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CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAFAYETTE

REDEVELOPMENT AGENCY

COMPONENT UNIT FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

(With Auditors' Report Thereon)

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CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2011

MAYOR

Carl Anduri

Term Expires November 2012

CITY COUNCIL

Brandt Anderson
Term Expires November 2014

Carol Federighi
Term Expires November 2012

Mike Anderson
Term Expires November 2012

Don Tatzin
Term Expires November 2014

CITY MANAGER

Steven B. Falk-21 years of service

ADMINISTRATIVE SERVICE DIRECTOR

Tracy Robinson- 11 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 21 years of service

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011, 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, 2011, 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, 2011, 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

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 4, 2011

Management's Discussion and Analysis

Our discussion and analysis of the Lafayette Redevelopment Agency's financial performance for the fiscal year ended June 30, 2011 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, 2011, and their term of office are shown below:

Member	Position	Term Expires
Carl Anduri	Mayor	November 2012
Carol Federighi	Vice Mayor	November 2012
Mike Anderson	Board Member	November 2012
Brandt Andersson	Board Member	November 2014
Don Tatzin	Board Member	November 2014

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.

Redevelopment

The future of California redevelopment agencies is currently uncertain. The Governor moved to eliminate redevelopment agencies entirely while the legislature amended the plan to allow for agencies to continue if they paid a certain amount of "ransom" in order to do so. The California Supreme Court is now reviewing all the legislation to determine its legality. If the Lafayette Redevelopment Agency is terminated – either by the State or by the City's choice -- the current debt of $5.576M owed to the City's General Fund will not be repaid. Initial financial projections indicate that the Agency may be better able to pay its redevelopment debt by terminating the agency entirely. While this would necessitate a complete write-off of the General Fund loan, the overall operations of the City would be largely unaffected since these loans are not considered as part of the General Fund reserves nor have they been included in any of the City's financial forecasts which project expenses and revenues for the next five years.

STATEMENT OF NET ASSETS
Year ended June 30, 2011

	Total
Beginning Net Assets	$ 3,334,364
Increase/Decrease	(1,690,376)
Ending Net Assets	$ 1,643,988

The agency's net assets as of June 30, 2011 decreased by $ 1,690,376 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 $ 48,932,186 versus $ 50,683,369, a decrease of $ 1,751,183 from prior year.
- Total liabilities for the Agency were $ 47,288,198 versus $ 47,349,005 from prior year, a decrease of $ 60,807.
- The net assets were $ 1,643,988 versus $ 3,334,364 a decrease of $ 1,690,376 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 $ 2,119,159 versus $ 2,456,464 from prior year, a decrease of $337,305.

Fund expenditures were $ 4,707,007 versus $ 13,368,997 from prior year, a decrease of $ 8,661,990. Of the total fund expenditures, $ 2,725,194 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 $ 804,600 versus $ 878,896 from prior year a decrease of $74,296

Fund expenditures were $ 366,447 versus $ 274,741 from prior year, an increase of $91,706

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, 2011, the principal outstanding of the tax allocation bonds is $ 4,915,000. 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, plus interest of $43,240. In October 2005, special revenue bonds were issued for the amount of $11,680,000 to complete the library project. As of June 30, 2011, the principal outstanding of this revenue bond was $11,185,000. In October 2008 the Redevelopment Agency issued Tax Allocation Bonds for the amount of $ 9,600,000 due in 2038.

In May 12, 2008 the Redevelopment Agency entered into a loan agreement with the Lafayette Library and Learning Center Foundation (LLLC) and borrowed the amount of $ 9,000,000 at an interest rate of 6.25-6.50% for a period of 26 years. As of June 30, 2011 the balance of this loan is $ 10,922,519. On September 1, 2010 the Redevelopment Agency borrowed from the Lafayette Library Learning Center an additional amount of $ 2,500,000 at an interest rate of 8%. As of June 30, 2011 the balance of this loan is $ 2,879,310.

SERAF ASSESSMENT

Pursuant to a determination by the Director of the Department of Finance of the State of California, $ 229,715 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, 2011

Summary

During Fiscal Year 2010-2011, 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.

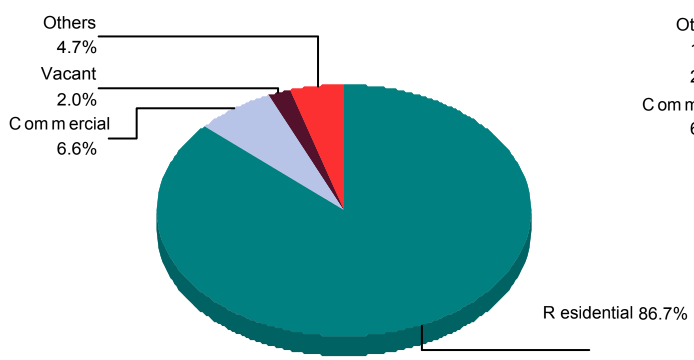
The Agency continued its participation in mixed use projects and multi-family residential projects. The Agency continued its negotiations with the owner of Town Center regarding a project with affordable housing and public parking. Finally, the Agency is still working with Eden Housing for the development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

THE CITY OF LAFAYETTE
2010/11 USE CATEGORY SUMMARY

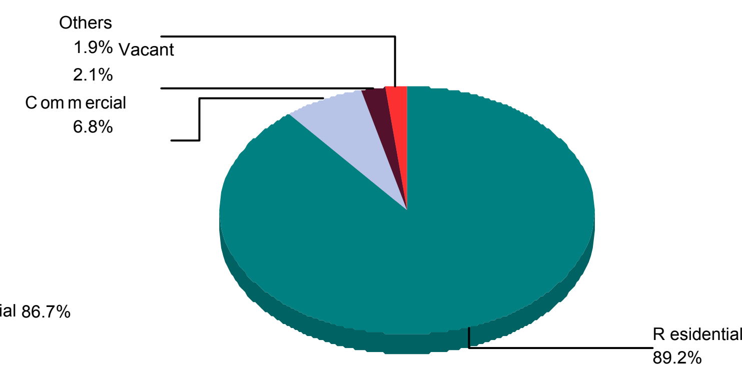
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value		Net Taxable Value	
Residential	7,954	$5,046,201,932	(86.7%)	$5,040,831,503	(89.2%)
Commercial	298	$386,034,752	(6.6%)	$386,034,752	(6.8%)
Industrial	2	$1,547,930	(0.0%)	$1,547,930	(0.0%)
Govt. Owned	1	$4,080	(0.0%)	$4,080	(0.0%)
Irrigated	1	$895,218	(0.0%)	$895,218	(0.0%)
Miscellaneous	70	$39,911,927	(0.7%)	$39,911,927	(0.7%)
Institutional	30	$71,947,379	(1.2%)	$9,162,491	(0.2%)
Recreational	1	$1,323,363	(0.0%)	$1,323,363	(0.0%)
Vacant	396	$117,928,394	(2.0%)	$117,928,394	(2.1%)
Exempt	147	$101,492,888	(1.7%)	$0	(0.0%)
SBE Nonunitary	[2]	$650,940	(0.0%)	$650,940	(0.0%)
Unsecured	[1,081]	$55,577,119	(1.0%)	$54,360,490	(1.0%)
TOTALS	**8,900**	**$5,823,515,922**		**$5,652,651,088**	

ASSESSED VALUE



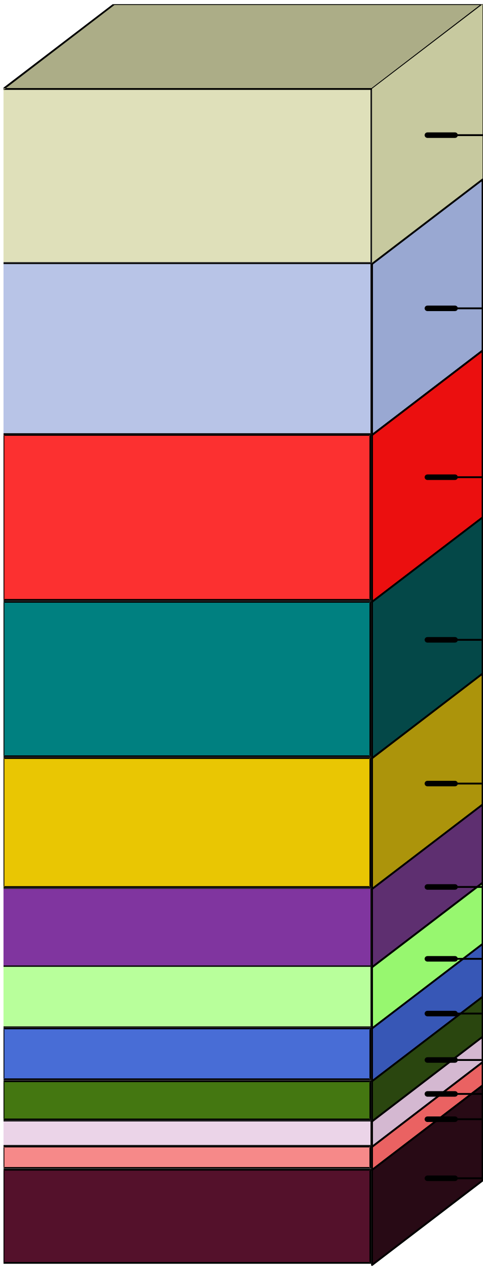
NET TAXABLE VALUE



Data Source: Contra Costa County Assessor 2010/11 Combined Tax Rolls

Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE
PROPERTY TAX DOLLAR BREAKDOWN



$ 0.1483	Lafayette Elementary
$ 0.1441	Acalanes High
$ 0.1414	Contra Costa Fire
$ 0.1317	K-12 Schools Eraf
$ 0.1109	County General
$ 0.0666	Lafayette General Fund
$ 0.0516	Contra Costa Community College
$ 0.0452	Walnut Creek Elementary
$ 0.0337	East Bay Regional Park
$ 0.0217	Central Sanitary
$ 0.0203	County Superintendent Of Schools
$ 0.01961	Community College Eraf
$ 0.01681	East Bay Municipal Utility District
$ 0.01675	County Library
$ 0.00793	Flood Control Z-3b
$ 0.00709	Bart
$ 0.00491	Orinda Elementary
$ 0.00406	Moraga Elementary
$ 0.00207	Bay Area Air Management
$ 0.00197	Contra Costa Flood Control
$ 0.00175	Contra Costa Mosquito Abatement
$ 0.00068	Alamo Lafayette Cemetery
$ 0.00040	County Water Agency
$ 0.00018	Contra Costa Resource Conservation
$ 0.00013	Canyon Elementary
$ 1.0000	

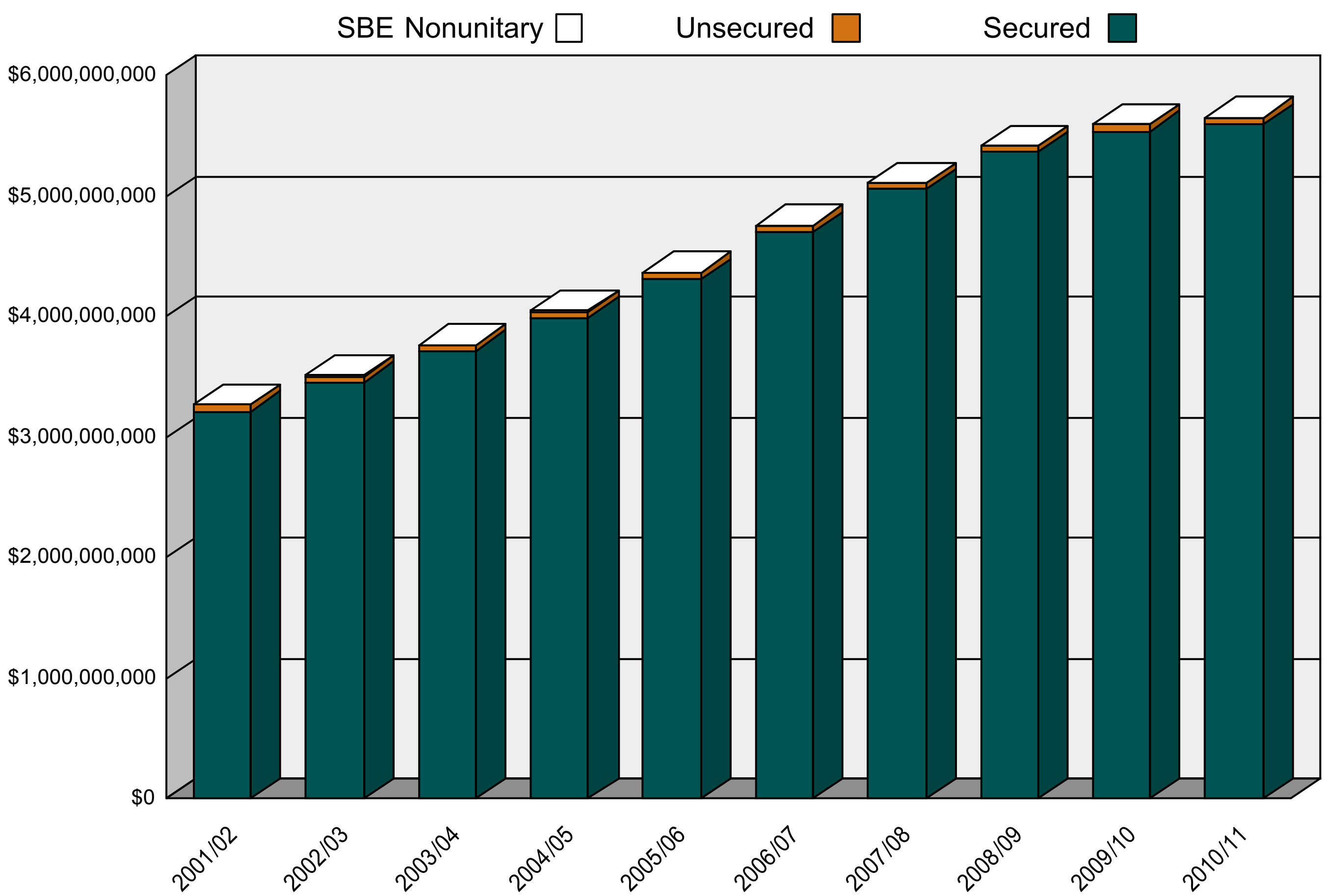
ATI (Annual Tax Increment) Ratios for Tax Rate Area 014-002, Excluding Redevelopment Factors & Additional Debt Service

Data Source: Contra Costa County Assessor 2010/11 Annual Tax Increment Tables Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE
NET TAXABLE ASSESSED VALUE HISTORY

2001/02 - 2010/11 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2001/02	$3,212,650,819	$61,467,264	$1,419,775	**3,275,537,858**	
2002/03	$3,456,126,528	$53,425,739	$1,588,278	**3,511,140,545**	**7.19%**
2003/04	$3,716,722,612	$50,780,984	$1,419,775	**3,768,923,371**	**7.34%**
2004/05	$3,994,725,547	$51,126,195	$1,419,775	**4,047,271,517**	**7.39%**
2005/06	$4,312,882,507	$53,211,668	$1,419,775	**4,367,513,950**	**7.91%**
2006/07	$4,700,277,218	$56,474,019	$1,419,775	**4,758,171,012**	**8.94%**
2007/08	$5,058,232,658	$49,725,844	$1,419,775	**5,109,378,277**	**7.38%**
2008/09	$5,364,553,364	$53,566,252	$1,419,775	**5,419,539,391**	**6.07%**
2009/10	$5,539,773,185	$57,895,020	$1,419,775	**5,599,087,980**	**3.31%**
2010/11	$5,597,639,658	$54,360,490	$650,940	**5,652,651,088**	**0.96%**



Data Source: Contra Costa County Assessor 0/ - 2010/11 Combined Tax Rolls Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE

2010/11 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured Parcels	Secured Value	Secured % of Net AV	Unsecured Parcels	Unsecured Value	Unsecured % of Net AV	Combined Value	Combined % of Net AV	Primary Use & Primary Agency
1) BASCOM LAFAYETTE HIGHLANDS LLC	1	$31,147,607	0.56%				**$31,147,607**	**0.55%**	Residential Lafayette RDA
2) HPF GLB CORPORATE TERRACE LLC	2	$22,546,436	0.40%				**$22,546,436**	**0.40%**	Commercial Lafayette RDA
3) CORTESE PROPERTIES LLC	1	$21,361,475	0.38%				**$21,361,475**	**0.38%**	Commercial Lafayette RDA
4) OAKWOOD ATHLETIC CLUB LLC	2	$18,434,101	0.33%	1	$2,831,632	5.21%	**$21,265,733**	**0.38%**	Miscellaneous Lafayette General Fund
5) LAFAYETTE PARK HOTEL ASSOCIATES	1	$17,674,057	0.32%	1	$0	0.00%	**$17,674,057**	**0.31%**	Commercial Lafayette RDA
6) BAY GLEN LP	1	$16,151,025	0.29%				**$16,151,025**	**0.29%**	Residential Lafayette RDA
7) DESCO PLAZA I LLC	2	$12,872,417	0.23%				**$12,872,417**	**0.23%**	Commercial Lafayette RDA
8) GRAY HORSE INVESTORS	2	$11,780,352	0.21%				**$11,780,352**	**0.21%**	Commercial Lafayette RDA
9) LAFAYETTE TERRACE LLC	1	$11,262,465	0.20%				**$11,262,465**	**0.20%**	Commercial Lafayette RDA
10) KMF CONTRA COSTA LLC	1	$11,232,139	0.20%				**$11,232,139**	**0.20%**	Residential Lafayette RDA
Top Ten Total	14	$174,462,074	3.12%	2	$2,831,632	5.21%	**$177,293,706**	**3.14%**	
City Total		$5,598,290,598			$54,360,490		**$5,652,651,088**		

Top Owners last edited on 8/18/11 by maheav using sales through 06/30/11

Data Source: Contra Costa County Assessor 2010/11 Combined Tax Rolls and the SBE Non Unitary Tax Roll

THE CITY OF LAFAYETTE

ASSESSED VALUE OF TAXABLE PROPERTY

2001/02 - 2010/11 Taxable Property Values

Category	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Residential	2,864,645,983	3,089,839,908	3,330,805,155	3,571,766,300	3,884,079,681	4,236,922,042	4,533,468,306	4,777,235,440	4,956,867,322	5,040,831,503
Commercial	257,596,443	268,414,129	280,975,195	291,481,955	305,593,196	325,020,767	361,936,805	387,571,309	411,394,045	386,034,752
Industrial	682,111	695,752	709,666	7,181,529	8,881,884	9,345,912	9,940,284	11,120,732	1,551,609	1,547,930
Dry Farm	47,056,944	50,198,870	51,965,950	56,326,431	59,941,864	66,507,124	76,605,231	83,227,286	58,353,923	
Govt. Owned				401,889	3,701	3,855	3,932	4,010	4,090	4,080
Institutional	4,794,231	5,142,144	5,852,114	10,044,727	6,114,830	6,556,184	7,779,701	9,563,706	11,430,317	9,162,491
Irrigated										895,218
Miscellaneous	4,623,067	4,806,259	5,521,486	5,512,922	5,560,744	5,786,509	6,295,195	7,682,975	17,075,892	39,911,927
Recreational	37,050	37,790	38,545							1,323,363
Vacant	33,214,990	36,991,676	40,854,501	36,369,046	42,706,607	50,134,825	56,970,726	64,034,894	83,095,987	117,928,394
SBE Nonunitary	1,419,775	1,588,278	1,419,775	1,419,775	1,419,775	1,419,775	1,419,775	1,419,775	1,419,775	650,940
Unsecured	61,467,264	53,425,739	50,780,984	51,126,195	53,211,668	56,474,019	49,725,844	53,566,252	57,895,020	54,360,490
Exempt	[41,065,267]	[43,418,488]	[44,529,954]	[45,487,366]	[47,337,965]	[52,056,758]	[54,620,325]	[56,572,486]	[74,013,658]	[101,492,888]
Unknown				15,640,748			5,232,478	24,113,012		
TOTALS	3,275,537,858	3,511,140,545	3,768,923,371	4,047,271,517	4,367,513,950	4,758,171,012	5,109,378,277	5,419,539,391	5,599,087,980	5,652,651,088
Total Direct Rate	0.09405	0.09979	0.10309	0.10590	0.11105	0.15941	0.14465	0.14917	0.14754	0.14477

Notes:
Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: Contra Costa County Assessor 2001/02 - 2010/11 Combined Tax Rolls

Prepared On 8/18/2011 By M

THE CITY OF LAFAYETTE

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER $100 OF TAXABLE VALUE)

Agency	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Last 10 Fiscal Years									
Basic Levy[1]	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Acalanes Union	0.03400	0.03240	0.03020	0.02900	0.02790	0.02920	0.02590	0.02890	0.02980	0.03110
Bart Bond	0.00000	0.00000	0.00000	0.00000	0.00480	0.00500	0.00760	0.00900	0.00570	0.00310
Contra Costa Community College	0.00000	0.00400	0.00380	0.00420	0.00470	0.00430	0.01080	0.00660	0.01260	0.01330
East Bay Regional Park Bond	0.00720	0.00650	0.00570	0.00570	0.00570	0.00850	0.00800	0.01000	0.01080	0.00840
Lafayette Bond	0.02050	0.02100	0.02100	0.02100	0.02000	0.02000	0.00000	0.00000	0.00000	0.00000
Lafayette Elementary Bond 1995	0.04720	0.04460	0.04210	0.04150	0.03930	0.03770	0.03400	0.03300	0.03260	0.03260
Lafayette General Fund	0.00000	0.00000	0.00000	0.00000	0.00000	0.02000	0.02000	0.01930	0.01300	0.01300
Orinda Elementary Bond	0.03130	0.02720	0.02310	0.02470	0.02360	0.02590	0.02370	0.02470	0.02360	0.02440
Pleasant Hill Recreation & Park	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02120
Service Area R-8 Bond	0.00500	0.00460	0.00430	0.00420	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct & Overlapping[2] Tax Rates	**1.14520**	**1.14030**	**1.13020**	**1.13030**	**1.12600**	**1.15060**	**1.13000**	**1.13150**	**1.12810**	**1.14710**
City's Share of 1% Levy Per Prop 13[3]	0.06663	0.06663	0.06663	0.06663	0.06663	0.06663	0.06663	0.06663	0.06662	0.06662
General Obligation Debt Rate	0.02050	0.02100	0.02100	0.02100	0.02000	0.04000	0.02000	0.01930	0.01300	0.01300
Redevelopment Rate	1.02520	1.02350	1.02000	1.02060	1.01950	1.02120	1.01950	1.02140	1.02200	1.01950
Total Direct Rate	0.09405	0.09979	0.10309	0.10590	0.11105	0.15941	0.14465	0.14917	0.14754	0.14477

Notes:

[1]In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

[2]Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

[3]City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

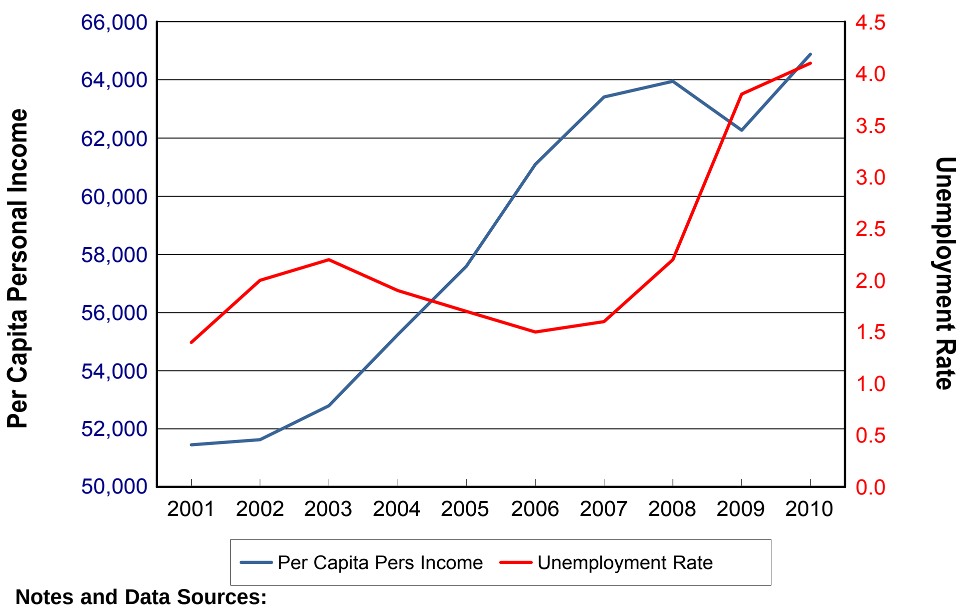
Data Source: Contra Costa County Assessor 2001/02 - 2010/11 Tax Rate Table — Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE

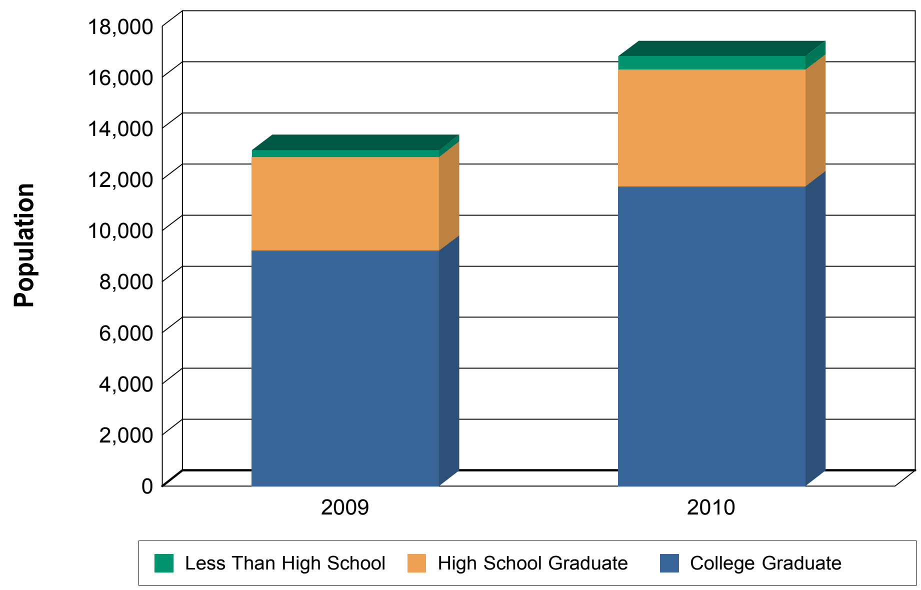
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Median Age	% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelor's Degree
2001	24,136	$1,241,747	$51,448	1.4%			
2002	24,377	$1,258,420	$51,623	2.0%			
2003	24,340	$1,285,044	$52,796	2.2%			
2004	24,297	$1,342,104	$55,237	1.9%			
2005	24,147	$1,390,681	$57,592	1.7%			
2006	23,885	$1,459,166	$61,091	1.5%			
2007	23,830	$1,511,220	$63,417	1.6%			
2008	23,945	$1,531,384	$63,954	2.2%			
2009	24,106	$1,501,084	$62,270	3.8%	44.9	98.0%	70.0%
2010	24,342	$1,579,285	$64,879	4.1%	43.2	96.9%	69.7%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:
Population: California State Department of Finance. Unemployment Data: California Employment Development Department
2000-2009 Income, Age, and Education Data: ESRI - *Demographic Estimates are based on the last available Census.* Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries
2010 - Income, Age and Education Data - US Census Bureau, most recent American Community Survey

Request 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

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2011 and 2010

	Governmental Activities	
ASSETS	2011	2010
Cash and cash equivalents	$ 1,126,391	$ 3,918,664
Investments	-	-
Accrued interest receivable	652	3,157
Accounts receivable	-	1,216,038
Prepaid assets	736,023	764,444
Total current assets	1,863,066	5,902,303
Restricted assets:		
Debt service;		
Cash deposits and investments	1,855,444	1,852,177
Low/Moderate Income Housing;		
Cash deposits and investments	760,986	359,183
Accrued interest receivable	86	372
Eden loan receivable, net of allowance	-	-
Total restricted assets	2,616,516	2,211,732
Capital Assets (Library):		
Land	2,004,444	2,004,444
Buildings, net of depreciation	39,848,698	-
Furniture and equipment, net of depreciation	1,073,373	-
Books and artwork	1,526,089	-
Improvements in process	-	40,564,890
Total capital assets	44,452,604	42,569,334
Total assets	$ 48,932,186	$ 50,683,369
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	$ 1,043,500	$ 100,440
Accrued interest payable	582,419	587,530
Interfund payable- parking fund (interest due)	43,240	-
Note payable to parking fund - current portion	52,300	25,145
Tax allocation bonds - current portion	390,000	335,000
Total current liabilities	2,111,459	1,048,115
Noncurrent liabilities:		
Loan Payable - Library and Learning Center Foundation	13,801,829	12,921,914
Advances from other funds	5,576,710	7,163,621
Note payable to parking fund - noncurrent portion	488,200	515,355
Tax allocation bonds - noncurrent portion	25,310,000	25,700,000
Total noncurrent liabilities	45,176,739	46,300,890
Total liabilities	47,288,198	47,349,005
NET ASSETS		
Invested in capital assets, net of related debt	4,410,275	3,071,920
Restricted for:		
Debt service	1,855,444	1,852,177
Low/moderate income housing	1,876,810	1,438,657
Unrestricted:		
Designated for Redevelopment	(6,498,541)	(3,028,390)
Undesignated	-	-
Net assets	1,643,988	3,334,364
Total liablilities and net assets	$ 48,932,186	$ 50,683,369

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

Statement 2

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Activities
For the Year Ended June 30, 2011
with Comparative Amounts for 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions: Operating	Program Revenues: Grants and Contributions: Capital	Net Revenues (Expenses): 2011	Net Revenues (Expenses): 2010
Primary Government						
Redevelopment Activities						
Expenses:						
Administration	$ 395,883	$ -	$ -	$ -	$ (395,883)	$ (847,278)
Professional services	335,729	-	-	-	(335,729)	(1,590,912)
Interest expense	2,735,073	-	-	-	(2,735,073)	(2,636,041)
Subsidy - Eden Loan	247,023	-	-	-	(247,023)	(149,578)
Subsidy to Cortese Properties, LLC	-	-	-	-	-	(29,667)
Depreciation expense	841,924	-	-	-	(841,924)	-
Other expenses	61,800	-	-	-	(61,800)	(38,751)
Total Redevelopment Agency expenses	$ 4,617,432	$ -	$ -	$ -	$ (4,617,432)	$ (5,292,227)

		2011	2010
General revenues:			
Tax incremental revenue		$ 2,888,790	$ 3,122,277
Investment income		10,957	34,661
Other revenue		27,309	182,662
		2,927,056	3,339,600
Change in net assets	*	(1,690,376)	(1,952,627)
Net assets at beginning of year		3,334,364	5,286,991
Net assets at end of year		$ 1,643,988	$ 3,334,364

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

		2011	2010
Excess of expenditures over revenues and other sources (uses) (From page 7)		$ (3,885,336)	$ (12,029,774)
Current year capital assets capitalized		2,725,194	9,790,931
Depreciaton of capital assets		(841,924)	-
(Increase) decrease in accrued interest payable		5,111	4,637
Reduction in bond indebtedness - current year principal payment		335,000	310,000
Current year amortization of bond issuance costs		(28,421)	(28,421)
Change in net assets	*	$ (1,690,376)	$ (1,952,627)

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2011 and 2010

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund
ASSETS	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund
Cash and equivalents	$ 783,712	$ 342,679	$ 1,126,391	$ -	$ -
RDA interfund balances	(266,591)	(849,166)	(1,115,757)	-	1,115,757
Accounts receivable	-	-	-	-	-
Accrued interest receivable	652	-	652	-	-
Restricted assets for:					
Cash and investments	-	-	-	1,855,444	760,986
Accrued interest receivable	-	-	-	-	86
Eden loan receivable, net of allowance of $3,135,522	-	-	-	-	-
Total assets	$ 517,773	$ (506,487)	$ 11,286	$ 1,855,444	$ 1,876,829
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 38	$ 1,043,443	$ 1,043,481	$ -	$ 19
Loan payable--Lafayette Library and Learning Center Foundation	-	13,801,829	13,801,829	-	-
Advances from general fund	3,340,869	2,235,841	5,576,710	-	-
Interfund payable- parking fund (interest due)	43,240	-	43,240	-	-
Loan payable to parking fund	540,500	-	540,500	-	-
Total liabilities and other credits	3,924,647	17,081,113	21,005,760	-	19
Fund balances					
Restricted for:					
Debt service	-	-	-	1,855,444	-
Low/moderate income housing	-	-	-	-	1,876,810
Other	(3,406,874)	(17,587,600)	(20,994,474)	-	-
Unassigned	-	-	-	-	-
Net assets	(3,406,874)	(17,587,600)	(20,994,474)	1,855,444	1,876,810
Total liabilities and net assets	$ 517,773	$ (506,487)	$ 11,286	$ 1,855,444	$ 1,876,829

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2011 and 2010

Statement 3

Total Governmental Funds	
2011	2010
$ 1,126,391	$ 3,918,664
-	-
-	1,216,038
652	3,157
2,616,430	2,211,360
86	372
-	-
$ 3,743,559	$ 7,349,591
$ 1,043,500	$ 100,440
13,801,829	12,921,914
5,576,710	7,163,621
43,240	-
540,500	540,500
21,005,779	20,726,475
1,855,444	1,852,177
1,876,810	1,438,657
(20,994,474)	(16,667,718)
-	-
(17,262,220)	(13,376,884)
$ 3,743,559	$ 7,349,591

Total Fund Balance - Governmental Fund Balance Sheet (Statement 3)	$ (17,262,220)
Adjustments:	
To record capital assets, previously expensed	44,452,604
To record accrued interest payable on debt, previously recognized on a "when due" basis	(582,419)
To record tax allocation bonds payable, previously recognized as revenue	(25,700,000)
To record prepaid bond issuance costs	736,023
Total adjustments	18,906,208
Net assets on Statement of Net Assets (Statement 1)	$ 1,643,988

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

Statement 4

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2011 and 2010

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	Total Governmental Funds	
	General Projects	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund	2011	2010
Revenues							
Tax increment revenue	$ 2,084,636	$ -	$ 2,084,636	$ -	$ 804,154	$ 2,888,790	$ 3,122,277
Investment income	7,316	-	7,316	3,298	343	10,957	34,661
Other revenue	25,256	1,951	27,207	-	103	27,310	182,662
Total revenues	2,117,208	1,951	2,119,159	3,298	804,600	2,927,057	3,339,600
Expenditures							
Administrative costs	174,091	156,029	330,120	-	65,763	395,883	847,278
Assessment District bond - Principal	-	-	-	335,000	-	335,000	310,000
Improvement costs	-	2,725,194	2,725,194	-	-	2,725,194	9,790,931
Interest expense	290,712	1,045,533	1,336,245	1,403,939	-	2,740,184	2,640,678
Professional services	282,069	-	282,069	-	53,661	335,730	1,590,912
Low income subsidy	-	-	-	-	-	-	29,667
Eden Loan Subsidy	-	-	-	-	247,023	247,023	149,578
Other expenses	-	33,379	33,379	-	-	33,379	10,330
Total expenditures	746,872	3,960,135	4,707,007	1,738,939	366,447	6,812,393	15,369,374
Excess (deficiency) of revenues over expenditures	1,370,336	(3,958,184)	(2,587,848)	(1,735,641)	438,153	(3,885,336)	(12,029,774)
Other financing sources (uses):							
Bond issuance costs	-	-	-	-	-	-	-
Operating transfers - in	-	1,850,000	1,850,000	1,738,908	-	3,588,908	1,563,418
Operating transfers - out	(3,588,908)	-	(3,588,908)	-	-	(3,588,908)	(1,563,418)
Total other financing sources (uses)	(3,588,908)	1,850,000	(1,738,908)	1,738,908	-	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(2,218,572)	(2,108,184)	(4,326,756)	3,267	438,153	(3,885,336)	(12,029,774)
Beginning fund balances	(1,188,302)	(15,479,416)	(16,667,718)	1,852,177	1,438,657	(13,376,884)	(1,347,110)
Ending fund balances	$ (3,406,874)	$ (17,587,600)	$ (20,994,474)	$ 1,855,444	$ 1,876,810	$ (17,262,220)	$ (13,376,884)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lafayette Redevelopment Agency (the "Agency") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In both the government-wide financial statements and the fund financial statements, GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, has been adopted. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these Notes.

1.A. Financial Reporting Entity

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

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.

<u>Description of fund accounts</u>

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

<u>Basis of accounting</u>

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.

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 accounts for 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 $25,700,000 as of June 30, 2011 which is to be repaid out of future tax increment revenues and is secured by property within the Lafayette City limits.

The funds are further classified as major as follows:

Fund	**Brief Description**
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.

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, 2011. 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 $5,576,710 from the General Fund of the City bearing interest at 8% per annum, and an additional $43,240 from the Parking Fund (non-interest bearing).

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 consisted of $1,216,038 for the remaining balance of a state library grant, which was received during the year ended June 30, 2011.

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 is 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 recorded on the land, artwork and books.

The range of estimated useful lives by type of asset will be as follows:

Type	Useful Life (years)
Land, easements, and right of way	N/A
Building and improvements	50
Furniture and fixtures	20
Artwork and books	N/A

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.

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.

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 Balance Reporting

Under GASB Statement No. 54, Fund Balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority of the City, commits fund balances through resolutions. The City Council has designated certain members of management staff to assign fund balances. These captions apply only to Fund Balance classifications:

- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either
  - Externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation

- *Committed fund balances* are those amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- *Assigned fund balances* are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.

- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

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 $l00 of assessed value. Assessed value is calculated at l00% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the $l.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.

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 l 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.

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:

Fund	Required By
Low/Moderate Income Housing	State Law
Debt Service Fund	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.

In November of 2010, the FDIC issued a final rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides unlimited insurance coverage of non-interest bearing transaction accounts.

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, 2011.

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:

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

For the year ended June 30, 2011, the Agency complied, in all material respects, with these revenue restrictions.

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 2010 – 11 the City's total secured and unsecured assessed valuation was $5,608,573,569 (full cash value).

Other long-term debt

At June 30, 2011, 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 $5,576,710 from the General Fund of the City which bears interest at 8% with no defined maturity date.

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, 2011, the carrying amount of the Agency's cash deposits (through the City) was $1,236,633. 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.

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

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, 2011 are categorized as follows:

		2011	S&P Rating
Cash:			
Deposits in Bank - pooled account, net of outstanding checks	$	1,200,392	N/A
Local Agency Investment Fund - State of California		665,727	N/A
Total Cash and Cash Equivalents		1,866,119	
Investments:			
CAMP Pool (California JPA)		1,467,326	AAAm
U.S. Treasury – Money Market		409,376	AAA
Total Investments		1,876,702	
Total Cash and Investments	$	3,742,821	

Reconciliation to financial statements:		
Unrestricted:		
Cash and cash equivalents	$	1,126,391
Restricted Assets:		
Debt-service		1,855,444
Low/Moderate Income Housing		760,986
		2,616,430
Total	$	3,742,821

The Agency's investments with LAIF (through the City) at June 30, 2011 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, 2011, the RDA had $665,727 invested in LAIF, which had invested 5.01% of the pool investment fund in structured notes and asset-backed securities.

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:

	Debt Service	Low/moderate Housing Income
Cash	$ (21,258)	$ 683,531
Local Agency Investment Fund	-	77,455
Liquid Mutual Funds	1,876,702	-
Advance receivable	-	1,115,757
Accrued interest	-	86
Total Assets	$ 1,855,444	$ 1,876,829
Related Accounts Payable	-	(19)
Net Restricted Assets	$ 1,855,444	$ 1,876,810

3.C. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

Lafayette Library	Balance June 30, 2010	Additions	Capitalized Work in Progress	Balance June 30, 2011
Capital Assets:				
Land, easements, and right of way:	$ 2,004,444	$ -	$ -	$ 2,004,444
Building and improvements	-	-	40,634,129	40,634,129
Furniture and equipment	-	-	1,129,866	1,129,866
Books and artwork	-	1,526,089	-	1,526,089
Construction in progress	40,564,890	1,199,105	(41,763,995)	-
Total capital assets at cost	42,569,334	2,725,194	-	45,294,528
Accumulated depreciation:				
Building and improvements	-	785,431	-	785,431
Furniture and equipment	-	56,493	-	56,493
Total accumulated depreciation	-	841,924	-	841,924
Total capital assets, net	$ 42,569,334	$ 1,883,270	$ -	$ 44,452,604

At June 30, 2010, the assets were in work in process with depreciation commencing in the year ended June 30, 2011.

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, 2011 was $13,801,829

3.E. Long-Term Debt

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

	Long-Term	Due Within One Year	Total
*Advances from General Fund	$ 5,576,710	$ -	$ 5,576,710
Loan Payable- Parking Fund	488,200	52,300	540,500
Tax Allocation Bonds - 2003 issue	4,790,000	125,000	4,915,000
Tax Allocation Bonds - 2005 issue	10,965,000	220,000	11,185,000
Tax Allocation Bonds – 2008 issue	9,555,000	45,000	9,600,000
Loan Payable – Library & Learning Center Foundation	13,801,829	-	13,801,829
	$ 45,176,739	$ 442,300	$ 45,619,039

*Advances from General Funds are broken down as follows:

Library	$ 2,235,841
Veteran's Hall	1,378,611
Redevelopment Program	1,962,258
	$ 5,576,710

In addition, the Redevelopment Agency owes the Parking Fund $43,240 for unpaid interest at June 30, 2011.

The liability for Lafayette Redevelopment Project Tax Allocation Bonds was as follows at June 30, 2011.

	Original Issue	Interest Rates	Balance June 30, 2010	Principal Additions (Retirements)	Balance June 30, 2011
2002 Issue Issued fiscal year 2003, matures to 2033	$ 5,585,000	2.25 – 5.3%	$ 5,030,000	$ (115,000)	$ 4,915,000
2005 Issue Issued fiscal year 2006, matures to 2036	$11,680,000	3.0 – 4.7%	11,405,000	(220,000)	$ 11,185,000
2008 Issue Issued fiscal year 2009, matures to 2038	$ 9,600,000	3.75 – 6.5%	9,600,000	-	$ 9,600,000
			$ 26,035,000	$ (335,000)	$ 25,700,000

2002 Issue	Redevelopment Principal	Tax Allocation Interest	Bonds - Issued 2003 Total
Payments due in fiscal years ending June 30;			
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	150,000	245,030	395,030
2017 – 2021	860,000	1,094,117	1,954,117
2022 – 2026	1,140,000	812,751	1,952,751
2027 – 2031	1,505,000	435,419	1,940,419
2032 – 2033	730,000	42,550	772,550
	$ 4,915,000	$ 3,678,196	$ 8,593,196

2005 Issue	Redevelopment Principal	Tax Allocation Interest	Bonds - Issued 2005 Total
Payments due in fiscal years ending June 30;			
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	265,000	479,299	744,299
2017 – 2021	1,520,000	2,206,973	3,726,973
2022 – 2026	1,875,000	1,832,350	3,707,350
2027 – 2031	2,350,000	1,344,435	3,694,435
2032 – 2036	4,230,000	608,000	4,838,000
	$ 11,185,000	$ 8,502,734	$ 19,687,734

2008 Issue	Redevelopment Principal	Tax Allocation Interest	Bonds - Issued 2003 Total
Payments due in fiscal years ending June 30;			
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	110,000	580,464	690,464
2017-2021	655,000	2,808,703	3,463,703
2022-2026	865,000	2,593,224	3,458,224
2027-2031	1,160,000	2,283,493	3,443,493
2032-2036	1,575,000	1,853,229	3,428,229
2037-2039	4,880,000	489,125	5,369,125
	$ 9,600,000	$ 12,975,322	$ 22,575,322

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, Interest (8%)	Principal	Total	Principal Balance Remaining
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	-
	$ 348,504	$ 540,500	$ 889,004	

Note – the payment for the year ended June 30, 2011 was not made, but is carried forward as due. The interest due of $43,240 is included in current interfund payable to the parking fund, with the principal balance due during fiscal June 30, 2011 and 2012 ($25,144 and $27,156, respectively, for a total of $52,300) presented as current debt obligations.

3.F. Interfund Transactions and Balances

As discussed in notes 1.D., 2.D., and 3.E., the Redevelopment Agency has borrowed $5,576,710 (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.

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	$ 1,855,444
Low/moderate income housing fund	1,876,810
Total	$ 3,732,254

NOTE 4. OTHER NOTES

4A. Employee Benefit Plans

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

Employee Retirement Contribution

Employees of the City as of July 1, 2004 must participate in the retirement plan as follows:

Salary-Based Contribution System

The City shall make monthly contributions 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 based earnings up to the maximum allowable by law. In addition, each participant may contribute up to 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 interest 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 fully vested from the first month of employment.

The City's total payroll in fiscal year 2011 was approximately $3,964,653. Contributions to the plans totaled $510,540 by the City and $167,999 by individuals during the year.

The following summarizes transactions in the Plan for the year ended June 30, 2011:

Defined contribution retirement plan:	
Balance June 30, 2010	$ 4,341,044
Contributions : Employer	510,540
Employee	167,949
Other	(34,488)
Disbursements, net	(61,673)
Earnings	902,523
Balance June 30, 2011	$ 5,825,895

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 are held in trust for the exclusive benefit of plan participants.

The following summarizes transactions in the Plan for the year ended June 30, 2011:

Deferred compensation plan:		
Balance June 30, 2010	$	4,183,015
Contributions		333,918
Disbursements		(53,515)
Earnings		949,818
Balance June 30, 2011	$	5,413,236

Other Post Employment Benefits (OPEB)

Plan Description

The City's defined benefit post employment healthcare plan, provides medical benefits to eligible retired City employees and beneficiaries.

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.

Annual OPEB Cost

For 2011, the City's annual required contribution (ARC) of $28,000 was paid to the OPEB Trust. In addition, the City paid $960 in medical premiums to retirees. The City's current year OPEB costs, which consist of the ARC and the implied subsidy, were $28,960. The City's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the OPEB obligation for 2011 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)
6/30/2011	$ 28,000	$ 28,960	103%	$ (960)	$ (960)
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.

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
Actuarial Assumptions:	
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, 2011:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	$ 1,000,000,000	$ 5,000
Boiler and machinery	$ 100,000,000	$ 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.

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

The City is defendant in various lawsuits arising in the normal course of business. City management is of the opinion that the potential claims against the City 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, $229,715 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, 2011. 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. Such amount is considered a receivable by the Special Revenue Fund from the Redevelopment Program Fund.

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, 2011, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds - Budget Actual
June 30, 2011

Exhibit 1

	Capital Projects Funds			Debt Service Fund			Low/Moderate Income Housing Fund		
	Budget			Budget			Budget		
	Original	Revised	Actual	Original	Revised	Actual	Original	Revised	Actual
Revenues									
Tax increment revenue	$ 2,045,770	$ 2,017,786	$ 2,084,636	$ -	$ -	$ -	$ 865,811	$ 883,745	$ 804,154
Investment income	55,000	10,000	7,316	-	4,000	3,298	15,000	4,000	343
Grant revenue	-	-	25,340	-	-	-	-	-	-
Other revenue	-	-	1,867	-	-	-	-	-	103
Total revenues	2,100,770	2,027,786	2,119,159	-	4,000	3,298	880,811	887,745	804,600
Expenditures									
Bond principal and interest	1,337,401	1,337,401	-	1,738,938	1,738,938	1,738,939	-	-	-
Administrative costs	208,717	205,948	330,120	-	-	-	70,193	68,362	65,763
Improvement costs	290,000	2,516,265	2,725,194	-	-	-	-	-	-
Interest expense	-	-	1,336,245	-	-	-	-	-	-
Professional services	158,000	387,715	282,069	-	-	-	60,000	60,000	53,661
Low income subsidies	-	-	-	-	-	-	-	-	-
Eden Loan subsidy	-	-	-	-	-	-	-	247,023	247,023
Other expenses	20,000	20,000	33,379	-	-	-	-	-	-
Total expenditures	2,014,118	4,467,329	4,707,007	1,738,938	1,738,938	1,738,939	130,193	375,385	366,447
Excess (deficiency) of revenues over expenditures	86,652	(2,439,543)	(2,587,848)	(1,738,938)	(1,734,938)	(1,735,641)	750,618	512,360	438,153
Other financing sources (uses):									
Operating transfers in (out)	-	(1,738,938)	(1,738,908)	-	1,738,938	1,738,908	-	-	-
Total other financing	-	(1,738,938)	(1,738,908)	-	1,738,938	1,738,908	-	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	86,652	(4,178,481)	(4,326,756)	(1,738,938)	4,000	3,267	750,618	512,360	438,153
Beginning fund balances	(16,667,718)	(16,667,718)	(16,667,718)	1,852,177	1,852,177	1,852,177	1,438,657	1,438,657	1,438,657
Ending fund balances (deficit)	$(16,581,066)	$(20,846,199)	$(20,994,474)	$ 113,239	$ 1,856,177	$ 1,855,444	$ 2,189,275	$ 1,951,017	$ 1,876,810

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

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Exhibit 2

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

Members of the Governing Board
Lafayette Redevelopment Agency
Lafayette, California

Compliance

We have audited the compliance of the Lafayette Redevelopment Agency (Agency) 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 for the year ended June 30, 2011. Compliance with these requirements is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit on compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the compliance requirements referred to above that could have a material effect on the Agency.

An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements. In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the Agency for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 4, 2011