19,961,528	\$ 4,315,839

*As restated

- ✓ The total net position for the City's Governmental Activities increased by \$4,315,839 in 2014-15. The implementation of GASB 68, includes a Net Pension Liability \$9 million. For more information on the net pension liability and the restatement of the prior year net position, refer to notes 9F Restatement of Net Position and 10 Pension Plan.
- ✓ Cash and Investments increased by \$219,560 largely attributable to an increase of revenue streams.
- ✓ Capital Assets increased by \$4.1 million on due to the addition of construction in process (CIP) of \$1.6 million and additions to capital assets net of depreciation of \$3.2 million.

- ✓ The Statement of Net Position also includes an amount for Other Post-Employment Benefits (OPEB). This amount represents the unpaid liability for FY 2014-15 per the actuarial valuation as of July 1, 2013 which complies with GASB Statement No. 45. More detailed information on this amount is found in Note 11 of the financial statements.

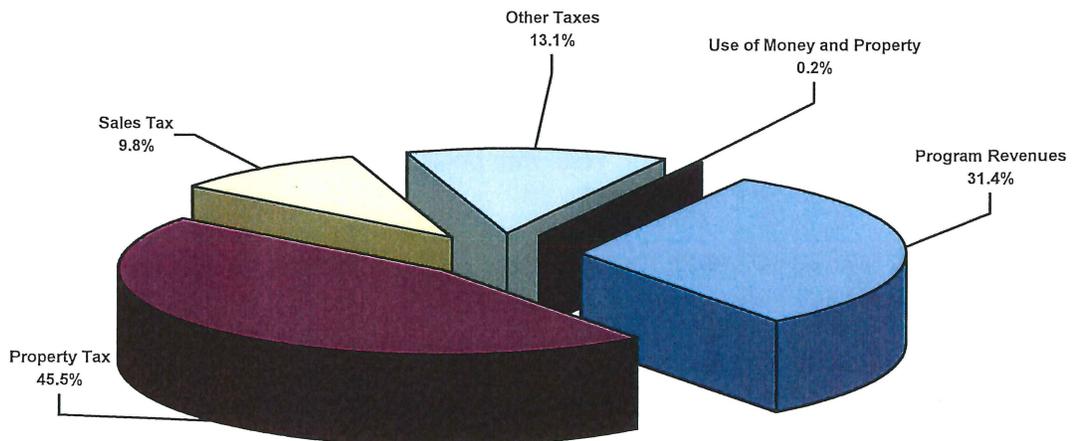
During 2014-15, the City's Governmental Activities were supported by \$21 million in revenues, derived from many sources, as is summarized in the next chart.

**Statement of Activities: Governmental Activities
2014-15 Revenues by Source**

Source	2014-15	2013-14	% of Total
Program Revenues:			
Charges for services	\$ 3,672,815	\$ 2,874,627	17.5%
Operating contributions & grants	1,340,747	1,148,963	6.4%
Capital contributions & grants	1,588,016	5,286,188	7.5%
Total Program Revenues	\$ 6,601,578	\$ 9,309,778	31.4%
General Revenues:			
Property tax	9,556,284	9,197,280	45.5%
Sales tax	2,062,894	2,189,647	9.8%
Other taxes	2,754,723	2,694,451	13.1%
Use of Money and Property	33,615	39,116	0.2%
Total General Revenues	\$ 14,407,516	\$ 14,120,494	68.6%
Total Revenues	\$ 21,009,094	\$ 23,430,272	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 31.4% of total revenue sources for the year. Property tax continues to be our greatest source of revenue at 45.5%. Capital contributions and grants comprised of 7.5% of Program Revenues during the fiscal year. The decrease primarily due to the near completion of two bridges which brought in less federal grants for the construction.

Sources of Revenue - Governmental Activities



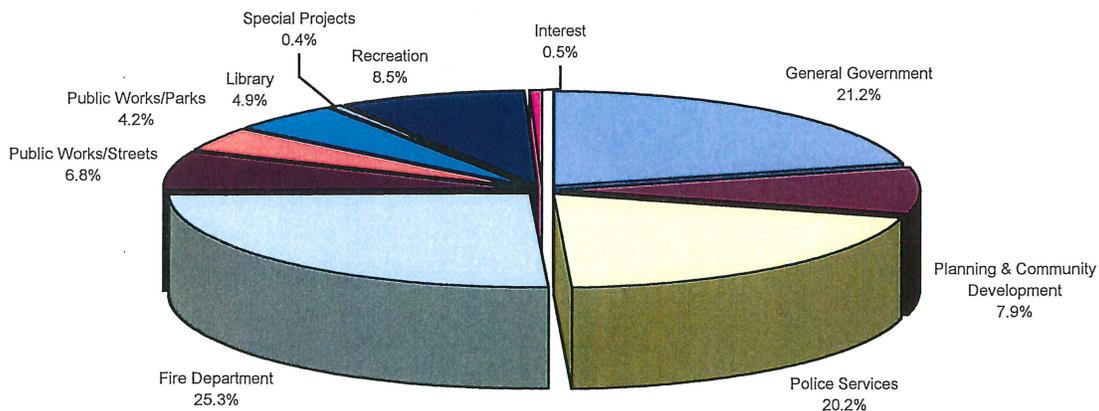
The programs reported as Governmental Activities include all the basic areas of City government, including general government, planning and community development, police services, the fire department, public works, library services, recreation and the interest expense component of debt service. Because changes in net position are incorporated into the Statement of Activities, the expenses reported in this statement have been adjusted to reflect such things as annual depreciation of capital assets such as buildings and equipment, increases or decreases in the balance of compensated absences, and the principal payment component of debt service. For example, in the Fund Financial Statements for the Governmental Funds, the General Administration Program reflects an expenditure of \$2,175,227 for 2014-15. This same program reflects total expenses of \$3,532,872 in the next chart. The \$1,357,645 difference is mainly attributed to annual depreciation and acquisition of capital assets and the change in the compensated absences and net OPEB obligation. These items, treated in the Fund Financial Statements as adjustments to balance sheet accounts, are incorporated into the total activity for this program area in the Statement of Activities. A full reconciliation of these statements is included in the Basic Financial Statements. A discussion of program expenditures for the year is included later in this MD&A.

**Statement of Activities: Governmental Activities
2014-15 Expenses by Program**

Program	Total Expense	% of Total
General Government	\$ 3,532,872	21.16%
Planning & Community Development	1,313,959	7.87%
Police Services	3,378,137	20.24%
Fire Department	4,227,566	25.32%
Public Works/Streets	1,141,922	6.84%
Public Works/Parks	697,009	4.18%
Recreation	1,425,865	8.54%
Library	825,330	4.94%
Special Projects	74,456	0.45%
Interest on long-term debt	76,139	0.46%
Total	\$ 16,693,255	100%

The total expenses of \$16,693,255 are graphically depicted by program area in the next chart.

Expenses by Program - Governmental Activities



The change in net position from 2013-14 to 2014-15 of \$4,315,839 reported and discussed earlier is equal to the difference between the total revenues of \$21,009,094 minus total expenses of \$16,693,255 that are reflected in the Statement of Activities for Governmental Activities.

FUND FINANCIAL STATEMENTS

Performance of Governmental Funds

The Fund Balance of the City's Governmental Funds at June 30, 2015, was \$13,099,424. The following chart provides an overview of these Fund Balances.

Governmental Funds Fund Balance at June 30, 2015			
Governmental Funds	Total Assets	Total Liabilities & Deferred Inflows of Resources	Fund Balance
General	\$ 8,304,180	\$ 3,132,506	\$ 5,171,674
Capital Projects	6,243,882	2,237,087	4,006,795
Other Governmental Funds	4,654,758	733,803	3,920,955
Total Fund Balance	\$ 19,202,820	\$ 6,103,396	\$ 13,099,424

The combined fund balances of \$13,099,424 are from the various Governmental Funds. These fund balances increased by \$162,143 during 2014-15.

Governmental Funds Net Change in Fund Balances at June 30, 2015					
Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses)	Net Change in Fund Balance
General	\$ 15,939,953	\$ 14,239,678	\$ 1,700,275	\$ (139,744)	\$ 1,560,531
Capital Projects	1,315,487	5,057,410	(3,741,923)	2,109,715	(1,632,208)
Other Governmental Funds	3,450,185	980,998	2,469,187	(2,235,367)	233,820
Subtotal	\$ 20,705,625	\$ 20,278,086	\$ 427,539	\$ (265,396)	\$ 162,143
Beginning Fund Balances					12,937,281
Ending Fund Balances					\$13,099,424

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 2014-15 fiscal year with a fund balance of \$5,171,674, an increase of \$1,560,531 from the previous year. This increase results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

2014-15 General Fund Performance	
Revenues	\$ 15,939,953
Expenditures	14,239,678
Excess of Expenditures	\$ 1,700,275
Other Financing Sources (Uses)	
Transfers In	130,000
Transfers Out	(269,744)
Net Other Financing Sources	\$ (139,744)
Net change in Fund Balance	1,560,531
Beginning Fund Balance	3,611,143
Ending Fund Balance	\$ 5,171,674

The General Fund revenues had a strong gain compared to several prior years. Total revenues of \$15,939,953 were received in 2014-15, as compared with \$15,387,743 in 2013-14. The 3.46% or \$552,210, increase is depicted in the following chart that compares revenue performance for the two years.

Two-year Comparison of General Fund Revenues				
	2014-15	2013-14	Inc. (Dec.)	% Inc. (Dec.)
Property Taxes	\$ 9,556,284	\$ 9,197,279	\$ 359,005	3.76%
Sales Tax	2,062,894	2,046,766	16,128	0.78%
Other Taxes	2,171,711	2,104,595	67,116	3.09%
Licenses & Permits	696,808	740,935	(44,127)	-6.33%
Penalties & Fines	69,788	58,687	11,101	15.91%
Use of Money and Property	11,881	14,726	(2,845)	-23.95%
Other Agencies	533,036	194,307	338,729	63.55%
Charges for Services	722,128	802,429	(80,301)	-11.12%
Other Revenue	115,423	228,019	(112,596)	-97.55%
Total	\$ 15,939,953	\$ 15,387,743	\$ 552,210	3.46%

Property taxes showed an increase of \$359,005. Sales taxes reported an increase from \$2,046,766, in 2013-14 to \$2,062,894, in 2014-15. This increase in both property tax and sales taxes is primarily due to the recovering economy; however, economic conditions will continue to affect this source of revenue. Other Taxes increased by approximately 3.09%. Revenues included in this category are business license fees, franchise fees and transient occupancy taxes. Penalties and Fines increased by 15.91% due to an increase in vehicle code fines. Use of Money and Property includes interest earned which decreased by 23.95% during the fiscal year. Other Agencies increased by \$338,729, as there were calls from the state for fire responses this fiscal year. Revenue received from the State for library services was discontinued, and Motor Vehicle In-Lieu Fees were discontinued by the State. Charges for services decreased by 11.12%. Other Revenue accounts for any payments received during the year that do not fit into any other category. Because of that, it fluctuates from year to year. This year Other Revenue decreased by \$112,596 due to the catch up State mandate payments were received in fiscal year 2014 and not in 2015.

General Fund expenditures totaled \$14,239,678 in 2014-15, a decrease of 0.4%, or \$60,680 from 2013-14. The following chart highlights the difference between the two fiscal years by program area.

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

Program Area	2014-15	2013-14	Inc. (Dec.)	% Inc. (Dec)
General Administration	\$ 2,175,227	\$ 2,444,122	(\$268,895)	-12.36%
Planning & Community Development	1,315,104	1,228,296	86,808	6.60%
Police Services	3,344,988	3,325,992	18,996	0.57%
Fire Department	4,089,075	3,958,019	131,056	3.21%
Public Works/Streets	961,078	956,287	4,791	0.50%
Public Works/Parks	615,142	622,768	(7,626)	-1.24%
Recreation	586,502	609,560	(23,058)	-3.93%
Library	825,270	835,295	(10,025)	-1.21%
Debt Service	327,292	320,019	7,273	2.22%
Total	\$ 14,239,678	\$ 14,300,358	\$ (60,680)	-0.42%

The General Fund performed strongly during fiscal year 2014-15. The ending fund balance at June 30, 2015 of \$5,171,674. Of the \$5.17 million fund balance, \$321,614 is assigned, and \$4.85 million is unassigned.

□ 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 \$1,632,208. Most of the projects completed in fiscal year 2015 were in Streets, Curbs and Gutters; Corporation Yard, Doherty Bridge, Bon Air Bridge & other public improvements. Expenses related to the Housing Element and the General Plan Update are also accounted for in this fund. The ending fund balance includes dollars being set aside for the completion of the Bon Air Bridge Replacement project.

2014-15 Capital Projects Fund Performance

Revenues	\$ 1,315,487
Expenditures	5,057,410
Excess of Revenues	\$ (3,741,923)
Other Financing Sources (Uses)	
Transfers In/(Out)	\$ 2,109,715
Net Other Financing Sources	\$ 2,109,715
Net change in Fund Balance	(1,632,208)
Beginning Fund Balance	5,639,003
Ending Fund Balance	\$ 4,006,795

□ **Other Governmental Funds**

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

Taken as a whole, the following chart reflects the performance of these funds during 2014-15.

**2014-15 Performance of
Other Governmental Funds**

Revenues	\$ 3,450,185
Expenditures	980,998
Excess of Revenues	\$ 2,469,187
Other Financing Sources	
Transfers In/Out	\$ (2,235,367)
Net Other Financing Sources	\$ (2,235,367)
Net change in Fund Balance	233,820
Beginning Fund Balance	3,687,135
Ending Fund Balance	\$ 3,920,955

Debt Administration

The City’s debt consists of the Capital Lease Obligations that were used to finance the seven-year lease for a Pierce Fire truck and the Corporation Yard. The Pierce Fire Truck debt was paid off as of June 30, 2015. The Corporation Yard lease is to finance the remodel of the corporation yard and other public capital improvements. Payments are semi-annual with interest of 2.30%. The outstanding balance at June 30, 2015 is \$2,706,806.

Budgeting

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all other Major Funds. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting, consistent with generally accepted accounting practices (GAAP). Operating appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. Project-length financial plans are adopted for capital projects. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated between departments within the same fund without City Council approval.

Conclusion

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

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

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

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

CITY OF LARKSPUR
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Cash and investments (Note 3):	
Available for operations	\$14,151,668
Restricted cash and investments	885,289
Receivables:	
Accounts	2,426,548
Loans (Note 6)	224,351
Prepaid items	3,000
Capital Assets (Note 5):	
Nondepreciable	4,210,440
Depreciable, net	<u>23,129,555</u>
Total Assets	<u>45,030,851</u>
 DEFERRED OUTFLOWS	
Deferred outflows related to pension (Note 10)	912,156
 LIABILITIES	
Accounts payable	1,462,735
Accrued liabilities	232,671
Claims payable (Note 12)	
Due within one year	243,533
Due in more than one year	198,422
Unearned revenue	323,794
Deposits	827,000
Compensated absences payable (Note 2I)	
Due within one year	71,762
Due in more than one year	180,976
Long-term debt (Note 7):	
Due within one year	180,855
Due in more than one year	2,525,951
Net OPEB obligation - due in more than one year (Note 11)	3,498,164
Net pension liability (Note 10)	<u>9,046,789</u>
Total Liabilities	<u>18,792,652</u>
 DEFERRED INFLOWS	
Deferred inflows related to pension (Note 10)	<u>2,872,988</u>
 NET POSITION (Note 9A)	
Net investment in capital assets	<u>25,518,478</u>
Restricted for:	
Capital projects	19,542
Special revenue projects	<u>3,901,413</u>
Total Restricted Net Position	<u>3,920,955</u>
Unrestricted net position	<u>(5,162,066)</u>
Total Net Position	<u><u>\$24,277,367</u></u>

See accompanying notes to financial statements

CITY OF LARKSPUR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$3,532,872	\$265,063	\$750	(\$3,267,059)
Planning and community development	1,313,959	97,210	1,231,686	14,937
Police services	3,378,137		54,196	(3,323,941)
Fire	4,227,566	277,619		(3,949,947)
Public works / streets	1,141,922	1,835,170	39,272	\$1,439,941
Public works / parks	697,009			128,682
Recreation	1,425,865	1,197,753		19,393
Library	825,330		14,843	(810,487)
Special projects	74,456			(74,456)
Interest on long-term debt	76,139			(76,139)
Total Governmental Activities	\$16,693,255	\$3,672,815	\$1,340,747	\$1,588,016
General revenues:				
Taxes:				
Sales tax				2,062,894
Property taxes				9,556,284
Other taxes				2,754,723
Use of money and property				33,615
Total general revenues				14,407,516
Change in Net Position				4,315,839
Net Position-Beginning, as adjusted (Note 9F)				19,961,528
Net Position-Ending				\$24,277,367

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 year 2015. 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.

CAPITAL PROJECTS FUND

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

LOCAL ROAD FUNDS

To account for revenue from local and regional funds, including Measure A, TAM Measure B, and Regional Measure 2. Used for projects that reduce traffic congestion and improve transportation in Larkspur and Marin County.

CITY OF LARKSPUR
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3):				
Available for operations	\$7,682,814	\$1,983,751	\$4,065,026	\$13,731,591
Restricted cash and investments		885,289		885,289
Accounts receivable	621,366	1,392,801	362,381	2,376,548
Loans receivable			224,351	224,351
Prepaid items			3,000	3,000
Advance to other funds (Note 4B)		1,982,041		1,982,041
	<u>\$8,304,180</u>	<u>\$6,243,882</u>	<u>\$4,654,758</u>	<u>\$19,202,820</u>
Total Assets				
LIABILITIES				
Accounts payable	\$417,808	\$973,329	\$71,598	\$1,462,735
Accrued liabilities	206,968	25,703		232,671
Deposits payable	621,950	187,251	17,799	827,000
Unearned revenue			323,794	323,794
Advance from other funds (Note 4B)	1,885,780		96,261	1,982,041
	<u>3,132,506</u>	<u>1,186,283</u>	<u>509,452</u>	<u>4,828,241</u>
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		1,050,804	224,351	1,275,155
FUND BALANCES				
Fund balances (deficit) (Note 9B)				
Nonspendable			3,000	3,000
Restricted			3,669,262	3,669,262
Committed		4,006,795	299,337	4,306,132
Assigned	321,614			321,614
Unassigned	4,850,060		(50,644)	4,799,416
	<u>5,171,674</u>	<u>4,006,795</u>	<u>3,920,955</u>	<u>13,099,424</u>
Total Fund Balances				
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,304,180</u>	<u>\$6,243,882</u>	<u>\$4,654,758</u>	<u>\$19,202,820</u>

See accompanying notes to financial statements

CITY OF LARKSPUR
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$13,099,424

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 27,339,995

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments available for operations	420,077
Deposit-pay as you go	50,000
Claims payable	(441,955)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 1,275,155

DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows related to pension	912,156
Deferred inflows related to pension	(2,872,988)

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(2,706,806)
Compensated absences	(252,738)
Net OPEB obligation	(3,498,164)
Net pension liability	(9,046,789)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$24,277,367

See accompanying notes to financial statements

CITY OF LARKSPUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$13,789,389		\$1,850,032	\$15,639,421
Licenses and permits	696,808		284,540	981,348
Penalties and fines	69,788			69,788
Use of money and property	11,881	\$12,064	8,170	32,115
Other agencies	533,036	1,243,544		1,776,580
Charges for services	722,128		1,108,661	1,830,789
Pers savings	1,500			1,500
Other revenue	115,423	59,879	198,782	374,084
Total Revenues	15,939,953	1,315,487	3,450,185	20,705,625
EXPENDITURES				
Current:				
General administration	2,175,227			2,175,227
Planning and community development	1,315,104			1,315,104
Police services	3,344,988			3,344,988
Fire	4,089,075			4,089,075
Public works / streets	961,078			961,078
Public works / parks	615,142		77,606	692,748
Recreation	586,502		817,259	1,403,761
Library	825,270			825,270
Special projects			60,510	60,510
Capital outlay		5,057,410	25,623	5,083,033
Debt service:				
Principal retirement	251,153			251,153
Interest and fiscal charges	76,139			76,139
Total Expenditures	14,239,678	5,057,410	980,998	20,278,086
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,700,275	(3,741,923)	2,469,187	427,539
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	130,000	2,209,715		2,339,715
Transfers (out) (Note 4A)	(269,744)	(100,000)	(2,235,367)	(2,605,111)
Total Other Financing Sources (Uses)	(139,744)	2,109,715	(2,235,367)	(265,396)
NET CHANGE IN FUND BALANCES	1,560,531	(1,632,208)	233,820	162,143
BEGINNING FUND BALANCES	3,611,143	5,639,003	3,687,135	12,937,281
ENDING FUND BALANCES	\$5,171,674	\$4,006,795	\$3,920,955	\$13,099,424

See accompanying notes to financial statements

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, 2015

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$162,143

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

CAPITAL ASSETS TRANSACTIONS

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

The capitalized expenditures are therefore added back to fund balance	4,972,167
Depreciation expense is deducted from the fund balance	(766,722)
Loss on retirement of capital assets	(62,083)

LONG-TERM DEBT TRANSACTIONS

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

Repayment of debt principal is added back to fund balance	251,153
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PENSION TRANSACTIONS

Payment of pension plan contributions is an expenditure in the governmental funds, but in the Statement of Net Position the payment is a deferred outflow.

(22,681)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

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

Unavailable revenue	263,940
Compensated absences	(5,494)
Net OPEB obligation	(750,716)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

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

Change in Net Position - Internal Service Fund	274,132
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$4,315,839</u></u>
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See accompanying notes to financial statements

CITY OF LARKSPUR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$12,854,904	\$12,854,904	\$13,789,389	\$934,485
Licenses and permits	519,000	519,000	696,808	177,808
Penalties and fines	39,700	39,700	69,788	30,088
Use of money and property	18,001	18,001	11,881	(6,120)
Other agencies	85,000	85,000	533,036	448,036
Charges for services	738,015	738,015	722,128	(15,887)
PERS savings			1,500	1,500
Other revenue	93,000	93,000	115,423	22,423
Total Revenues	<u>14,347,620</u>	<u>14,347,620</u>	<u>15,939,953</u>	<u>1,592,333</u>
EXPENDITURES:				
Current:				
General administration	2,272,631	2,328,052	2,175,227	152,825
Planning and community development	1,384,990	1,412,213	1,315,104	97,109
Police services	3,344,990	3,344,990	3,344,988	2
Fire	4,156,912	4,173,379	4,089,075	84,304
Public works / streets	1,006,178	1,004,838	961,078	43,760
Public works / parks	649,078	660,669	615,142	45,527
Recreation	636,803	637,498	586,502	50,996
Library	912,834	912,020	825,270	86,750
Debt service:				
Principal retirement	243,939	243,939	251,153	(7,214)
Interest and fiscal charges	76,139	76,139	76,139	
Total Expenditures	<u>14,684,494</u>	<u>14,793,737</u>	<u>14,239,678</u>	<u>554,059</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(336,874)</u>	<u>(446,117)</u>	<u>1,700,275</u>	<u>2,146,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	240,000	240,000	130,000	(110,000)
Transfers (out) (Note 4A)	(35,000)	(35,000)	(269,744)	(234,744)
Total other financing sources (uses)	<u>205,000</u>	<u>205,000</u>	<u>(139,744)</u>	<u>(344,744)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$131,874)</u></u>	<u><u>(\$241,117)</u></u>	<u>1,560,531</u>	<u><u>\$1,801,648</u></u>
BEGINNING FUND BALANCE			<u>3,611,143</u>	
ENDING FUND BALANCE			<u><u>\$5,171,674</u></u>	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUND

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

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

INTERNAL SERVICE FUND

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

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities- Insurance Internal Service Fund
ASSETS	
Cash and investments (Note 3)	\$420,077
Deposit - pay as you go	50,000
Total Assets	470,077
LIABILITIES	
Claims payable (Note 12):	
Due within one year	198,422
Due in more than one year	243,533
Total Liabilities	441,955
NET POSITION (Note 9A)	
Unrestricted net position	28,122
Total Net Position	\$28,122

See accompanying notes to financial statements

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities- Insurance Internal Service Fund
OPERATING REVENUE	
Miscellaneous	\$35,484
OPERATING EXPENSES	
Claims and administrative expense	27,060
Operating Income (Loss)	8,424
NON-OPERATING INCOME	
Interest income	312
Income before transfers	8,736
Transfers in (Note 4A)	265,396
Change in net position	274,132
BEGINNING NET POSITION (DEFICIT)	(246,010)
ENDING NET POSITION	\$28,122

See accompanying notes to financial statements

CITY OF LARKSPUR
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities- Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Claims paid	<u>(\$19,698)</u>
Net Cash Provided (Used) from Operating Activities	<u>(19,698)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>265,396</u>
Net Cash Provided (Used) from Operating Activities	<u>265,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>344</u>
Net Cash Flows	246,042
Cash and investments at beginning of period	<u>174,035</u>
Cash and investments at end of period	<u><u>\$420,077</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	\$8,424
Change in assets and liabilities:	
Claims payable	<u>(28,122)</u>
Cash Flows from Operating Activities	<u><u>(\$19,698)</u></u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

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

RETIREE BENEFITS TRUST FUND

The fund is used to account for the medical benefits for retired employees of the City.

CITY OF LARKSPUR
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Retiree Benefits Trust Fund	Agency Funds
ASSETS		
Restricted cash and investments (Note 3)	\$77,547	\$2,688,123
Accounts receivable		163,533
Interest receivable		493
Prepaid items		3,450
	<u>\$77,547</u>	<u>3,450</u>
Total Assets	<u>\$77,547</u>	<u>\$2,855,599</u>
 LIABILITIES		
Accounts payable		\$1,017,679
Accrued payroll		42,842
Deposits		25,258
Due to property owners & bondholders		1,199,531
Due to Ross Valley Paramedic Authority		478,999
Due to Central Marin Police Authority		91,290
		<u>91,290</u>
Total Liabilities		<u>\$2,855,599</u>
 NET POSITION		
Held in trust for OPEB benefits	<u>\$77,547</u>	

See accompanying notes to financial statements

CITY OF LARKSPUR
 RETIREE BENEFITS TRUST FUND
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Retiree Benefits Trust Fund
ADDITIONS	
Employer contributions (Note 11)	\$246,476
Net investment income	(734)
Total additions	245,742
DEDUCTIONS	
Premiums paid	245,958
Total deductions	245,958
Net change in net position	(216)
NET POSITION HELD IN TRUST FOR OPEB BENEFITS	
Beginning of year	77,763
End of year	\$77,547

See accompanying notes to financial statements

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CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - GENERAL

The City of Larkspur (City) is a residential community located in Marin County approximately fifteen miles north of San Francisco, California. The City was incorporated as a municipal corporation in 1908.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City provides services to residents primarily by contracting with other governmental agencies and private contractors. City services are provided as follows:

Public Safety - The City provides fire protection services. The City contracts for its Code Enforcement/Building Inspection Services. The City is a member of the Central Marin Police Authority with the Town of Corte Madera and the Town of San Anselmo; the Authority provides police services to the City. Paramedic services are provided by Ross Valley Paramedic Authority of which the City is a member. Both of these authorities are described in Note 13.

Public Works and Engineering - The City maintains 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.

Planning, Administration - and other services are provided.

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.

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

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.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fiduciary fund types:

Trust Fund – This fund accounts for assets held by the City as an agent for various functions. The Retiree Benefits Trust Fund accounts for the accumulation of resources to be used for retiree benefit payments at appropriate amounts and times in the future. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

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

D. Basis of Accounting

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

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

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue since they are remitted shortly after year end. Fines collected by the City, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Expenditures are also generally recognized under the modified accrual basis of accounting. Exceptions to this rule is principal and interest on long-term debt, which is not recognized by governmental funds until it is due, and the current portion of compensated absences payable.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Budgets and Budgetary Accounting*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures by fund and departments and the revenues expected to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between line items within any department; however, any revisions which alter total expenditures of the City must be approved by City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, all Special Revenue Funds, except the Housing in Lieu, Property Development, Heritage Preservation and the Capital Projects Funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that proprietary funds do not budget depreciation, but budget for capital outlay. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to original appropriations.

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 Appropriation
Housing in Lieu	
Capital outlay	\$21,524
Summer School	
Recreation	26,905

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.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Changes in compensated absences were as follows:

	2015	2014
Beginning balance	\$247,244	\$84,893
Net change	5,494	162,351
Ending Balance	\$252,738	\$247,244
Current Portion	\$71,762	\$69,124

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

J. Deferred Compensation Plans

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

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows related to pensions. See further discussion in Note 10 below.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, that qualify for reporting in this category. One item related to unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: loans receivable. The second item represents deferred inflows related to pensions. See further discussion in Note 10 below. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Estimates and Assumptions

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

NOTE 3 - CASH AND INVESTMENTS

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

A. Policies

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

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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	\$14,151,668
Restricted cash and investments	885,289
in Fiduciary Funds (separate statement):	
Retiree Benefits Trust Fund	77,547
Agency Funds	<u>2,688,123</u>
 Total City Cash and Investments	 <u><u>\$17,802,627</u></u>

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

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

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

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

*** Issuer must be a California institution.

D. Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
<i>City of Larkspur:</i>				
California Local Agency Investment Fund	\$7,188,624			\$7,188,624
Investment Trust of California (CalTrust)		\$6,704,898	\$5,254	6,710,152
Money Market Funds	21,857			21,857
Total City Investments	<u>\$7,210,481</u>	<u>\$6,704,898</u>	<u>\$5,254</u>	13,920,633
<i>City of Larkspur:</i>				
Cash in banks and on hand				3,804,447
<i>Retiree Benefits Trust Fund:</i>				
Annuity Contracts				<u>77,547</u>
Total Cash and Investments				<u>\$17,802,627</u>

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, 2015, these investments matured in an average of 239 days.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015 the Short-Term Fund investments matured in an average of 489 days and the Medium-Term Fund investments matured in an average of 734 days. As of June 30, 2015, the Short-Term Fund was rated AAF by Standard and Poor's investment Rating System and the Medium-Term Fund was not rated.

Money Market funds are available for withdrawal and at June 30, 2015, have an average maturity of 49 days and were rated AAAM by Standard and Poor's investment rating system.

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Interfund transfers for the year ended June 30, 2015, were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Capital Projects Fund	\$100,000
	Non-Major Governmental Funds	30,000
Capital Projects Fund	General Fund	4,348
	Non-Major Governmental Funds	2,205,367
Insurance Internal Service Fund	General Fund	265,396
	Total Interfund Transfers	<u><u>\$2,605,111</u></u>

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS

B. Interfund Advance

During the fiscal year ending June 30, 2012, the Council approved an interfund advance of \$3,127,846 from the Capital Projects to the General Fund in the amount of \$2,979,309 and to the Twin Cities Child Care Fund in the amount of \$148,537 for the purpose of paying off the side fund liabilities with California Public Employees Retirement System (CalPERS). This advance is being repaid in equal monthly payments of \$27,167 plus interest calculated at the rate of the Local Agency Investment Fund (LAIF). The total balance outstanding as of June 30, 2015, is \$1,982,041.

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

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

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Land Improvements	40 years
Street, Curbs, & Gutters	40 years
Machinery & Equipment	10 years
Buildings	40 years
Vehicles	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in capital assets were as follows:

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$830,756		(\$62,083)		\$768,673
Construction In Progress	1,781,224	\$4,942,093		(\$3,281,550)	3,441,767
Total capital assets not being depreciated	2,611,980	4,942,093	(\$62,083)	(3,281,550)	4,210,440
Capital assets being depreciated:					
Land Improvements	4,697,899				4,697,899
Streets, Curbs, & Gutters	15,396,240			3,281,550	18,677,790
Machinery & Equipment	1,587,551				1,587,551
Buildings	3,582,832	585			3,583,417
Vehicles	2,063,042	29,489	(101,000)		1,991,531
Total capital assets being depreciated	27,327,564	30,074	(101,000)	3,281,550	30,538,188
Less accumulated depreciation for:					
Land Improvements	(1,008,380)	(117,522)			(1,125,902)
Streets, Curbs, & Gutters	(896,057)	(467,580)			(1,363,637)
Machinery & Equipment	(1,378,372)	(35,892)			(1,414,264)
Buildings	(1,574,273)	(84,458)			(1,658,731)
Vehicles	(1,885,829)	(61,270)	101,000		(1,846,099)
Total accumulated depreciation	(6,742,911)	(766,722)	101,000		(7,408,633)
Net capital assets being depreciated	20,584,653	(736,648)		3,281,550	23,129,555
Governmental activity capital assets, net	\$23,196,633	\$4,205,445	(\$62,083)		\$27,339,995

A. Capital Asset Contributions

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 – CAPITAL ASSETS (Continued)

B. Depreciation Allocation

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

	Depreciation Expense
General government	\$620,612
Fire	95,139
Public works/streets	7,982
Public works/parks	5,321
Recreation	22,143
Library	1,579
Special projects	13,946
Total Governmental Activities	\$766,722

NOTE 6 – LOAN RECEIVABLE

On June 1, 1989, the City entered into a \$262,378 ground lease agreement with EAH Larkspur Creekside Associates. On August 1, 2006, that agreement was amended and restated, as EAH Larkspur Creekside Associates II, L.P. assumed all rights and obligations under the ground lease agreement. The ground lease was amended to extend the maturity date to January 1, 2062. The lease agreement states annual rent shall be equal to the lesser of ten percent (10%) of annual gross receipts and sixty percent (60%) of surplus cash. The lease bears zero interest and the unpaid deferred rent is due at maturity. As of June 30, 2015, the lease had a balance of \$224,351.

NOTE 7 – LONG-TERM DEBT

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

Type of Obligation	Authorized and Issued	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
Fire Engine Lease	\$440,000	\$74,384	\$74,384		
Corporation Yard Lease	3,067,000	2,883,575	176,769	\$2,706,806	\$180,855
Total Governmental Activity Debt	\$3,507,000	\$2,957,959	\$251,153	\$2,706,806	\$180,855

A. Fire Engine Lease

In December 2006, the City entered into a \$440,000 lease agreement with Oshkosh Capital, for the purpose of financing the purchase of a fire engine. The lease bears interest at a rate of 4.78 percent and was payable annually with interest and principal payments commencing July 10, 2008. The lease was fully repaid during the fiscal year ended June 30, 2015.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG-TERM DEBT (Continued)

B. Corporation Yard Lease

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

C. Debt Service Requirements

At June 30, 2015, the fire engine and corporation yard lease payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$180,855	\$61,222	\$242,077
2017	185,040	57,039	242,079
2018	189,321	52,758	242,079
2019	193,700	48,379	242,079
2020	198,181	43,899	242,080
2021-2025	1,061,828	148,570	1,210,398
2026-2028	697,881	28,257	726,138
Total	<u>\$2,706,806</u>	<u>\$440,124</u>	<u>\$3,146,930</u>

NOTE 8 - SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT

The City is the collecting and paying agent for the debt of the special assessment districts below, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, the debt is not included in the City's financial statements. The outstanding balance of each of these debt issues as of June 30, 2015 is as follows:

LMFA Dredging and Maintenance project	\$710,000
---------------------------------------	-----------

At June 30, 2015, fiscal agents for this debt issue held funds, which are pledged for the payment of the debt. 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.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCE

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows, if any, over all its liabilities and deferred inflows, if any, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, and debt service requirements.

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

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact and assets not expected to be converted to cash, such as prepaids, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the Council which may be altered only by formal action of the Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Council or its designee and may be changed at the discretion of the Council or its designee. This category includes Nonspendables, when it is the Council's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, which have not been restricted or committed.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCE (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's fund balances as of June 30, 2015 are below:

Fund Balance Classifications	General Fund	Capital Projects	Other Governmental Funds	Total
Nonspendable;				
Prepays			\$3,000	\$3,000
Restricted for:				
Affordable Housing			41,382	41,382
Storm Drain Run Off			81,990	81,990
Street Improvements			2,891,660	2,891,660
Child Care			68,692	68,692
Business Enhancement			269,084	269,084
Capital Projects			316,454	316,454
Total Restricted Fund Balances			<u>3,669,262</u>	<u>3,669,262</u>
Committed to:				
Heritage Preservation			138,325	138,325
Summer School			141,470	141,470
Capital Projects		\$4,006,795	19,542	4,026,337
Total Committed Fund Balances		<u>4,006,795</u>	<u>299,337</u>	<u>4,306,132</u>
Assigned to:				
State Bail Out	\$321,614			321,614
Total Assigned Fund Balances	<u>321,614</u>			<u>321,614</u>
Unassigned	<u>4,850,060</u>		<u>(50,644)</u>	<u>4,799,416</u>
Total Fund Balances (Deficit)	<u>\$5,171,674</u>	<u>\$4,006,795</u>	<u>\$3,920,955</u>	<u>\$13,099,424</u>

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCE (Continued)

C. *Minimum Fund Balance Policy*

On June 15, 2011, the City Council adopted resolution #41-11 establishing the General Fund reserve policy.

Reserve Levels

The City will set aside funds into three designated reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, and Capital and Special Projects Reserve.

The City commits to maintaining these reserves at a minimum of 25% of General Fund annual operating expenditures (minus one-time expenditures), equally divided between the Catastrophic Reserve (15%) and Budget Stabilization Reserve (10%), excluding the Capital and Special Projects Reserve. The General Fund Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process. Appropriations of any General Fund reserves require formal Council authorization.

Should a catastrophic disaster or loss of a significant source of the City's sales tax revenue occur, the required reserve level should be adequate to meet the City's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses for approximately ninety days, including salary and benefits for safety and non-safety City employees, while still meeting debt service obligations. This time frame would enable the City to explore other available cash alternatives, including the use of internal service funds. Likewise, should the City experience a loss of a primary sales tax contributor, the reserve level in the Budget Stabilization Fund would provide for a two year transition period, giving the City adequate time to realign its operating costs with available resources, while minimizing service impacts.

D. *Budget Stabilization*

Funds reserved under this category shall be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- Significant decrease in property or sales tax, or other economically sensitive revenues;
- Loss of businesses considered to be significant sales tax generators;
- Reductions in revenue due to actions by the state/federal government;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – NET POSITION AND FUND BALANCE (Continued)

E. Deficit Fund Balance

At June 30, 2014, the Local Road Capital Projects Fund had a deficit fund balance of \$50,644. The deficit will be eliminated by future revenues.

F. Restatement of Net Position

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intension of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intension of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities were reduced by \$10,984,940. See Note 10 for additional information.

NOTE 10 - PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLAN

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety		
	Classic	PEPRA	
	Prior to January 1, 2014	On or after January 1, 2014	
Hire date			
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	Monthly for life	Monthly for life	
Retirement age	50	50-57	
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%	
Required employer contribution rates	23.95%	12.25%	

	Safety		
	Tier 1	Tier 2	PEPRA
	Prior to December 1, 1986	After December 1, 1986	On or after January 1, 2013
Hire date			
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employer contribution rates	310.622%	26.33%	11.50%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Safety Classic</u>	<u>Miscellaneous Classic</u>	<u>Miscellaneous Tier 2</u>	<u>Miscellaneous PEPRA</u>
Contributions - employer	\$429,942	\$311,214	\$38,396	\$22,674
Contributions - employee (paid by employer)	160,324	158,507	24,363	

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous - Classic	\$3,763,013
Miscellaneous - Tier 2	332
Miscellaneous - PEPRA	49
Safety - Classic	5,283,395
Total Net Pension Liability	<u>\$9,046,789</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous Classic</u>	<u>Miscellaneous Tier 2</u>	<u>Miscellaneous PEPRA</u>	<u>Safety Classic</u>
Proportion - June 30, 2013	0.16%	0.00%	0.00%	0.15%
Proportion - June 30, 2014	0.15%	0.00%	0.00%	0.14%
Change - Increase (Decrease)	-0.01%	0.00%	0.00%	-0.01%

For the year ended June 30, 2015, the City recognized pension expense of \$824,907. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$802,226	\$0
Differences between actual and expected experience	0	0
Changes in assumptions	0	0
Net differences between projected and actual earnings on plan investments	0	(2,859,907)
Adjustments due to differences in proportion	<u>109,930</u>	<u>(13,081)</u>
Total	<u>\$912,156</u>	<u>(\$2,872,988)</u>

\$802,226 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2015	(\$680,388)
2016	(680,388)
2017	(687,306)
2018	(714,976)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 % thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous Classic	Miscellaneous Tier 2	Miscellaneous PEPRA	Safety Classic
1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$6,704,525	\$592	\$87	\$9,092,039
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$3,763,013	\$332	\$49	\$5,283,395
1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$1,321,837	\$116	\$17	\$2,145,237

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

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

A. Plan Description and Funding Policy

The cost of the benefits provided by the Plan is currently being paid by the City on a pay-as-you-go basis. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated. Coverage requires the employee to satisfy the requirements under CalPERS, which requires attainment of age 50 (age 52, if a new member on or after January 1, 2013). Currently, 42 retirees meet the eligibility requirements and receive reimbursements. The retiree medical benefits are summarized in the table below:

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the entry age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, (b) 3.25% projected annual salary increase, (c) inflation rate of 3.0%, and (d) health care cost trend rates from 4.6% to 8.4% for medical benefits. Actuarially determined amounts are subject to revision at least tri-annually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis.

C. Funding Progress and Funded Status

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

Annual required contribution	\$1,093,879
Interest on net OPEB obligation	111,992
Amortization of OPEB obligation	<u>(126,866)</u>
Annual OPEB cost	<u>1,079,005</u>
Contributions made:	
Current year premiums paid	(60,166)
Current year contributions to Retiree Benefits trust	<u>(268,123)</u>
Increase in net OPEB obligations	750,716
Net OPEB obligation June 30, 2014	<u>2,747,448</u>
Net OPEB obligation June 30, 2015	<u><u>\$3,498,164</u></u>

The Plan's annual OPEB cost and actual contributions for the fiscal year ended 2015 is set forth below. Multi-year trend information is presented in the required supplementary information immediately following the notes to the financial statements.

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2015	\$1,079,005	\$328,289	30%	\$3,498,164

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent 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]
7/1/2013	\$0	\$12,308,419	\$12,308,419	0.00%	\$4,336,754	283.82%

NOTE 12 - WORKER'S COMPENSATION AND GENERAL LIABILITY PROGRAMS

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

A. Coverage and Deposits

Bay Cities Joint Powers Insurance Authority Workers Compensation:

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

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

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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

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

	2015	2014
<i>Claims Payable:</i>		
Outstanding claims	\$300,754	\$328,976
Claims incurred but not reported	170,010	181,174
Claims paid	(205,494)	(209,396)
Total liability for unpaid claims	\$265,270	\$300,754
Current portion	\$194,440	\$188,615

Bay Cities Joint Powers Insurance Authority - Liability Coverage:

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

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

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

Financial statements for BCJPIA may be obtained from Bickmoore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

	2015	2014
<i>Claims Payable:</i>		
Outstanding claims	\$169,323	\$89,892
Claims incurred but not reported	88,580	94,353
Claims paid	(81,218)	(14,922)
Total liability for unpaid claims	\$176,685	\$169,323
Current portion	\$49,093	\$86,761

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

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 - JOINT POWERS AGENCIES

A. *General*

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

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

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

B. *Central Marin Police Authority*

The Central Marin Police Authority was created on January 30, 1980 by an agreement between the City of Larkspur and the Town of Corte Madera. In January of 2013 the agreement was amended to include the Town of San Anselmo and to change the name from the Twin Cities Police Authority to the Central Marin Police Authority. The agreement provides for the operation and management of the Central Marin Police Department, which renders police services to both these communities. The Authority is controlled by a six member Council consisting of two Council Members from each community. None of the communities exercises specific control over the Authority's activities.

Central Marin Police Authority is financed equally by its three parent communities, except for patrol expenditures which are shared on a pro rata basis and certain specific expenditures which are paid for by the benefiting community.

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

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.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 - JOINT POWERS AGENCIES (Continued)

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.

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

D. *Marin Telecommunications Authority*

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

E. *Marin General Services Authority*

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

F. *Marin Emergency Radio Authority*

The City is a member of Marin Emergency Radio Authority (MERA), a joint powers agency which operates under a joint powers agreement among the County of Marin and twenty-five local agencies within the County. The Authority's purpose is to plan, finance, implement, manage, own and operate a multi-jurisdictional and County-wide public safety and emergency radio system. Each agency member has agreed to fund a pro-rata share of the debt service of the Marin Public Safety and Emergency Radio System, which is a wireless radio communications system. Audited financial statements may be obtained by mailing at 95 Rowland Way, Novato, California 94945.

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.

CITY OF LARKSPUR
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LARKSPUR REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	<u>Safety Classic 2015</u>	<u>Miscellaneous Classic 2015</u>	<u>Miscellaneous Tier 2 2015</u>	<u>Miscellaneous PEPRA 2015</u>
Plan's proportion of the Net Pension Liability (Asset)	0.08491%	0.06047%	0.00001%	0.00000%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,283,395	\$3,763,013	\$332	\$49
Plan's Covered Employee Payroll	\$1,928,838	\$2,277,553	\$198,249	\$158,645
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	273.92%	165.22%	0.17%	0.03%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%	83.03%	83.05%	82.99%
Plan's Proportionate Share of Aggregate Employer Contributions	\$655,417	\$497,833	\$44	\$6

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LARKSPUR REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	Safety Classic 2015	Miscellaneous Classic 2015	Miscellaneous Tier 2 2015	Miscellaneous PEPRA 2015
Actuarially determined contribution	\$441,977	\$337,061	\$32,440	\$11,448
Contributions in relation to the actuarially determined contributions	(441,977)	(337,061)	(32,440)	(11,448)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
 Covered-employee payroll	 \$1,928,838	 \$2,277,553	 \$198,249	 \$158,645
 Contributions as a percentage of covered- employee payroll	 22.91%	 14.80%	 16.36%	 7.22%

Notes to Schedule

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
	plan investment
	expense, including
Investment rate of return	inflation
Retirement age	67 yrs. Misc., 57 yrs. Safety
Mortality	RP-2000 Healthy Annuitant Mortality Table

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LARKSPUR REQUIRED SUPPLEMENTARY INFORMATION

POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

SCHEDULE OF CONTRIBUTIONS

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
June 30, 2011	573,367	286,410	50%	869,086
June 30, 2012	1,067,288	414,862	39%	1,521,512
June 30, 2013	810,237	296,335	37%	2,035,414
June 30, 2014	1,019,414	319,052	31%	2,747,448
June 30, 2015	1,079,005	328,289	30%	3,498,164

SCHEDULE OF FUNDING PROGRESS

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%
7/1/2013	\$0	\$12,308,419	\$12,308,419	0.00%	\$4,336,754	283.82%

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.

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.

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

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

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

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

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

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

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

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

Local Road Fund – to account for revenue received from Measure A and B.

Twin Cities Child Care - To account for revenue received from participants and expenditures used for the Day Care Center.

Capital Projects Fund

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

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Park Development	Property Development	Gas Tax	Measure C
ASSETS				
Cash and investments:				
Available for operations	\$141,319	\$53,842	\$674,446	\$371,629
Accounts receivable	128,682			60,300
Loans receivable				
Prepaid items				
Total Assets	\$270,001	\$53,842	\$674,446	\$431,929
LIABILITIES				
Accounts payable	\$1,392			
Deposits payable	5,997			
Unearned Revenue				
Advance from other funds				
Total Liabilities	7,389			
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND EQUITY				
Fund balances				
Nonspendable				
Restricted	262,612	\$53,842	\$674,446	\$431,929
Committed				
Assigned				
Unassigned				
Total Fund Balances (Deficit)	262,612	53,842	674,446	431,929
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$270,001	\$53,842	\$674,446	\$431,929

SPECIAL REVENUE FUNDS

Transit Mitigation	Housing in Lieu	Business Enhancement	Heritage Preservation	Summer School
\$621,018	\$41,382	\$250,773 18,311	\$139,380	\$206,885
<u>\$621,018</u>	<u>\$265,733</u>	<u>\$269,084</u>	<u>\$139,380</u>	<u>\$206,885</u>
			\$203 852	\$65,415
			1,055	65,415
	<u>\$224,351</u>			
\$621,018	41,382	\$269,084	138,325	141,470
<u>621,018</u>	<u>41,382</u>	<u>269,084</u>	<u>138,325</u>	<u>141,470</u>
<u>\$621,018</u>	<u>\$265,733</u>	<u>\$269,084</u>	<u>\$139,380</u>	<u>\$206,885</u>

(Continued)

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Storm Drain Run Off	Vehicle/Road Impact Fees	Local Road Fund	Twin Cities Child Care
ASSETS				
Cash and investments:				
Available for operations	\$83,543	\$1,164,267	\$84,247	\$212,848
Accounts receivable	697		154,296	
Loans receivable				
Prepaid items				3,000
Total Assets	\$84,240	\$1,164,267	\$238,543	\$215,848
LIABILITIES				
Accounts payable	\$2,250			\$2,338
Deposits payable				10,950
Unearned Revenue			\$289,187	34,607
Advance from other funds				96,261
Total Liabilities	2,250		289,187	144,156
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND EQUITY				
Fund balances				
Nonspendable				3,000
Restricted	81,990	\$1,164,267		68,692
Committed				
Assigned				
Unassigned			(50,644)	
Total Fund Balances (Deficit)	81,990	1,164,267	(50,644)	71,692
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$84,240	\$1,164,267	\$238,543	\$215,848

<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
Greenbrae Marina Improvement	
\$19,447	\$4,065,026
95	362,381
	224,351
	3,000
<u>\$19,542</u>	<u>\$4,654,758</u>
	\$71,598
	17,799
	323,794
	96,261
	<u>509,452</u>
	224,351
	3,000
	3,669,262
\$19,542	299,337
	<u>(50,644)</u>
<u>19,542</u>	<u>3,920,955</u>
<u>\$19,542</u>	<u>\$4,654,758</u>

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Park Development	Property Development	Gas Tax	Measure C
REVENUES				
Taxes			\$362,764	\$1,142,650
License and permits				
Use of money and property	(\$37)	\$113	(83)	1,364
Charges for services				
Other revenue	148,075	2,200	2,709	
Total Revenues	<u>148,038</u>	<u>2,313</u>	<u>365,390</u>	<u>1,144,014</u>
EXPENDITURES				
Current:				
Recreation				
Special projects				
Public works / parks	77,606			
Capital outlay				
Total Expenditures	<u>77,606</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>70,432</u>	<u>2,313</u>	<u>365,390</u>	<u>1,144,014</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)			(122,988)	(855,000)
Total Other Financing Sources (Uses)			<u>(122,988)</u>	<u>(855,000)</u>
NET CHANGE IN FUND BALANCES	70,432	2,313	242,402	289,014
BEGINNING FUND BALANCES	<u>192,180</u>	<u>51,529</u>	<u>432,044</u>	<u>142,915</u>
ENDING FUND BALANCES (DEFICIT)	<u><u>\$262,612</u></u>	<u><u>\$53,842</u></u>	<u><u>\$674,446</u></u>	<u><u>\$431,929</u></u>

SPECIAL REVENUE FUNDS

Transit Mitigation	Housing in Lieu	Business Enhancement	Heritage Preservation	Summer School
		\$106,026		
\$1,304	\$86	(38)	\$293	\$104
43,967			1,281	252,454
45,271	86	105,988	1,574	252,558
		9,795		323,415
2,270	21,524			
2,270	21,524	9,795		323,415
43,001	(21,438)	96,193	1,574	(70,857)
		(45,000)		
		(45,000)		
43,001	(21,438)	51,193	1,574	(70,857)
578,017	62,820	217,891	136,751	212,327
\$621,018	\$41,382	\$269,084	\$138,325	\$141,470

(Continued)

CITY OF LARKSPUR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Storm Drain Run Off	Vehicle/Road Impact Fees	Local Road Fund	Twin Cities Child Care
REVENUES				
Taxes	\$91,233		\$134,940	
License and permits		\$284,540		
Use of money and property	(14)	4,333	\$372	\$345
Charges for services		356,586		499,621
Other revenue				550
Total Revenues	91,219	645,459	135,312	500,516
EXPENDITURES				
Current:				
Recreation				484,049
Special projects	60,510			
Public works / parks				
Capital outlay				
Total Expenditures	60,510			484,049
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,709	645,459	135,312	16,467
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(20,000)	(1,186,989)	(5,390)	
Total Other Financing Sources (Uses)	(20,000)	(1,186,989)	(5,390)	
NET CHANGE IN FUND BALANCES	10,709	(541,530)	129,922	16,467
BEGINNING FUND BALANCES	71,281	1,705,797	(180,566)	55,225
ENDING FUND BALANCES (DEFICIT)	<u>\$81,990</u>	<u>\$1,164,267</u>	<u>(\$50,644)</u>	<u>\$71,692</u>

<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
Greenbrae Marina Improvement	
\$12,419	\$1,850,032
	284,540
28	8,170
	1,108,661
	198,782
<u>12,447</u>	<u>3,450,185</u>
	817,259
	60,510
	77,606
<u>1,829</u>	<u>25,623</u>
<u>1,829</u>	<u>980,998</u>
<u>10,618</u>	<u>2,469,187</u>
	<u>(2,235,367)</u>
	<u>(2,235,367)</u>
10,618	233,820
<u>8,924</u>	<u>3,687,135</u>
<u>\$19,542</u>	<u>\$3,920,955</u>

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, 2015

	PARK DEVELOPMENT			GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				\$316,505	\$362,764	\$46,259
Licenses and permits						
Use of money and property		(\$37)	(\$37)		(83)	(83)
Charges for services						
Other revenue	\$131,768	148,075	16,307		2,709	2,709
Total Revenues	<u>131,768</u>	<u>148,038</u>	<u>16,270</u>	<u>316,505</u>	<u>365,390</u>	<u>48,885</u>
EXPENDITURES						
Current:						
Recreation						
Special projects						
Public works / parks	85,000	77,606	7,394			
Capital outlay						
Total Expenditures	<u>85,000</u>	<u>77,606</u>	<u>7,394</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>46,768</u>	<u>70,432</u>	<u>23,664</u>	<u>316,505</u>	<u>365,390</u>	<u>48,885</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)					(122,988)	(122,988)
Total Other Financing Sources (Uses)					<u>(122,988)</u>	<u>(122,988)</u>
NET CHANGE IN FUND BALANCES	<u>\$46,768</u>	<u>70,432</u>	<u>\$23,664</u>	<u>\$316,505</u>	<u>242,402</u>	<u>(\$74,103)</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>192,180</u>			<u>432,044</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$262,612</u>			<u>\$674,446</u>	

MEASURE C			TRANSIT MITIGATION			HOUSING IN LIEU		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$900,000	\$1,142,650	\$242,650						
	1,364	1,364	\$1,000	\$1,304	\$304		\$86	\$86
			25,000	43,967	18,967			
900,000	1,144,014	244,014	26,000	45,271	19,271		86	86
			31,000	2,270	28,730		21,524	(21,524)
			31,000	2,270	28,730		21,524	(21,524)
900,000	1,144,014	244,014	(5,000)	43,001	48,001		(21,438)	(21,438)
	(855,000)	(855,000)	(20,000)		20,000			
	(855,000)	(855,000)	(20,000)		20,000			
\$900,000	289,014	(\$610,986)	(\$25,000)	43,001	\$68,001		(21,438)	(\$21,438)
	142,915			578,017			62,820	
	\$431,929			\$621,018			\$41,382	

(Continued)

CITY OF LARKSPUR
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS ENHANCEMENT			SUMMER SCHOOL		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$65,000	\$106,026	\$41,026			
Licenses and permits						
Use of money and property		(38)	(38)	\$200	\$104	(\$96)
Charges for services				260,000	252,454	(7,546)
Other revenue						
Total Revenues	<u>65,000</u>	<u>105,988</u>	<u>40,988</u>	<u>260,200</u>	<u>252,558</u>	<u>(7,642)</u>
EXPENDITURES						
Current:						
Recreation	65,000	9,795	55,205	296,510	323,415	(26,905)
Special projects						
Public works / parks						
Capital outlay						
Total Expenditures	<u>65,000</u>	<u>9,795</u>	<u>55,205</u>	<u>296,510</u>	<u>323,415</u>	<u>(26,905)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>96,193</u>	<u>96,193</u>	<u>(36,310)</u>	<u>(70,857)</u>	<u>(34,547)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)		<u>(45,000)</u>				
Total Other Financing Sources (Uses)		<u>(45,000)</u>				
NET CHANGE IN FUND BALANCES		<u>51,193</u>	<u>\$96,193</u>	<u>(\$36,310)</u>	<u>(70,857)</u>	<u>(\$34,547)</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>217,891</u>			<u>212,327</u>	
ENDING FUND BALANCES (DEFICIT)		<u>\$269,084</u>			<u>\$141,470</u>	

STORM DRAIN RUN OFF			VEHICLE/ROAD IMPACT FEES			LOCAL ROAD FUNDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$86,000	\$91,233	\$5,233					\$134,940	\$134,940
	(14)	(14)	\$162,000	\$284,540	\$122,540		\$372	\$372
			356,500	356,586	86			
86,000	91,219	5,219	518,500	645,459	126,959		135,312	135,312
100,000	60,510	39,490						
100,000	60,510	39,490						
(14,000)	30,709	44,709	518,500	645,459	126,959		135,312	135,312
(120,000)	(20,000)	100,000		(1,186,989)	(1,186,989)		(5,390)	(5,390)
(120,000)	(20,000)	100,000		(1,186,989)	(1,186,989)		(5,390)	(5,390)
<u>(\$134,000)</u>	10,709	<u>\$144,709</u>	<u>\$518,500</u>	(541,530)	<u>(\$1,060,030)</u>		129,922	<u>\$129,922</u>
	71,281			1,705,797			(180,566)	
	<u>\$81,990</u>			<u>\$1,164,267</u>			<u>(\$50,644)</u>	

(Continued)

CITY OF LARKSPUR
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	TWIN CITIES CHILD CARE		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Licenses and permits			
Use of money and property		\$345	\$345
Charges for services	\$675,000	499,621	(175,379)
Other revenue		550	550
Total Revenues	675,000	500,516	(174,484)
EXPENDITURES			
Current:			
Recreation	794,659	484,049	310,610
Special projects			
Public works / parks			
Capital outlay			
Total Expenditures	794,659	484,049	310,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(119,659)	16,467	136,126
OTHER FINANCING SOURCES (USES)			
Transfers (out)			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	(\$119,659)	16,467	\$136,126
BEGINNING FUND BALANCES (DEFICIT)		55,225	
ENDING FUND BALANCES (DEFICIT)		\$71,692	

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.

Central Marin Police Authority - accounts for assets belonging to the Central Marin Police Authority held in trust by the City.

CITY OF LARKSPUR
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>East Sir Francis Drake Redemption Fund</u>				
Restricted cash and investments	\$94,752	\$218		\$94,970
Interest receivable	17		\$17	
Total Assets	<u>\$94,769</u>	<u>\$218</u>	<u>\$17</u>	<u>\$94,970</u>
Due to property owners & bondholders	<u>\$94,769</u>	<u>\$218</u>	<u>\$17</u>	<u>\$94,970</u>
Total Liabilities	<u>\$94,769</u>	<u>\$218</u>	<u>\$17</u>	<u>\$94,970</u>
<u>Larkspur Marina Community Facilities District</u>				
Restricted cash and investments	\$1,008,686	\$237,978	\$129,156	\$1,117,508
Accounts receivable	1,851	1,770	1,851	1,770
Interest receivable	181		181	
Total Assets	<u>\$1,010,718</u>	<u>\$239,748</u>	<u>\$131,188</u>	<u>\$1,119,278</u>
Accounts payable		\$56,634		\$56,634
Due to property owners & bondholders	<u>\$1,010,718</u>	<u>\$183,114</u>	<u>\$131,188</u>	<u>\$1,062,644</u>
Total Liabilities	<u>\$1,010,718</u>	<u>\$239,748</u>	<u>\$131,188</u>	<u>\$1,119,278</u>
<u>King Mountain Assessment District Fund</u>				
Restricted cash and investments	\$59,833	\$50	\$29,313	\$30,570
Interest receivable	11		\$11	
Total Assets	<u>\$59,844</u>	<u>\$50</u>	<u>\$29,324</u>	<u>\$30,570</u>
Due to property owners & bondholders	<u>\$59,844</u>	<u>\$50</u>	<u>\$29,324</u>	<u>\$30,570</u>
Total Liabilities	<u>\$59,844</u>	<u>\$50</u>	<u>\$29,324</u>	<u>\$30,570</u>

CITY OF LARKSPUR
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>Ross Valley Paramedic Authority Fund</u>				
Restricted cash and investments	\$719,934	\$2,629,335	\$2,096,601	\$1,252,668
Accounts receivable	297,703	27,352	297,703	27,352
Interest receivable	132		132	
Prepaid items	7,313		7,313	
Total Assets	\$1,025,082	\$2,656,687	\$2,401,749	\$1,280,020
Accounts payable	\$99,345	\$795,886	\$99,345	\$795,886
Deposits payable	4,135	5,135	4,135	5,135
Due to members	921,602	1,855,666	2,298,269	478,999
Total Liabilities	\$1,025,082	\$2,656,687	\$2,401,749	\$1,280,020
<u>Drake's Landing Community Facilities District Fund</u>				
Restricted cash and investments	\$5,713	(\$10)	\$979	\$4,724
Interest receivable	1		1	
Total Assets	\$5,714	(\$10)	\$980	\$4,724
Accounts payable	\$4,109			\$4,109
Due to property owners & bondholders	1,605	(\$10)	\$980	615
Total Liabilities	\$5,714	(\$10)	\$980	\$4,724

(Continued)

CITY OF LARKSPUR
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>North Magnolia Agency Fund</u>				
Restricted cash and investments	\$8,937	\$23	\$2	\$8,958
Interest receivable	2		2	
Total Assets	<u>\$8,939</u>	<u>\$23</u>	<u>\$4</u>	<u>\$8,958</u>
Due to property owners & bondholders	<u>\$8,939</u>	<u>\$23</u>	<u>\$4</u>	<u>\$8,958</u>
Total Liabilities	<u>\$8,939</u>	<u>\$23</u>	<u>\$4</u>	<u>\$8,958</u>
<u>Central Marin Police Authority</u>				
Restricted cash and investments	\$360,568	\$11,227,775	\$11,409,618	\$178,725
Accounts receivable	163,721	134,904	163,721	134,904
Interest receivable	186		186	
Prepaid items	5,330	3,450	5,330	3,450
Total Assets	<u>\$529,805</u>	<u>\$11,366,129</u>	<u>\$11,578,855</u>	<u>\$317,079</u>
Accounts payable	\$131,086	\$162,824	\$131,086	\$162,824
Accrued liabilities	172,617	42,842	172,617	42,842
Deposits payable	34,301	20,123	34,301	20,123
Due to members	191,801	11,140,340	11,240,851	91,290
Total Liabilities	<u>\$529,805</u>	<u>\$11,366,129</u>	<u>\$11,578,855</u>	<u>\$317,079</u>
<u>Total Agency Funds</u>				
Restricted cash and investments	\$2,258,423	14,095,369	13,665,669	2,688,123
Accounts receivable	463,767	163,058	463,292	163,533
Interest receivable	1,006		513	493
Prepaid items	12,643	3,450	12,643	3,450
Total Assets	<u>\$2,735,839</u>	<u>\$14,261,877</u>	<u>\$14,142,117</u>	<u>\$2,855,599</u>
Accounts payable	\$233,734	\$1,014,376	\$230,431	\$1,017,679
Accrued payroll	172,617	42,842	172,617	42,842
Deposits	38,436	25,258	38,436	25,258
Due to property owners & bond holders	1,177,649	183,395	161,513	1,199,531
Due to members (Ross Valley)	921,602	1,855,666	2,298,269	478,999
Due to members (CMPA)	191,801	11,140,340	11,240,851	91,290
Total Liabilities	<u>\$2,735,839</u>	<u>\$14,261,877</u>	<u>\$14,142,117</u>	<u>\$2,855,599</u>