

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
COMPONENT UNIT FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(With Auditors' Report Thereon)

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
List of City Officials	
FINANCIAL SECTION:	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-vii
INDEPENDENT AUDITORS’ REPORT	1 – 2
BASIC FINANCIAL STATEMENTS:	
<u>Statement</u>	
<u>Government-wide Financial Statements:</u>	
1 Statement of Net Assets	3
2 Statement of Activities	4
<u>Fund Financial Statements:</u>	
3 Balance Sheet—Governmental Funds	5 – 6
4 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	7
Notes to Basic Financial Statements	8 – 28
REQUIRED SUPPLEMENTARY INFORMATION:	
<u>Exhibit</u>	
1 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Budget and Actual	29
2 Independent Auditors’ Report on Internal Control Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 – 31

**CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2010**

MAYOR

Brandt Andersson

Term Expires November 2010

CITY COUNCIL

Carl Anduri
Term Expires November 2012

Carol Federighi
Term Expires November 2012

Mike Anderson
Term Expires November 2012

Don Tatzin
Term Expires November 2010

CITY MANAGER

Steven B. Falk-20 years of service

ADMINISTRATIVE SERVICE DIRECTOR

Tracy Robinson- 10 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 20 years of service

Management's Discussion and Analysis

Our discussion and analysis of the Lafayette Redevelopment Agency's financial performance for the fiscal year ended June 30, 2010 provides an overview of year ending results based on the government – wide statements and analysis on the Agency's overall financial position and results of operations to assist users in evaluating the Agency's financial position.

Profile of the Agency

The agency was established pursuant to the Redevelopment Law and is charged with the authority and responsibility of redeveloping and improving blighted areas of the City.

The agency was created by the City Council Ordinance No. 126 adopted on May 1, 1974. The Agency was established pursuant to the Community Redevelopment Law of California. The Redevelopment Plan was adopted by the Agency on December 27, 1994. The project Area occupies approximately 290 acres located in the downtown area and constitutes approximately 3% of the land area of the City. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

Agency Powers and Duties

All powers of the Agency are vested in five members who are also members of the City Council. The Agency exercises all the governmental functions as authorized under the Redevelopment Law and has among others powers the authority to acquire, administer, develop, lease or sell property, including the right of eminent domain. The Agency can clear buildings and other improvements and can develop as a building site any real property owned or acquired in connection with such development.

Organization

The City Council serves as the Board of Directors of the Agency. The City of Lafayette was incorporated as a general law city in 1968. The City operates under a council-manager form of government. The five Council Members are elected at large for staggered four-year term.

The Executive Director/City Manager is appointed by the Agency/Council and serves at the Board's/Council pleasure as the administrative head of the Agency and the City. The Executive Director/City Manager is responsible for appointment of all Agency and City employees except the Agency/City Attorney, who is appointed directly by the Board/Council.

Member of the Board and City Council as of June 30, 2010, and their term of office are shown below:

Member	Position	Term Expires
Brandt Andersson	Mayor	November 2010
Carl Anduri	Vice Mayor	November 2012
Mike Anderson	Board Member	November 2012
Carol Federighi	Board Member	November 2012
Don Tatzin	Board Member	November 2010

Agency and City Staff

Steven B. Falk, Executive Director and City Manager
 Tracy Robinson, Administrative Services Director
 Gonzalo L. Silva, Financial Services Manager
 Best, Best and Krieger LLP, Agency Counsel and City Attorney.

The agency's primary source of revenue is incremental property taxes. Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within the Project Area was frozen on the date of adoption of the Redevelopment Plan
- b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency.

**LAFAYETTE REDEVELOPMENT AREA PROJECT AREA
 Incremental Assessed Value 2007/2008 to 2009/2010**

	2007/2008	2008/2009	2009/2010
Secure Value	611,251,526	656,609,210	675,832,710
Unsecured Value	35,173,302	37,717,816	57,211,359
Total Assessed Value	646,424,828	694,327,026	733,044,069
Less: Base Year Value	(332,248,715)	(332,248,715)	(332,248,715)
Increment Assessed Value	\$314,176,113	\$362,078,311	\$400,795,354

* Note: For fiscal years 2003-2004 and thereafter, The County Auditor/Controller increased the Agency's base year value from \$ 331,781,939 to \$ 332,248,715

**LAFAYETTE REDEVELOPMENT AREA PROJECT AREA
Historical Valuations**

Year	Valuation	Change	Base Year
1995-1996	332,213,008	0.10%	331,871,939
1996-1997	337,914,432	1.72%	331,871,939
1997-1998	337,228,385	-0.20%	331,871,939
1998-1999	353,792,684	4.91%	331,871,939
1999-2000	373,561,119	5.59%	331,871,939
2000-2001	403,685,530	8.06%	331,871,939
2001-2002	430,188,978	6.57%	331,871,939
2002-2003	457,217,163	6.28%	331,871,939
2003-2004	479,829,071	4.95%	332,248,715
2004-2005	501,646,923	4.55%	332,248,715
2005-2006	538,670,763	7.38%	332,248,715
2006-2007	599,498,917	11.30%	332,248,715
2007-2008	646,424,828	7.41%	332,248,715
2008-2009	694,327,026	7.40%	332,248,715
2009-2010	733,044,069	5.57%	332,248,715

**LAFAYETTE REDEVELOPMENT PROJECT AREA
PROJECTED GROSS TAX INCREMENT REVENUE AND TAX REVENUES**

Fiscal Year	Estimated Assessed Value (1)	Projected Incremental Value	Projected Gross Tax Incremental Revenue (2)	Projected Gross Tax Revenue to Agency (3)
2009-2010	\$ 716,213,567	\$ 383,964,852	\$ 3,839,649	\$ 2,620,280
2010-2011	730,537,838	398,289,123	3,982,891	3,022,571
2011-2012	745,148,595	412,899,880	4,128,999	3,135,332
2012-2013	782,406,024	450,157,309	4,501,573	3,250,348
2013-2014	821,526,326	489,277,611	4,892,776	3,543,638

(1) Assuming 2% growth in assessed value through 2012 and 5% thereafter. Also includes \$8 milling in assessed value which will be coming onto the tax rolls in FY 2009-2010 from the completion of the Lafayette Mercantile

(2) Revenues based on 1% tax rate

(3) Less Housing Set Aside, County Administration and ERAF transfers.

Summary Information
 Contra Costa County
 City of Lafayette
 2009-10

Number of Property Records For This Area:	10,032
- Number of Secured Parcels:	8,902
- Number of Unsecured Properties:	1,129
- Number of Utility Records:	1
<hr/>	
Total Assessed Valuation, This Year:	5,556,879,010
- Secured Assessed Valuation:	5,498,247,876
- Unsecured Assessed Valuation:	57,211,359
- Utility Assessed Valuation:	1,419,775
<hr/>	
Total Assessed Valuation, Last Year:	5,373,902,080
- Change in Assessed Valuation:	182,976,930
- Percentage Change in Assessed Valuation:	3.40%
<hr/>	
Largest Property Owner:	BASCOM LAFAYETTE HIGHLANDS LLC
- Total Assessed Valuation For This Owner:	31,377,572
- As Percentage of Area's Total Valuation:	0.56%
<hr/>	
Percentage of All Taxes Delinquent for This Area (as of September 30, 2010):	1.0%
Percentage of Special Tax Levy Delinquent for This Area (this area has no special tax levy)	-%
Percentage of All Taxes Delinquent in This County:	1.6%

- Tax payment records for this county are current as of September 30, 2010.

STATEMENT OF NET ASSETS
Year ended June 30, 2010

	Total
Beginning Net Assets	\$ 5,286,991
Change in Net Assets	<u>\$ (1,952,627)</u>
Ending Net Assets	\$ 3,334,364

The agency's net assets as of June 30, 2010 decreased by \$ 1,952,627 this decrease in net assets is reflected in the Statement of Activities. The Agency's Net Assets are discussed below:

- Total assets for the Agency were \$ 50,683,369 versus \$ 49,232,689, an increase of \$ 1,450,680 from prior year.
- Total liabilities for the Agency were \$ 47,349,005 versus \$ 43,945,698 from prior year, an increase of \$ 3,403,307
- The net assets were \$ 3,334,364 versus \$ 5,286,991 a decrease of \$ 1,952,627 from prior year.

ANALYSES OF MAJOR FUNDS

Capital Project Funds

The Capital Projects Funds are used to account for the acquisition or construction of capital projects.

The Fund's net revenues were \$ 2,456,464 versus \$ 2,450,667 from prior year, an increase of \$ 5,797.

Fund expenditures were \$ 13,368,997 versus \$ 16,399,062 from prior year, a decrease of \$ 3,030,065. Of the total fund expenditures, \$ 9,790,931 was spent in the construction of the Library.

Low and Moderate Income Housing Fund

Of the gross tax increment received by the Agency in any year, 20% must be deposited in this fund and used for the purpose of "increasing, improving, and preserving the community's supply of low-and moderate income housing available at affordable housing cost to persons and families of low or moderate income"

The Fund's revenues were \$ 878,896 versus \$ 877,048 from prior year an increase of \$1,848.

Fund expenditures were \$ 274,741 versus \$ 2,952,929 from prior year, a decrease of \$2,678,188.

Debt Service Fund

This Fund accounts for the activities related to the Agency's Tax Allocation Bonds. In fiscal year 2002/2003, the Redevelopment Agency issued \$5,585,000 bonds that bear interest at 2.25% to 5.75% and are due in 2032. The proceeds of these bonds were used to construct the Veteran's Hall. As of June 30, 2010, the principal outstanding of the tax allocation bonds is \$5,030,000. In October 2005, special revenue bonds were issued for the amount of \$11,680,000 to complete the library project. As of June 30, 2010, the principal outstanding of this revenue bond was \$11,405,000. In October 2008 the Redevelopment Agency issued Tax Allocation Bonds for the amount of \$ 9,600,000 due in 2038. No principal was due or paid in 2010. In addition, the Redevelopment Agency acquired in 2004 a property for \$683,461. The purchase was financed by a loan from the City of Lafayette Parking Fund. At June 30, 2010 the outstanding amount of this loan is \$540,500.

In May 12, 2008 the Redevelopment Agency entered into a loan agreement with the Lafayette Library and Learning Center Foundation and borrowed the amount of \$9,000,000 at an interest rate of 6.50%. On September 1, 2010 the Redevelopment Agency borrowed again from the Lafayette Library Learning Center an additional amount of \$2,500,000 at an interest rate of 8%. As of June 30, 2010 the balance of the \$9,000,000 and \$2,500,000 loans totaled \$12,921,918, including accrued interest.

SERAF ASSESSMENT

Pursuant to a determination by the Director of the Department of Finance of the State of California, \$1,115,757 was remitted to the County Auditor of the County of Contra Costa for deposit in the County's Supplemental Educational Revenue Augmentation Fund (SERAF) in regard to Health and Safety Code Section 33690 for the fiscal year ended June 30, 2010. In the absence of other funds, as authorized, the City advanced such amount from the Special Revenue Fund for Low/Moderate Income Housing for the Redevelopment Program Fund which made the disbursement.

An action was made before the Sacramento Superior Court challenging the constitutionality of the SERAF transfer, but on May 4, 2010, the Sacramento Superior Court denied the petition.

Summary

During Fiscal Year 2009-2010, the Lafayette Redevelopment Agency completed the new Lafayette Library and Learning Center project. Construction on the project began in March 2007, and the opening to the public was November 14, 2009. The Agency continued its implementation of the Funding and Use Agreements with the Lafayette Library and Learning Center Foundation for the operation of the LLLC.

The Agency continued the planning process to develop a Downtown Lafayette Specific Plan. The planning area generally shares the same boundaries as the Redevelopment Project Area. Numerous public meetings were held to develop Draft Specific Plan throughout 2009 and into 2010. The Draft Environmental Impact Report was released in March 2010.

The Agency continued its participation in mixed use projects and multi-family residential projects. The Agency continued its negotiations with the owner of Town Center regarding a project with affordable housing and public parking. Finally, the Agency is still working with Eden Housing for the development of a 46-unit affordable housing project for seniors within the Redevelopment Project Area. Redevelopment affordable housing funds were used to facilitate this project.

Requests for Information

This financial report is designed to provide a general overview of the City of Lafayette Redevelopment Agency's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for addition financial information should be directed to:

City of Lafayette
Finance Department
3675 Mt Diablo Blvd, Suite 210
Lafayette, CA 94549
925.284.1968

This page intentionally left blank

Cropper Accountancy Corporation

Certified Public Accountants

2977 Ygnacio Valley Road, #460

Walnut Creek, California 94598

Tel: (925) 932-3860

Fax: (925) 932-3862

INDEPENDENT AUDITORS' REPORT

Members of the Governing Board
Lafayette Redevelopment Agency
Lafayette, California

We have audited the accompanying financial statements of the governmental activities and the major funds of the Lafayette Redevelopment Agency (Agency), a component unit of the City of Lafayette, California (City), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Agency as of June 30, 2010, and the respective changes in financial position, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report dated November 4, 2010, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* 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 in 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 the 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Agency's basic financial statements. The budgetary comparison exhibit is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The budgetary comparison exhibit has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 4, 2010

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2010 and 2009

Statement 1

<u>ASSETS</u>	Governmental Activities	
	2010	2009
Cash and cash equivalents	\$ 3,918,664	\$ 3,095,587
Investments	-	7,603,122
Accrued interest receivable	3,157	7,326
Accounts receivable	1,216,038	1,949,132
Prepaid assets	764,444	794,102
Total current assets	5,902,303	13,449,269
Restricted assets:		
Debt service:		
Cash deposits and investments	1,852,177	2,010,155
Low/Moderate Income Housing:		
Cash deposits and investments	359,183	992,354
Accrued interest receivable	372	2,508
Eden loan receivable, net of allowance	-	-
Total restricted assets	2,211,732	3,005,017
Capital Assets (Library):		
Land	2,004,444	2,004,444
Improvements in process	40,564,890	30,773,959
Total capital assets	42,569,334	32,778,403
Total assets	\$ 50,683,369	\$ 49,232,689
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 100,440	\$ 1,893,701
Accrued interest payable	587,530	592,167
Note payable to parking fund - current	25,145	23,282
Current portion - tax allocation bonds	335,000	310,000
Total current liabilities	1,048,115	2,819,150
Noncurrent liabilities:		
Loan Payable -- Library and Learning Center Foundation	12,921,914	9,635,332
Advances from other funds	7,163,621	4,915,715
Note payable to parking fund	515,355	540,501
Tax allocation bonds payable	25,700,000	26,035,000
Total noncurrent liabilities	46,300,890	41,126,548
Total liabilities	47,349,005	43,945,698
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt		
Restricted for:		
Debt service	1,852,177	2,010,155
Low/moderate income housing	1,438,657	834,502
Unrestricted:		
Designated for Redevelopment	43,530	2,442,334
Undesignated	-	-
Net assets	3,334,364	5,286,991
Total liabilities and net assets	\$ 50,683,369	\$ 49,232,689

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Activities
For the Year Ended June 30, 2010
with Comparative Amounts for 2009

Statement 2

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses)	
		Charges for Services	Grants and Operating	Contributions Capital	2010	2009
Primary Government						
<i>Redevelopment Activities</i>						
Expenses:						
Administration	\$ 847,278	\$ -	\$ -	\$ -	\$ (847,278)	\$ (925,505)
Professional services	1,590,912	-	-	-	(1,590,912)	(274,968)
Interest expense	2,636,041	-	-	-	(2,636,041)	(2,192,095)
Subsidy - Eden Loan	149,578	-	-	-	(149,578)	(2,850,746)
Subsidy to Cortese Properties, LLC	29,667	-	-	-	(29,667)	-
Other expenses	<u>38,751</u>	-	-	-	<u>(38,751)</u>	<u>(88,670)</u>
Total Redevelopment Agency expenses	<u>\$ 5,292,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,292,227)</u>	<u>\$ (6,331,984)</u>
General revenues:						
					\$ 3,122,277	\$ 3,035,665
					34,661	300,048
					<u>182,662</u>	<u>22,128</u>
					<u>3,339,600</u>	<u>3,357,841</u>
					*	
					(1,952,627)	(2,974,143)
					<u>5,286,991</u>	<u>8,261,134</u>
					<u>\$ 3,334,364</u>	<u>\$ 5,286,991</u>

Reconciliation from Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds to Statement of Activities (above):

Excess of expenditures over revenues and other sources (uses) (From page 6)	\$(12,029,774)	\$ (7,998,272)
Current year Capital assets capitalized	9,790,931	14,246,171
(Increase) Decrease in accrued interest payable	4,637	(246,347)
Reduction Bond indebtedness - current year principal payment	310,000	190,000
Current year amortization of bond issuance costs	(28,421)	(22,014)
Bonds issued	-	(9,600,000)
Bond issuance costs	-	<u>456,319</u>
Change in net assets	*	<u>\$ (1,952,627)</u> <u>\$ (2,974,143)</u>

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2010 and 2009

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund
	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund
ASSETS					
Cash and equivalents	\$ 2,746,035	\$ 1,172,629	\$ 3,918,664	\$ -	\$ -
Investments	-	-	-	-	-
RDA interfund balances	(266,591)	(849,166)	(1,115,757)	-	1,115,757
Accounts receivable	-	1,216,038	1,216,038	-	-
Accrued interest receivable	3,157	-	3,157	-	-
Other assets	-	-	-	-	-
Restricted assets for:					
Cash and investments	-	-	-	1,852,177	359,183
Accrued interest receivable	-	-	-	-	372
Eden loan receivable, net of allowance of \$3,135,522	-	-	-	-	-
Total assets	<u>\$ 2,482,601</u>	<u>\$ 1,539,501</u>	<u>\$ 4,022,102</u>	<u>\$ 1,852,177</u>	<u>\$ 1,475,312</u>
 LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	\$ 37,005	\$ 26,780	\$ 63,785	\$ -	\$ 36,655
Loan payable--Lafayette Library and Learning Center Foundation	-	12,921,914	12,921,914	-	-
Advances from general fund	3,093,398	4,070,223	7,163,621	-	-
Loan payable to parking fund	540,500	-	540,500	-	-
Total liabilities and other credits	<u>3,670,903</u>	<u>17,018,917</u>	<u>20,689,820</u>	<u>-</u>	<u>36,655</u>
Fund balances					
Restricted for:					
Debt service	-	-	-	1,852,177	-
Low/moderate income housing	-	-	-	-	1,438,657
Other	(1,188,302)	(15,479,416)	(16,667,718)	-	-
Unrestricted	-	-	-	-	-
Net assets	<u>(1,188,302)</u>	<u>(15,479,416)</u>	<u>(16,667,718)</u>	<u>1,852,177</u>	<u>1,438,657</u>
Total liabilities and net assets	<u>\$ 2,482,601</u>	<u>\$ 1,539,501</u>	<u>\$ 4,022,102</u>	<u>\$ 1,852,177</u>	<u>\$ 1,475,312</u>

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2010 and 2009

Statement 3

Total Governmental Funds			
2010	2009		
		Total Fund Balance - Governmental Fund Balance Sheet (Statement 3)	<u>\$ (13,376,884)</u>
\$ 3,918,664	\$ 3,095,587		
-	7,603,122		
-	-	Adjustments:	
1,216,038	1,949,132		
3,157	7,326	To record capital assets, previously expensed	42,569,334
-	1,237		
2,211,360	3,002,509	To record accrued interest payable on debt, previously recognized on a "when due" basis	(587,530)
372	2,508	To record tax allocation bonds payable, previously recognized as revenue	(26,035,000)
-	-		
<u>\$ 7,349,591</u>	<u>\$ 15,661,421</u>	To record prepaid bond issuance costs	<u>764,444</u>
		Total adjustments	<u>16,711,248</u>
\$ 100,440	\$ 1,893,701	Net assets on Statement of Net Assets (Statement 1)	<u>\$ 3,334,364</u>
12,921,914	9,635,332		
7,163,621	4,915,715		
540,500	563,783		
<u>20,726,475</u>	<u>17,008,531</u>		
1,852,177	2,010,155		
1,438,657	834,502		
(16,667,718)	(4,191,767)		
-	-		
<u>(13,376,884)</u>	<u>(1,347,110)</u>		
<u>\$ 7,349,591</u>	<u>\$ 15,661,421</u>		

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY

Statement 4

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2010 and 2009

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund Low/moderate Income Housing Fund	Total Governmental Funds	
	General Projects	Library Project	Total Capital Projects				
						2010	2009
Revenues							
Tax increment revenue	\$ 2,247,282	-	\$ 2,247,282	\$ -	\$ 874,995	\$ 3,122,277	\$ 3,035,665
Investment income	13,429	13,091	26,520	4,240	3,901	34,661	300,048
Other revenue	145,000	37,662	182,662	-	-	182,662	22,128
Total revenues	2,405,711	50,753	2,456,464	4,240	878,896	3,339,600	3,357,841
Expenditures							
Administrative costs	185,274	591,048	776,322	-	70,956	847,278	924,850
Assessment District bond - Principal	-	-	-	310,000	-	310,000	190,000
Improvement costs	-	9,790,931	9,790,931	-	-	9,790,931	14,246,171
Interest expense	285,110	939,932	1,225,042	1,415,636	-	2,640,678	1,945,748
Professional services	1,566,372	-	1,566,372	-	24,540	1,590,912	274,968
Community promotion	-	-	-	-	-	-	655
Low income subsidy	-	-	-	-	29,667	29,667	20,130
Eden Loan Subsidy	-	-	-	-	149,578	149,578	2,850,746
Other expenses	2,495	7,835	10,330	-	-	10,330	46,526
Total expenditures	2,039,251	11,329,746	13,368,997	1,725,636	274,741	15,369,374	20,499,794
Excess (deficiency) of revenues over expenditures	366,460	(11,278,993)	(10,912,533)	(1,721,396)	604,155	(12,029,774)	(17,141,953)
Other financing sources (uses):							
Proceeds from bonds	-	-	-	-	-	-	9,600,000
Bond issuance costs	-	-	-	-	-	-	(456,319)
Operating transfers - in	-	-	-	1,563,418	-	1,563,418	1,016,569
Operating transfers - out	(1,563,418)	-	(1,563,418)	-	-	(1,563,418)	(1,016,569)
Total other financing sources (uses)	(1,563,418)	-	(1,563,418)	1,563,418	-	-	9,143,681
Excess (deficiency) of revenues over expenditures, net of other financing sources	(1,196,958)	(11,278,993)	(12,475,951)	(157,978)	604,155	(12,029,774)	(7,998,272)
Beginning fund balances	8,656	(4,200,423)	(4,191,767)	2,010,155	834,502	(1,347,110)	6,651,162
Ending fund balances	<u>\$ (1,188,302)</u>	<u>\$ (15,479,416)</u>	<u>\$ (16,667,718)</u>	<u>\$ 1,852,177</u>	<u>\$ 1,438,657</u>	<u>\$ (13,376,884)</u>	<u>\$ (1,347,110)</u>

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Fund Accounting Requirements
- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
- D. Debt Restrictions and Covenants

NOTE 3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

- A. Cash and Investments
- B. Restricted Assets
- C. Capital Assets
- D. Library Loan Agreement
- E. Long-term Debt
- F. Interfund Transactions and Balances
- G. Fund Equity

NOTE 4. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

- A. Employee Benefit Plans
- B. Risk Management
- C. Commitments and Contingencies

NOTE 5. SERAF ASSESSMENT

NOTE 6. SUBSEQUENT EVENTS

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lafayette Redevelopment Agency complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. Financial Reporting Entity

The City of Lafayette Redevelopment Agency (the "Agency") is a Component Unit of the City of Lafayette (the "City") which executes the Redevelopment Plan of the City.

The Redevelopment Plan sets forth a legal framework and a broad policy framework for the activities of the City of Lafayette Redevelopment Agency in connection with the Lafayette Redevelopment Project. The Redevelopment Plan contains provisions to comply with the Lafayette Redevelopment Plan, and further includes purposes and objectives of the Agency. A basic principle of the Agency in connection with the Redevelopment Plan is that activities to implement the Redevelopment Plan shall be consistent with and further the implementation of the General Plan of the City of Lafayette.

The primary purpose and objective of the Redevelopment Plan is to stimulate and encourage the revitalization of the project area, to eliminate conditions of blight and to prevent the recurrence of blighting conditions, which shall be accomplished subject to and consistent with the goals and policies established by the General Plan of the City of Lafayette. This Redevelopment Plan has been approved by the City of Lafayette Redevelopment Agency, pursuant to the California Community Redevelopment Law of the State of California, and applicable laws and ordinances.

The Agency proposes to:

1. Encourage the redevelopment of the Project Area subject to and consistent with the City's General Plan and/or Specific Plans as may be adopted from time to time through the cooperation of private enterprise and public agencies.
2. Enhance the long term economic well-being of the community.
3. Provide for the rehabilitation of commercial structures and residential dwelling units.
4. Promote the goals and policies of those sections of the General Plan emphasizing: central area, transportation, and population and housing.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

5. Provide public infrastructure improvements and community facilities, such as the installation, construction, and/or reconstruction of streets, utilities, public buildings, and facilities (such as facilities for pedestrian circulation, bikeways, and parking facilities), storm drains, utility under grounding, or structures, street lighting, landscaping and other improvements which are necessary for the effective redevelopment of the project area.
6. Promote the enhancement of the Mt. Diablo Boulevard corridor to achieve the concepts envisioned by the General Plan.
7. Provide for participation in the redevelopment of property in the project area by owners who agree to so participate in conformity with the Redevelopment Plan.
8. Encourage joint efforts and cooperative efforts among property owners, businesses, and public agencies to satisfy off-street parking requirements.
9. Increase, improve, and preserve the community's supply of affordable housing.
10. Provide a procedural and financial mechanism by which the Agency can assist, complement, and coordinate public and private development, redevelopment, revitalization, and enhancement of the community.

Description of fund accounts

All transactions are recorded in separate governmental funds of the City of Lafayette. The funds are classified and described under Governmental Funds.

Basis of accounting

The Agency follows the modified accrual basis of accounting, under which expenditures, other than interest on indebtedness, are recorded when the liability is incurred, and revenues are recorded when received in cash unless susceptible to accrual (i.e. measurable and available to finance the Agency's current operations).

1.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Agency as a whole. They include all Agency funds of the Governmental Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. All funds of the Agency are classified as governmental. An emphasis is placed on major funds within the Agency. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type or are considered major by the City (in this case all Governmental funds are considered major).
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental funds.

The funds of the financial reporting entity are described below:

Governmental funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes which for the Redevelopment Agency is the "Low/Moderate Income Housing Fund" which includes 20% of gross tax increment revenue.

Capital Project Funds

Capital Project Funds are used to account for the acquisition or construction of capital projects or items. They include the Library Fund which is in the process of funding a new library for the City of Lafayette.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of interest and principle on the debt of the Redevelopment Agency which consists of debt issuance with outstanding principle balances of \$26,035,000 as of June 30, 2010 which is to be repaid out of future tax increment revenues and is secured by property within the Lafayette City limits.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

The funds are further classified as major as follows:

<u>Fund</u>	<u>Brief Description</u>
Capital Project Funds	Account and provide for specific capital projects.
Debt Service Fund	Accounts for resources for payment of interest and Principal of long-term debt issued by the Agency.
Special Revenue Fund: Low/Moderate Income Housing Fund	Accounts for monies restricted to low to moderate income housing expenditures.

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities (of which there are none) are presented using the economic resources measurement focus as defined as follows:

The governmental-wide statements use an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as follows:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.D. Assets, Liabilities, And Equity

Cash and investments

For the purpose of the Statement of Net Assets, “cash and cash equivalents” includes all demand, savings accounts, certificates of deposits of the Agency, and the investment in the State of California fund called the “Local Agency Investment Fund (LAIF)” which is available for immediate withdrawal.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “loans payable or advances” from other funds. In addition, there is a note payable with payments scheduled for the next 13 years from the Redevelopment Agency to another governmental fund in the amount of \$540,500 at June 30, 2010. Interfund receivables and payables between the Agency’s funds within governmental activities (if any) are eliminated in the Statement of Net Assets. The Redevelopment Agency has also been advanced \$7,163,621 from the General Fund of the City bearing interest at 8% per annum.

Receivables

In the government-wide statements, receivables consist of all revenues earned or contributed at year-end and not yet received. The balance at June 30, 2010 consists of \$1,216,038 for the remaining balance of a state library grant (at June 30, 2009, \$1,949,132).

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets would be recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation would be provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is currently recorded on the land and improvements in process.

The range of estimated useful lives by type of asset will be as follows (no assets are currently subject to depreciation):

<u>Type</u>	<u>Useful Life (years)</u>
Land, easements, and right of way	N/A
Land improvements	20
Building and improvements	50
Infrastructure	15 – 65
Equipment and furniture	3 - 15

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. They are capitalized in the "government-wide financial statements". (see note 3.C. for Capital Assets).

Restricted assets

Restricted assets include cash and investments of the debt service fund that are legally restricted as to their use, which is for the payment of long-term debt obligations. They also include assets held by the "Low/Moderate Income Housing Fund" which are restricted for expenditures.

Long-term debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, debt incurred as a result of long-term advances from other City of Lafayette funds and a loan from the Library and Learning Center Foundation.

Bonds payable for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures in the year received and incurred. The accounting in the government-wide statements is that principal payments are reflected as reductions in the liability and interest as expenses.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Equity classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The capital assets on the Statement of Net Assets were financed 100% by debt.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted for debt or other purposes” are categorized as “unrestricted” which are further categorized as “designated” or “undesignated”. All redevelopment unrestricted net assets are categorized as “designated for redevelopment”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unrestricted, with unrestricted further split between designated and undesignated. See Note 3.G. for additional disclosures.

1.E. Revenues, Expenditures, and Expenses

Property tax and assessments

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the \$1.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service.

However, because Lafayette was incorporated in 1968 as a no-property tax city, through fiscal year June 30, 1988, Lafayette received property tax distributions only for those geographical areas incorporated into the city limits after 1978, when Proposition XIII became law with its restrictions on funding. Thus, though Lafayette's property owners paid property taxes at the same rate as property owners in other cities, the City of Lafayette received a disproportionately smaller share of the distribution of receipts.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Pursuant to the 1988 Trial Court Funding Bill and subsequent reallocations, the City is receiving a measure of relief from this funding deficiency. Beginning in 1989, Lafayette began receiving funds in lieu of property taxes and/or additional property tax allocations. The receipt of these funds has been phased in gradually, and by 1997/1998 the City of Lafayette received the equivalent of approximately 7% of the total property taxes that its property owners pay. This can be compared to the average 14% allocation received by cities in Contra Costa County. The amount received is further reduced by a partial shift to fund schools.

The county uses the following calendar to assess properties, bill for, collect, and distribute property taxes.

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	March 1	March 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

Incremental property taxes assessed on property within the Lafayette Redevelopment area will be used to fund Redevelopment expenditures and debt service.

Expenditures / expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities (the Redevelopment Agency does not have business-type activities).

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds of the Agency have been eliminated.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. Fund Accounting Requirements

The Agency complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Agency include the following:

<u>Fund</u>	<u>Required By</u>
Low/Moderate Income Housing Debt Service Fund	State Law Bond Indenture

2.B. Deposits and Investments Laws and Regulations

The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a government's deposits. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the entity's total deposits. The first \$250,000 of each institution's deposits are covered by FDIC insurance.

The Agency may waive collateral requirements for deposits, which are insured by federal depository insurance. The Agency had not waived such requirements as of June 30, 2010.

2.C. Revenue Restrictions

The Agency has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
20% of Ad Valorem Taxes	Low/Moderate Income Housing

For the year ended June 30, 2010, the Agency complied, in all material respects, with these revenue restrictions.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

2.D. Debt Restrictions and Covenants

Ad valorem tax

- Authority of Issuance

The bonds authorized by resolutions of the Agency and the City were issued pursuant to the indentures and in accordance with the Redevelopment Law and the other applicable laws of the State of California. (see note 3.E. Long-Term Debt).

- Repayment Funding

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, and other debt of the Agency, the Agency is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the City, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the City. A portion of said taxes, when collected will be placed in the Debt Service Fund of the Agency for the bonds.

- Assessed Valuation of Property Within the City – Ad Valorem

As required by State law, the City utilizes the services of the County for the assessment and collection of taxes for City purposes. City taxes are collected at the same time and on the same tax rolls as are County, school district, and other special district taxes. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code.

For Fiscal Year 2009-10, the City's total secured and unsecured assessed valuation was \$5,554,526,485 (full cash value).

Other long-term debt

At June 30, 2010, the Agency was committed to meet debt service of \$540,500 (at 8% interest) to the City of Lafayette relating to a note payable to the City. In addition, the Agency has borrowed \$7,163,621 from the General Fund of the City which bears interest at 8% with no defined maturity date.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. Cash and Investments

At June 30, 2010, the carrying amount of the Agency's cash deposits (through the City) was \$1,711,087. The total amount was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures and certain investments. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City maintains a cash deposit and investment pool that is available for use by all funds. It is not used for the retirement plan and the deferred compensation plan.

The City is authorized to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool (Local Agency Investment Fund).

The City is authorized by State statutes and in accordance with the City's Investment Policy (Policy) to invest in the following:

- ❖ Securities issued or guaranteed by the Federal Government or its agencies
- ❖ State Local Agency Investment Fund (LAIF)
- ❖ Insured and /or collateralized certificates of deposit

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The City's investments comply with the established policy.

The combined Agency's proportion of the City's cash and investments at June 30, 2010 are categorized as follows:

		<u>S&P Rating</u>
Cash:		
Deposits in Bank - pooled account, net of outstanding checks	\$ 1,711,087	N/A
Local Agency Investment Fund - State of California	2,545,484	N/A
Total Cash and Cash Equivalents	4,256,571	
Investments:		
CAMP Pool (California JPA)	1,464,078	AAAm
U.S. Treasury – Money Market	409,375	AAA
Total Investments	1,873,453	
Total Cash and Investments	\$ 6,130,024	
Reconciliation to financial statements:		
<i>Unrestricted:</i>		
Cash and cash equivalents	\$ 3,918,664	
<i>Restricted Assets:</i>		
Debt-service	1,852,177	
Low/Moderate Income Housing	359,183	
	2,211,360	
Total	\$ 6,130,024	

The Agency's investments with LAIF (through the City) at June 30, 2010 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2010, the RDA had \$2,545,484 invested in LAIF, which had invested 10.79% of the pool investment fund in structured notes and asset-backed securities.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

3.B. Restricted Assets

The amounts reported as restricted assets are held for debt service payments and Low/Moderate Income Housing. The restricted assets are as follows:

	<u>Debt Service</u>	<u>Low/moderate Housing Income</u>
Cash	\$ (21,276)	\$ 282,357
Local Agency Investment Fund	-	76,826
Liquid Mutual Funds	1,873,453	-
Advance receivable	-	1,115,757
Accrued interest	-	372
Total Assets	<u>\$ 1,852,177</u>	<u>\$ 1,475,312</u>
Related Accounts Payable	-	(36,655)
Net Restricted Assets	<u>\$ 1,852,177</u>	<u>\$ 1,438,657</u>

3.C. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Balance June 30, 2010</u>
<u>Governmental Activities</u>			
Capital Assets:			
Land	\$ 2,004,444	\$ -	\$ 2,004,444
Land and building improvements in process	30,773,959	9,790,931	40,564,890
Total	<u>\$ 32,778,403</u>	<u>\$ 9,790,931</u>	<u>\$ 42,569,334</u>

No depreciation expense has been incurred because construction of the Lafayette library is in process.

3.D. Library Loan Agreement

The Lafayette Redevelopment Agency (the Agency) and the Lafayette Library and Learning Center Foundation (the Foundation) entered into their first loan agreement of \$9,000,000 in May of 2008. The purpose of this loan was to help fund the construction of the City's library project.

Subsequent to the first loan, the Agency determined that it required an additional \$2,500,000 second loan agreement, which was executed in August of 2009, to pay for a portion of the project costs that exceeded the prior budget. This loan agreement also modified the first loan's agreement's interest rate to 6.5% from 6.25% until the second loan is repaid. The second loan's interest rate is 8%.

The repayment of the second loan is to be funded by issuing Foundation Repayment Bonds. If the second loan is not repaid by July 1, 2013, the Agency is obligated to repay the interest and principal as quickly as possible based on the agreement terms. The first loan and accrued interest is to be paid in full by December 31, 2039 unless an alternative agreement is reached with the Foundation.

The loan outstanding including interest at June 30, 2010 was \$12,921,914

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

3.E. Long-Term Debt

The Agency's long-term debt is as follows:

	<u>Long-Term</u>	<u>Due Within One Year</u>	<u>Total</u>
*Advances from General Fund	\$ 5,163,621	\$ -	\$ 5,163,621
Advances from Insurance Fund	2,000,000	-	2,000,000
Advances from Low/Moderate Income Housing Fund	1,115,757	-	1,115,757
Loan Payable- Parking Fund	515,355	25,145	540,500
Tax Allocation Bonds - 2003 issue	4,915,000	115,000	5,030,000
Tax Allocation Bonds - 2005 issue	11,185,000	220,000	11,405,000
Tax Allocation Bonds – 2008 issue	9,600,000	-	9,600,000
Loan Payable – Library and Learning Center Foundation	12,921,914	-	12,921,914
	<u>\$ 47,416,647</u>	<u>\$ 360,145</u>	<u>\$ 47,776,792</u>

*Advances from General Funds are broken down as follows:

Library	\$ 2,070,223
Veteran's Hall	1,276,492
Redevelopment Program	1,816,906
	<u>\$ 5,163,621</u>

The liability for Lafayette Redevelopment Project Tax Allocation Bonds was as follows at June 30, 2010.

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Balance June 30, 2009</u>	<u>Principal Additions (Retirements)</u>	<u>Balance June 30, 2010</u>
2002 Issue Issued fiscal year 2003, matures to 2033	\$ 5,585,000	2.25 – 5.3%	\$ 5,145,000	\$ (115,000)	\$ 5,030,000
2005 Issue Issued fiscal year 2006, matures to 2036	\$11,680,000	3.0 – 4.7%	11,600,000	(195,000)	\$ 11,405,000
2008 Issue Issued fiscal year 2009, matures to 2038	\$ 9,600,000	3.75 – 6.5%	<u>9,600,000</u>	<u>-</u>	<u>\$ 9,600,000</u>
			<u>\$ 26,345,000</u>	<u>\$ (310,000)</u>	<u>\$ 26,035,000</u>

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

<u>2002 Issue</u>	<u>Redevelopment Principal</u>	<u>Tax Allocation Interest</u>	<u>Bonds - Issued 2003 Total</u>
Payments due in fiscal years ending June 30;			
2011	\$ 115,000	276,821	391,821
2012	125,000	271,388	396,388
2013	130,000	265,457	395,457
2014	135,000	259,129	394,129
2015	140,000	252,355	392,355
2016 – 2020	820,000	1,140,112	1,960,112
2021 – 2025	1,075,000	875,942	1,950,942
2026 – 2030	1,425,000	519,657	1,944,657
2031 – 2033	1,065,000	94,156	1,159,156
	\$ 5,030,000	\$ 3,955,017	\$ 8,985,017

<u>2005 Issue</u>	<u>Redevelopment Principal</u>	<u>Tax Allocation Interest</u>	<u>Bonds - Issued 2005 Total</u>
Payments due in fiscal years ending June 30;			
2011	\$ 220,000	\$ 529,086	\$ 749,086
2012	220,000	521,661	741,661
2013	230,000	513,643	743,643
2014	240,000	504,074	744,074
2015	255,000	492,299	747,299
2016 – 2020	1,455,000	2,271,687	3,726,687
2021 – 2025	1,795,000	1,915,504	3,710,504
2026 – 2030	2,245,000	1,452,264	3,697,264
2031 – 2035	3,650,000	804,227	4,454,227
2036	1,095,000	27,375	1,122,375
	\$ 11,405,000	\$ 9,031,820	\$ 20,436,820

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

<u>2008 Issue</u>	Redevelopment <u>Principal</u>	Tax Allocation <u>Interest</u>	Bonds - Issued 2003 <u>Total</u>
Payments due in fiscal years ending June 30;			
2011	\$ -	598,031	598,031
2012	45,000	597,188	642,188
2013	100,000	594,344	694,344
2014	105,000	590,086	695,086
2015	105,000	585,466	690,466
2016 – 2020	620,000	2,842,011	3,462,011
2021 – 2025	820,000	2,643,149	3,463,149
2026 – 2030	1,090,000	2,353,969	3,443,969
2031 – 2035	1,480,000	1,951,247	3,431,247
2036 – 2039	5,235,000	817,862	6,052,862
	<u>\$ 9,600,000</u>	<u>\$ 13,573,353</u>	<u>\$ 23,173,353</u>

The following is a debt retirement schedule on the Loan from the City of Lafayette – Parking Fund:

Due Year-end June 30,	Annual Payments Due at June 30,			Principal Balance Remaining
	Interest (8%)	Principal	Total	
2010	\$ -	\$ -	\$ -	\$ 540,500
2011	43,240	25,144	68,384	515,356
2012	41,229	27,156	68,385	488,200
2013	39,056	29,329	68,385	458,871
2014	36,710	31,675	68,385	427,196
2015	34,176	34,209	68,385	392,987
2016	31,439	36,946	68,385	356,041
2017	28,483	39,902	68,385	316,139
2018	25,291	43,094	68,385	273,045
2019	21,844	46,541	68,385	226,504
2020	18,120	50,265	68,385	176,239
2021	14,099	54,286	68,385	121,953
2022	9,756	58,629	68,385	63,324
2023	5,061	63,324	68,385	-
	<u>\$ 348,504</u>	<u>\$ 540,500</u>	<u>\$ 889,004</u>	

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

3.F. Interfund Transactions and Balances

As discussed in notes 1.D., 2.D., and 3.E., the Redevelopment Agency has borrowed \$5,163,621 (at 8% per annum) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund had borrowed \$540,500 from another City fund to be repaid over a 21 (13 remaining payments of \$68,385) year period at 8%, also to be paid out of future ad valorem revenues. In the current year, an additional \$2,000,000 was borrowed from the Insurance Fund at 8%.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

3.G. Fund Equity

Restricted fund equity / net assets (see note 3.B.):

The following "net asset balances" are restricted:

Debt Service Fund	\$ 1,852,177
Low/moderate income housing fund	1,438,657
Total	<u>\$ 3,290,834</u>

NOTE 4. OTHER NOTES

4A. Employee Benefit Plans

City employees working for the Redevelopment Agency participate in the City's Employee Benefit Plans.

Employees' retirement plan

The City's total payroll in fiscal year 2010 was approximately \$4,150,823. Contributions to retirement plans totaled \$513,897 by the City and \$166,618 by individuals during the year.

Employee Retirement Contribution

Employees of the City as of July 1, 2004 shall be allowed to choose between two retirement plans as follows:

Tenure-Based Contribution System

The City shall make a contribution toward a retirement fund for each regular full-time employee. The contributions will be made based on the number of months of service from the date of regular employment between \$215 and \$515 per month. Contributions for part-time employees are based on a prorate share of the full-time contributions based on hours worked. This option is only available to employees hired before July 1, 2004.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Salary -Based Contribution System

The City shall make monthly contribution toward a retirement (401A) plan for each regular employee and part time regular employees working a minimum of 20 hours per week. The contribution on behalf of each participant should equal 10% of base earnings up to the maximum allowable by law. In addition, each participant is required to contribute 5% of earnings to the plan and the City has elected to match such contribution by the same percentage. Employees currently in the tenure based contribution system may choose to be placed on the salary-based at any time, however, once this option has been exercised, the employee may not revert back to the tenure based contribution system.

Employees are fully vested in the City's contributions (and the interested allocated to the employee's account) after five years of continuous service by the employee, with the exception of those employees over 50 years old who are full vested from the first month of employment.

Deferred compensation plan

All employees of the City are eligible to participate in a City sponsored deferred compensation plan (the "Plan"). The Plan provides for the deferral of a portion of the employees' compensation until retirement, termination, or certain other covered events. The funds are invested by the City on behalf of the employees through an administrator in various instruments including money market funds, bonds and others. The assets of the Plan, under Internal Revenue Code section 457, formerly were the property of the City until paid or made available to participants, subject only to the claims of the City's general creditors. However, based on a change in the income tax code dated August 1996, the assets are no longer those of the city but are in trust for the exclusive benefit of plan participants.

Other Post Employment Retirement Plan

Plan Description

The City's defined benefit post employment healthcare plan, provides medical benefits to eligible retired City employees and beneficiaries. Since the Redevelopment Agency and its employees are part of the City, post employment benefit costs are eligible to be allocated to the Projects within the RDA.

Funding Policy

The City is required to contribute the *annual required contribution (ARC)* of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Trust amounts funded in excess or under the ARC are recorded on the books as an OPEB asset or liability/obligation, respectively.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Annual OPEB Cost

For 2010, the City's annual required contribution (ARC) of \$27,100 was paid to the OPEB Trust. In addition, the City paid \$960 in medical premiums to retirees (an implied subsidy). The City's current year OPEB costs, which consist of the ARC and the implied subsidy, were \$53,460. The City's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the OPEB obligation for 2010 and the preceding year are presented below:

Fiscal Year	Annual OPEB Cost (AOC)	Annual Employer Contribution	Percentage of AOC Contributed	Current Year AOC Obligation (Asset)	Net OPEB Obligation (Asset)
6/30/2010	\$ 27,100	\$ 53,460	197%	\$ (26,360)	\$ (1,048)
6/30/2009	\$ 26,200	\$ 888	3%	\$ 25,312	\$ 25,312

An actuarial study was performed by the City as of January 1, 2009. The study estimated the overall OPEB liability to be \$276,200 of which the City Council reserved \$50,000 in funds while investigating Trust options. In fiscal 2010, the City opened the California Employers' Retiree Benefit Trust (CERBT) with a deposit of \$52,500.

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2009 (most recent actuarial evaluation) was as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B) UAAL	Funding Ratio (A/B)	Covered Payroll (Active Plan Members)	UAAL as a % of Covered Payroll
January 1, 2009	\$ -	\$ 276,200	\$ (276,200)	0%	\$ 3,874,700	7.13%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

Actuarial Methods and Assumptions

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation Date	January 1, 2009
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Over Service
Average Remaining Period	30 Years as of the Valuation Date
<i>Actuarial Assumptions:</i>	
Investment Rate of Return	5%
Inflation	3% (general); 3.25% (payroll); 6% (premiums)
Monthly premiums	\$529 pre-Medicare; \$180 with Medicare

4.B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA).

The following is a summary of coverage as of June 30, 2010:

	<u>Participating Cities'</u> Total Coverage	Deductible (City Portion)
All risk fire and property	\$ 1,000,000,000	\$ 5,000
Boiler and machinery	\$ 25,000,000	\$ 5,000
Liability	\$ 29,000,000	\$ 5,000
Auto-physical damage	\$ 250,000	\$ 2,000
Workers' compensation	\$ 50,000,000	\$ 0

The total coverage includes the City's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Basic Financial Statements
June 30, 2010

4.C. Commitments and Contingencies

Claims involving the City of Lafayette

The City is defendant in lawsuits arising in the normal course of business. City management is of the opinion that the potential claims against the City or the Agency, if any, not covered by insurance resulting from litigation are adequately provided for in the General Fund of the City.

NOTE 5. SERAF ASSESSMENT

Pursuant to a determination by the Director of the Department of Finance of the State of California, \$1,115,757 was remitted to the County Auditor of the County of Contra Costa for deposit in the County's Supplemental Educational Revenue Augmentation Fund (SERAF) in regard to Health and Safety Code Section 33690 for the fiscal year ended June 30, 2010. In the absence of other funds, as authorized, the City advanced such amount from the Special Revenue Fund for Low/Moderate Income Housing to the Redevelopment Program Fund which made the disbursement (presumably non-refundable) to the County.

An action has been made before the Sacramento Superior Court challenging the constitutionality of the SERAF transfers, but on May 4, 2010, the Sacramento Superior Court denied the petition. The California Redevelopment Association, along with other plaintiffs is appealing the Court's decision. As such, the payment was made under protest. The appeals have been denied.

NOTE 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2010, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds - Budget Actual
June 30, 2010

Exhibit 1

	Capital Projects Funds			Debt Service Fund			Low/Moderate Income Housing Fund		
	Budget		Actual	Budget		Actual	Budget		Actual
	Original	Revised		Original	Revised		Original	Revised	
Revenues									
Tax increment revenue	\$ 2,173,964	\$ 1,130,652	\$ 2,247,282	\$ -	\$ -	\$ -	\$ 636,300	\$ 857,239	\$ 874,995
Investment income	55,000	55,000	26,520	-	-	4,240	15,000	15,000	3,901
Grant revenue	-	2,500,000	25,340	-	-	-	-	-	-
Other revenue	150,000	150,000	157,322	-	-	-	-	-	-
Total revenues	2,378,964	3,835,652	2,456,464			4,240	651,300	872,239	878,896
Expenditures									
Bond principal and interest	-	-	-	1,563,151	1,563,151	1,725,636	-	-	-
Administrative costs	613,174	601,778	776,322	-	-	-	71,354	70,786	70,956
Improvement costs	-	11,911,666	9,790,931	-	-	-	-	500,000	-
Interest expense	1,042,292	1,042,292	1,225,042	-	-	-	-	-	-
Professional services	599,550	602,000	1,566,372	-	-	-	60,000	60,000	24,540
Low income subsidies	-	-	-	-	-	-	-	-	29,667
Eden Loan subsidy	-	-	10,330	-	-	-	-	-	149,578
Other expenses	-	-	-	-	-	-	-	-	-
Total expenditures	2,255,016	14,157,736	13,368,997	1,563,151	1,563,151	1,725,636	131,354	630,786	274,741
Excess (deficiency) of revenues over expenditures	123,948	(10,322,084)	(10,912,533)	(1,563,151)	(1,563,151)	(1,721,396)	519,946	241,453	604,155
Other financing sources (uses)									
Operating transfers in (out)	-	(1,563,418)	(1,563,418)	-	-	1,563,418	-	-	-
Total other financing	-	(1,563,418)	(1,563,418)	-	-	1,563,418	-	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	123,948	(11,885,502)	(12,475,951)	(1,563,151)	(1,563,151)	(157,978)	519,946	241,453	604,155
Beginning fund balances	(4,191,767)	(4,191,767)	(4,191,767)	2,010,155	2,010,155	2,010,155	834,502	834,502	834,502
Ending fund balances (deficit)	\$ (4,067,819)	\$ (16,077,269)	\$ (16,667,718)	\$ 447,004	\$ 447,004	\$ 1,852,177	\$ 1,354,448	\$ 1,075,955	\$ 1,438,657

The notes to the financial statements are an integral part of this statement

This page intentionally left blank

Cropper Accountancy Corporation

Certified Public Accountants

2977 Ygnacio Valley Road, #460
Walnut Creek, California 94598
Tel: (925) 932-3860
Fax: (925) 932-3862

Exhibit 2

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

Members of the Governing Board
Lafayette Redevelopment Agency
Lafayette, California

We have audited the financial statements of the governmental activities and the major funds of the Lafayette Redevelopment Agency (Agency) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Agency basic financial statements and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Agency Board of Directors, others within the entity, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 4, 2010