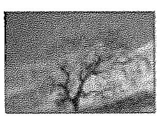
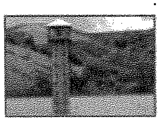
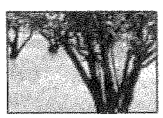
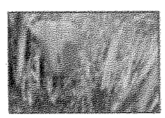
CITY OF LAFAYETTE

3675 Mt. Diablo Boulevard, Lafayette, CA 94549

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2012

CITY OF LAFAYETTE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Prepared by:
Finance Department
with assistance from Cropper Accountancy Corporation

CITY OF LAFAYETTE

Comprehensive Annual Financial Report

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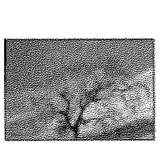
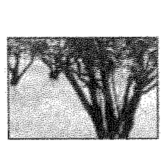
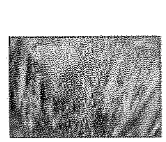
INTRODUCTORY SECTION

LAFAYETTE

November 20, 2012

To: Lafayette City Council
From: Tracy Robinson, Administrative Services Director
RE: Fiscal Year 2011-12 Comprehensive Annual Financial Report

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The Comprehensive Annual Financial Report (CAFR) of the City of Lafayette for the fiscal year ending June 30, 2012 is submitted in compliance with Section 25253 of the Government Code of the State of California and as prescribed by the Government Accounting Standards Board (GASB) Statement 34.

This report was prepared by the City of Lafayette Finance Department and the responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the data included in the report are accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR represents the culmination of all budgeting and accounting activities of the City during FY 2011-12. The Management Discussion and Analysis starting on page 3 provides a summary of the City's financial activities for the year.

GENERAL INFORMATION ABOUT THE CITY OF LAFAYETTE

Incorporated in 1968, Lafayette is located in Contra Costa County, one of the nine counties of the San Francisco Bay Area. Located on 15 square miles, Lafayette is noted for its high quality of life with top rated schools, low crime rate, small town downtown, clean air, mild climate and oak tree-studded hills. Located between Berkeley and Walnut Creek, Lafayette has its own Bay Area Rapid Transit station (BART) and is only a 25 minute BART ride from San Francisco.

The City's 2010 population reported in the U.S. Census was 23,983. The City is primarily a residential community with commercial and light industrial enterprises as well as local governmental offices.

Lafayette's commercial district lies in the center of the community and offers a wide variety of services for residents in addition to boutique shopping and fine dining. The annual Art & Wine Festival attracts as many as 80,000 visitors to the City each year in September.

The City operates under the Council-Manager form of government, and is governed by a five-member Council elected at large, serving staggered four-year terms. Council elections are held in November of even numbered years. The Mayor is elected by the Council members from within its ranks to serve rotating one-year terms. The City Manager and City Attorney are appointed by the City Council. The City Manager appoints all Department Directors and through them, all other employees of the City.

The City contracts with the Contra Costa Sheriff's Office for police services. Fire service is provided by the Contra Costa Consolidated Fire District, water service by East Bay Municipal Utility District, sewer service by the Central Contra Costa Sanitary District. The Lafayette School District serves the 4 elementary schools and one middle school within the city boundary. The high school is in the Acalanes Unified School District, which also serves Moraga, Orinda and some parts of unincorporated Walnut Creek and Lafayette.

ORGANIZATIONAL STRUCTURE & COMPENSATION

The City employs 36.7 FTEs regular employees as well as a number of temporary and seasonal employees. The senior management team is experienced and long-tenured:

Steven Falk	City Manager	22 years
Tracy Robinson	Administrative Services Director	12 years
Jennifer Russell	Parks, Trails & Recreation Director	33 years
Gonzalo Silva	Financial Services Manager	22 years
Tony Coe	Engineering Services Manager	18 years
Ron Lefler	Public Works Services Manager	15 years
Niroop Srivatsa	Planning Services Manager	18 years
Joanne Robbins	City Clerk	18 years
Eric Christensen	Chief of Police (contract)	1 year
Mala Subramanian	City Attorney, BB&K (contract)	5 years

Unlike most public sector organizations, the City of Lafayette does not participate in a defined benefit retirement program. Rather, City employees have traditional defined contribution programs (401 and 457 plans). In addition, the City has fully funded the retiree medical program, therefore, there are no unfunded liabilities for retirement benefits.

ECONOMIC CONDITION AND OUTLOOK

Major Changes to Financial Position

On December 29, 2011, all redevelopment agencies in the State of California were dissolved pursuant to Assembly Bill 1X 26. As a result of the dissolution, the City opted to act serve as the "Successor Agency" to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. The transfer of assets and liabilities to the Successor Agency resulted in an extraordinary gain of $42,082,740 in the City's government-wide financial position. This was due primarily to the fact that the City took possession of the Lafayette Library & Learning Center as an asset, but the liabilities ($41,204,473) remained with the Successor Agency, which is reported as a fiduciary fund and not consolidated as part of the City's financials.

Current Economic Condition

As of June 30, 2012, the City of Lafayette's financial condition remains sound. An indicator of financial condition is the level of fund balances, both reserved and unreserved, in the City's General Funds. The City has a policy of retaining a minimum of 50% of the year's General Fund operating expenditures as a reserve against the General Fund cash balance. As of June 30, 2012, $10,391,624 or 100% is designated for this purpose.

Additional reserves against the General Fund include various commitments for future operating costs such as vehicle replacements, vacation accruals, retiree healthcare, capital expenditures and other funds that have been earmarked for specific purposes by the Council.

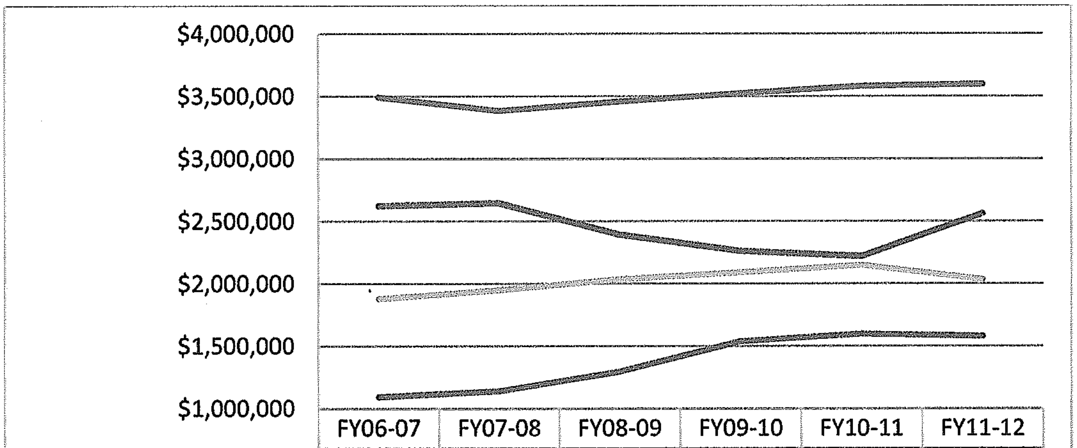
The City has a conservative investment policy which emphasizes safety and preservation of capital over yields. The current portfolio is invested in U.S. Agencies and the State of California's pooled Fund (LAIF).

Despite tough economic times, this prudent financial management has earned Standard and Poor's highest rating – AAA – for the City's General Obligation Bonds. This rating reflects S&P's view of the economic, financial and managerial strength of the City.

The City's General Fund revenue sources are:

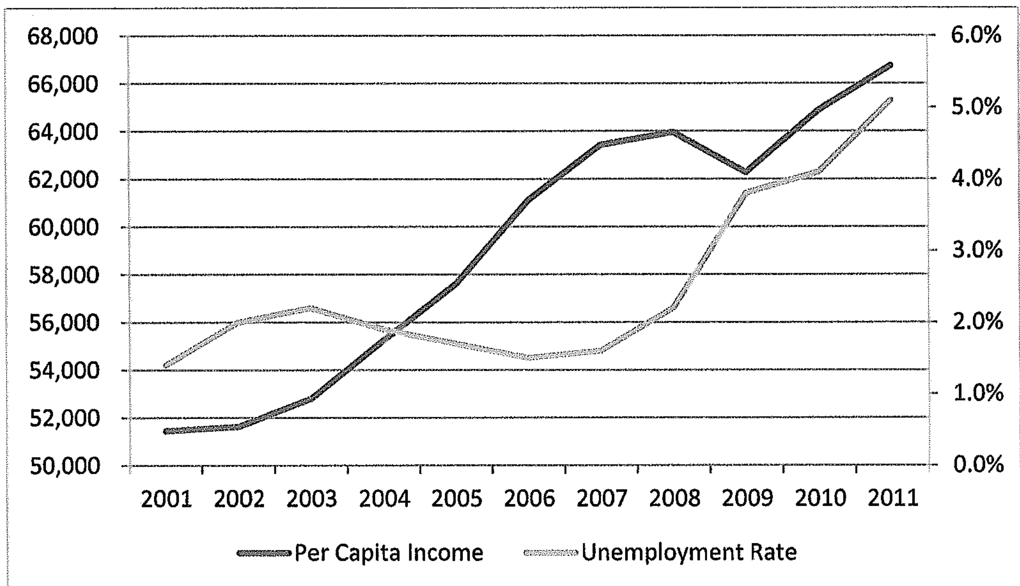
Revenue Source	FY11-12	% of Total
Property Tax	3,596,126	29%
Sales Tax	2,561,057	21%
Vehicle License Fees	2,035,206	16%
Franchise Fees	1,578,900	13%
Fees/Fines	1,422,895	12%
Investments	575,340	5%
Transient Occupancy Tax	522,777	4%
Misc.	72,996	1%
TOTAL	**12,365,296**	**100%**

Revenues in the four major categories have remained relatively consistent even during the economic slump. In fact, Sales Tax rose for the first time since the downward trend started in 2007 for an increase of 15% year-over-year.



	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12
Property Tax	3,493,520	3,383,847	3,458,322	3,524,422	3,581,479	3,596,126
Sales Tax	2,621,785	2,645,234	2,394,096	2,261,525	2,218,198	2,561,057
Vehicle License Fee	1,879,161	1,949,901	2,036,467	2,089,830	2,149,290	2,035,206
Franchise Fees	1,093,899	1,140,008	1,296,308	1,538,647	1,598,140	1,578,900

Lafayette's unemployment rate as of June 30, 2011 was 5.1% as compared to 8.2% for the County. In addition, per capita income in Lafayette reached a high in 2011 of $66,741 as compared to $37,818 for Contra Costa County.



Outlook for the Future

The City uses a multi-year financial planning process which includes estimates of future revenue and operating expenditure growth as well as capital needs to be financed from the General Fund over the next five years. The most recent annual update of this model completed as part of the FY11-12 budget process in June 2011 anticipated overall revenue growth of 2% as the economy begins a slow recovery.

Operating expenses were recently reduced by over $500,000 annually as follows:

- Reduced Police Costs
  The City's canine officer was rotated out of the department and the dog was retired. In addition, during the dry weather months, th City has 2 motorcylce officers. This increases the mobility of the remaining officers in cars. *Ongoing annual savings*: $225,000.

- Reduced Staffing
  Eliminated the full-time Community Development Director position and replaced it with a part-time Special Projects Manager. Reclassify an Assistant Planner position to Planning Technician, a lower compensated position, and eliminated the City's Planning Intern position. *Ongoing annual savings*: $146,500.

- Eliminated city-funded promotional expenses for downtown
  The City will no longer fund twinkle lights, police and public works support for the Art & Wine Festival and the Reservoir Run ($15k). *Ongoing annual savings*: $80,000.

- Reduced focus public works expenses
  Lengthened the time between landscape trimmings and cleanups. *Ongoing annual savings*: $50,000.

- Recalibrated the fees charged to Recreation program and facility users
  This program change proposed to add new facilities charges to make up some, but not all, of the ongoing support. *Ongoing annual savings*: $35,000.

As a result, the five-year forecast shows that the City will be able to maintain its 50% reserve requirement and balance its budget for the next five years without significantly reducing services for residents.

Property Tax

While median sales prices in Lafayette have fallen from a high of close to $1.15M in 2006 to $945.5K recently, the current median represents a 7.4% increase from the prior year, indicating that the market is slowly rebounding. In addition, Lafayette property taxes continue to be relatively stable given the large difference between assessed values, which are tied to Prop. 13, and sales prices. Furthermore, there are several housing and office building projects that are moving forward to construction in the downtown. These projects are expected to further bolster future property tax revenue.

Sales Tax

Sales tax revenue increased 15% over the prior year and sales tax per capita also increased to $96, which is the highest rate since 2007 when it peaked at $101 and then began declining during the economic downturn. The recent success of recent sales tax measures in both Orinda and Moraga bode well for a similar tax measure in Lafayette, should the Council decide to pursue it.

General Fund Reserves

General Fund Reserves remain well above the 50% level established by City Council policy. In FY11/12, reserves were above $10M – over 100% of General Fund expenditures. The Council has signaled its intent to spend $3M of this reserve on the Pavement Management Program in an effort to bring more residential streets up to a good condition. Even after this expenditure, the 5-year forecast shows that the City will be able to meet its reserve standard.

ACKNOWLEDGEMENTS

The preparation and development of this report would not have been possible without the special efforts of the entire Finance Department, and most notably, the Financial Services Manager, Gonzalo Silva. We would like to take this opportunity to compliment and express our gratitude to all those staff members of the City and our independent auditing firm who were associated with the preparation of this report.

In closing, without the continued leadership and support of the City Council, it would not be possible to conduct the financial operations of the City in the responsible and progressive manner in which they have been managed.

Respectfully submitted,

Steven B. Falk, City Manager

Tracy Robinson, Administrative Services Director

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CITY OF LAFAYETTE

CITY OFFICIALS AS OF JUNE 30, 2012

MAYOR

Carol Federighi

Term Expires December 2012

CITY COUNCIL

Carl Anduri
Term Expires December 2012

Mike Anderson, Vice Mayor
Term Expires December 2012

Brandt Andersson
Term Expires December 2014

Don Tatzin
Term Expires December 2014

CITY MANAGER

Steven B. Falk – 22 years of service

ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 12 years of service

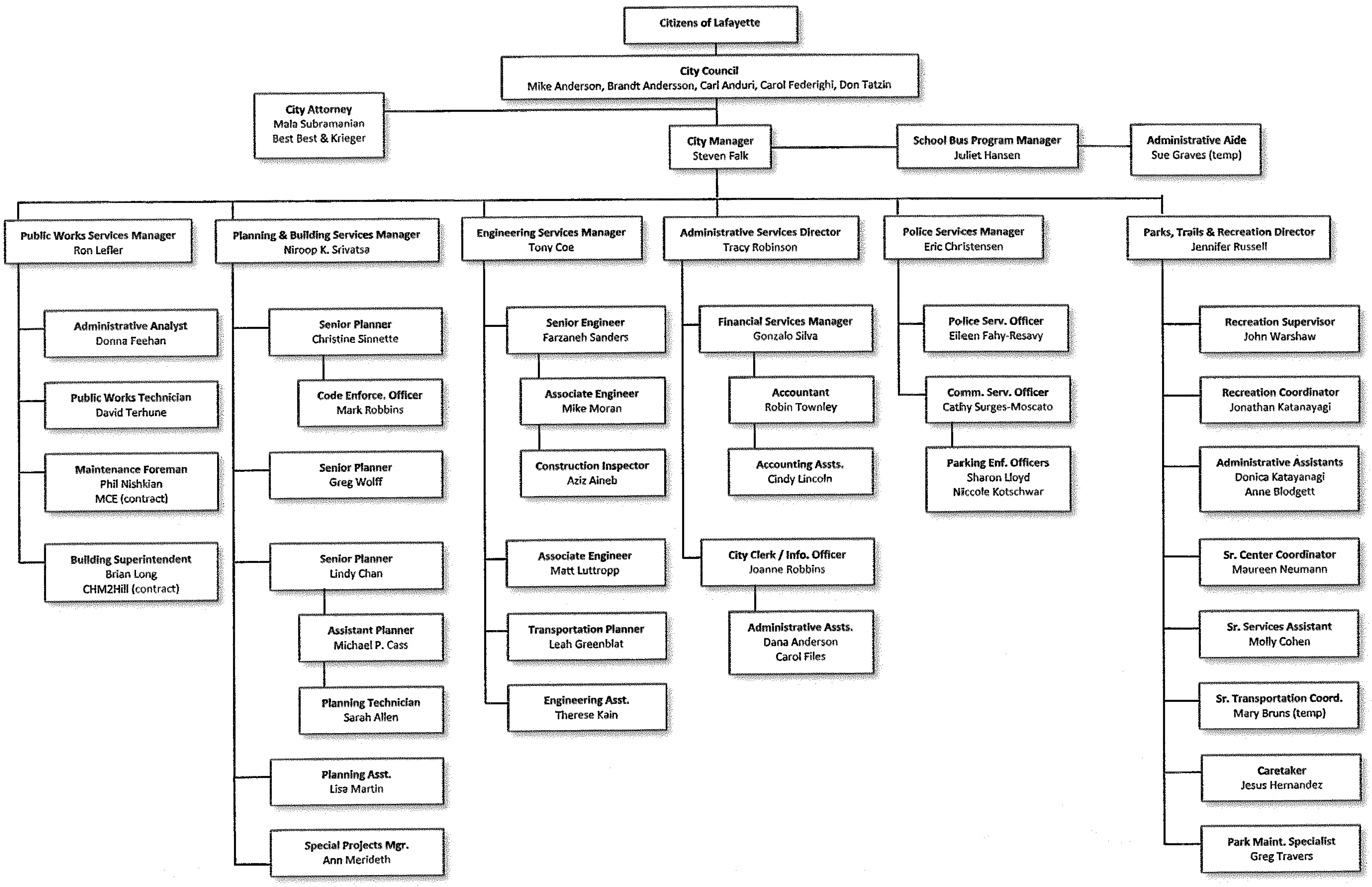
FINANCIAL SERVICE MANAGER

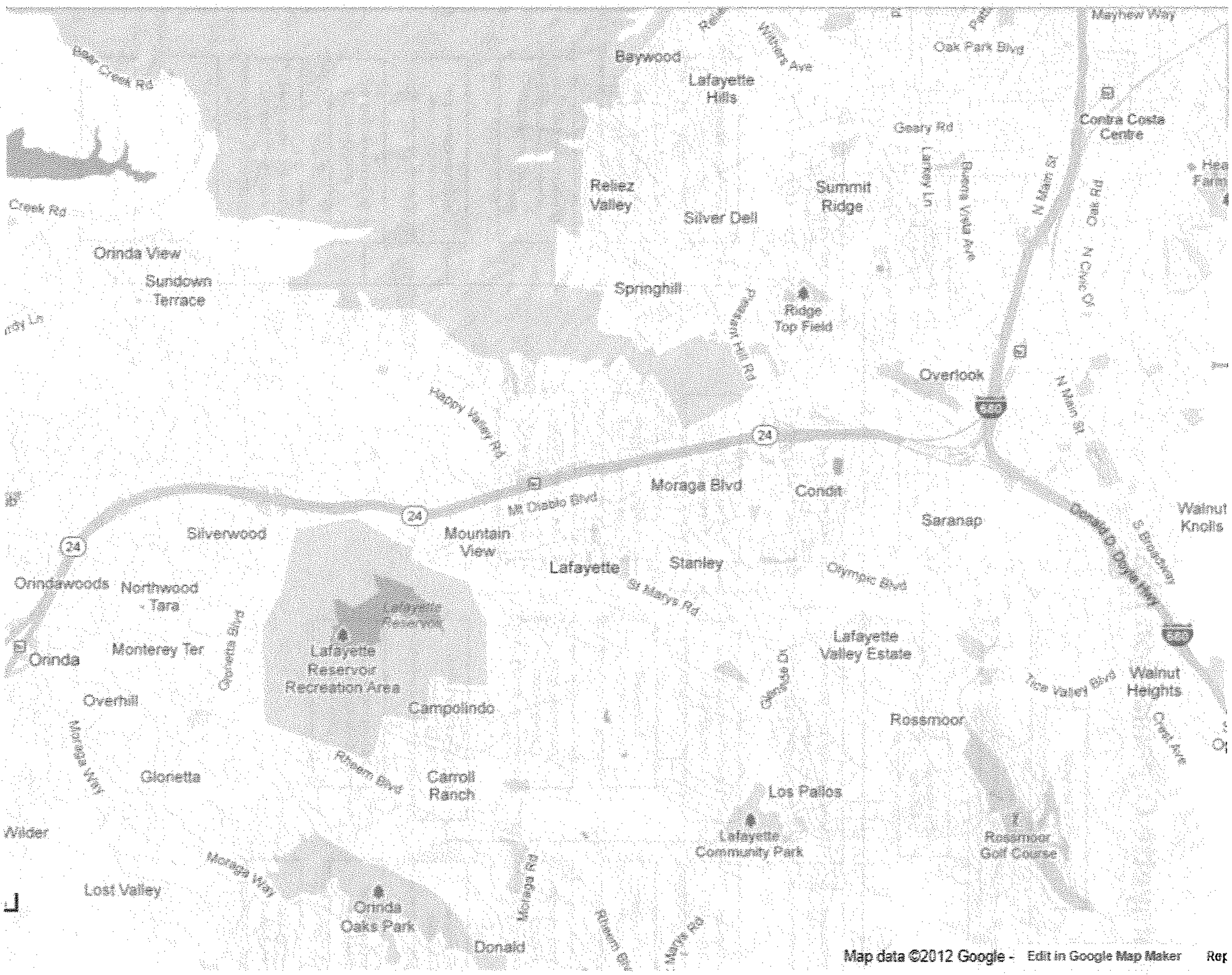
Gonzalo L. Silva – 22 years of service

Mission Statement

Lafayette was incorporated for the preservation and enhancement of the semi-rural character of the community. Lafayette shall endeavor to maintain the nature of the community by using a volunteer system of commissions and committees and a small staff whose number is consistent with the services provided. Limited services and a conservative fiscal policy are Lafayette's practice.

City of Lafayette Organization Chart




Baywood
Lafayette Hills
Oak Park Blvd
Mayhew Way
Geary Rd
Contra Costa Centre
Bear Creek Rd
Creek Rd
Reliez Valley
Silver Dell
Summit Ridge
Orinda View
Sundown Terrace
Springhill
Ridge Top Field
Pleasant Hill Rd
Overlook
Happy Valley Rd
Moraga Blvd
Condit
Mt Diablo Blvd
Saranap
Walnut Knolls
Silverwood
Mountain View
Lafayette
Stanley
Olympic Blvd
Orindawoods
Northwood - Tara
St Marys Rd
Orinda
Monterey Ter
Lafayette Reservoir Recreation Area
Lafayette Valley Estate
Walnut Heights
Overhill
Campolindo
Rossmoor
Tice Valley Blvd
Moraga Way
Glorietta
Rheem Blvd
Carroll Ranch
Los Palos
Wilder
Lafayette Community Park
Rossmoor Golf Course
Lost Valley
Orinda Oaks Park
Donald
Moraga Rd
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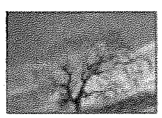
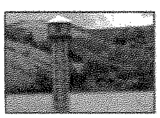
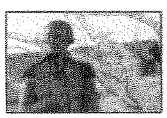
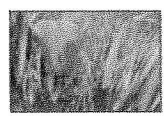
FINANCIAL SECTION

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CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

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2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598

(925) 476-9930 efax

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor,
City Council and City Manager
City of Lafayette, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of and for the year June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lafayette's management. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the City of Lafayette'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* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lafayette's financial statements as a whole. *Management's Discussion and Analysis,* and the budgetary comparison information are presented for purposes of additional analysis and are not a required part of the financial statements. *Management's Discussion and Analysis* and the budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information 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 22, 2012

Management's Discussion and Analysis

INTRODUCTION

As management of the City of Lafayette and the Successor Agency to the former Lafayette Redevelopment Agency (which will be collectively referred to as the "City" in this document), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2012.

The management discussion and analysis is designed to:

(a) assist the reader in focusing on significant financial issues,
(b) provide an overview of the City's financial activity and any changes in financial position,
(c) explain any material deviations from the financial plan (approved budget) and,
(d) discuss the City's ability to address future challenges.

It is important to note that the numbers in this audit may differ slightly from those in the annual budget for several reasons:

1. The annual budget is used primarily as a planning tool and is based on cash flow. It does not account for items like depreciation, accumulated capital assets or long-term debt.

2. Whereas the annual budget breaks the City's operation into 24 discrete funds, the financial statements divide the City into only two kinds of activities –Governmental and Business-type. The budget funds (with corresponding fund numbers in parentheses) are grouped as follows:

   - Governmental activities—Most of the City's basic services are reported here, including police, general administration, public works, planning and community development. Sales taxes, property taxes, vehicle license fees, franchise fees, and vehicular fines finance most of these activities. These activities are further classified as:

     ✓ **Capital Projects Funds** include: Park Facilities (12), Streets & Signals (14), Public Facilities (16), Parkland Acquisition (17), and City Offices (75).

     ✓ **Other Governmental Funds** include: Parking Programs (32), Vehicle Abatement (34), Senior Transportation (36), Gas Tax (71), Measure J (72), Supplemental Law Enforcement (73), Street Lighting (51), Core Area Maintenance (52) and Storm Water Pollution (53), Police Services Special Fund (77).

     ✓ **General Funds** include all the other funds including what is commonly known in the budget as the General Fund (11), Library Operations (37), Insurance (76) and General Obligation Bonds (78).

   - Business-type activities—For certain programs, the City charges fees to help cover most or all of the cost of certain services it provides. Only the City's Park and Recreation program (31) is reported here.

FINANCIAL HIGHLIGHTS

- On December 29, 2011, all redevelopment agencies in the State of California were dissolved pursuant to Assembly Bill 1X 26. As a result of the dissolution, the City opted to act serve as the "Successor Agency" to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. The transfer of assets and liabilities to the Successor Agency resulted in an extraordinary gain of $42,082,740 in the City's government-wide financial position. This was due primarily to the fact that the City took possession of the Lafayette Library & Learning Center as an asset, but the liabilities ($41,204,473) remained with the Successor Agency, which is reported as a fiduciary fund and not consolidated as part of the City's financials.

- The City reported combined net position (assets minus liabilities) of $126,562,335 of which $11,051,388 is unrestricted.

- The City's net position increased by $45,061,149 from the prior year. Net assets from governmental activities increased by $44,986,543 and net position from business-type activities (e.g. Parks & Recreation) increased by $74,606. Transfer of the Lafayette Library & Learning Center accounts for $43,528,831 of the increase.

- The General Fund's fund balance increased by $798,117

- The City's long-term debt consists of General Obligation Bonds with outstanding balances of $8,025,000

Following is a three year comparison of net position:

	Fiscal Year Ending June 30			
	2010	**2011**	**2012**	**Change from 2011 to 2012**
Assets				
Current assets	$ 27,981,176	$ 23,264,321	$ 29,736,386	+27.82%
Restricted assets	3,696,070	4,080,588	1,499,760	-63.25%
Capital assets	102,558,555	106,874,836	106,840,274	-0.03%
TOTAL	**$ 134,235,801**	**$ 134,219,745**	**$ 138,076,420**	+2.87%
Liabilities				
Current liabilities	$ 4,764,689	$ 5,417,697	$ 3,504,744	-35.31%
Noncurrent liabilities	47,172,088	47,300,861	8,009,341	-83.07%
TOTAL	**$ 51,936,777**	**$ 52,718,558**	**$ 11,514,085**	-78.65%
Net Position				
Invested in capital assets	$ 68,757,999	$ 73,755,858	$ 98,939,504	34.14%
Restricted	(7,125,956)	(13,226,388)	16,571,443	-0.90%
Unrestricted	20,666,981	20,971,717	11,051,388	-31.37%
TOTAL	**$ 82,299,024**	**$ 81,501,187**	**$126,562,335**	55.29%

Following is a three year comparison of revenues and expenses:

	Fiscal Years Ending June 30			
	2010	2011	2012	Change from 2011 to 2012
Revenues				
Property Tax	$ 7,843,392	$ 7,680,137	$ 6,763,452	-11.94%
Sales Tax	2,598,675	2,558,987	2,927,906	14.42%
Motor Vehicle Fines	2,089,830	2,149,290	2,035,206	-5.31%
Franchise Fees	1,538,647	1,598,142	1,609,145	0.69%
Other	815,830	1,305,381	958,823	-26.60%
Fees for Service	1,058,489	1,205,647	1,656,696	37.41%
Recreation Programs	967,494	1,090,436	1,067,830	-2.07%
Investment Income	698,747	660,086	590,727	-10.50%
Grants Federal/State	1,505,986	514,817	2,381,448	362.58%
Gas Tax	401,734	578,865	690,985	19.37%
Transient Occupancy	413,796	451,157	522,777	15.87%
Vehicle Fines	426,865	413,428	440,463	6.54%
Parking Fees	198,424	296,088	327,353	10.56%
Transfer Tax	177,851	170,178	207,002	21.64%
TOTAL	**$ 20,735,760**	**$ 20,672,639**	**$ 22,179,813**	7.84%
Expenses				
Public Works / Infrastructure	$ 5,635,545	$ 6,560,962	$ 5,662,273	-13.70%
Police	3,850,434	3,879,299	3,917,326	0.98%
Debt Service	3,068,390	3,150,305	2,101,477	-33.29%
Planning & Engineering	2,770,095	1,710,674	1,969,349	15.12%
General Fund Admin	1,545,485	1,546,973	1,701,759	10.01%
Council & Commissions	1,055,156	1,051,368	1,156,123	9.96%
Other Admin	979,083	1,024,416	958,870	-6.40%
Recreation Programs	950,791	983,652	963,224	-2.08%
Other	705,426	919,919	771,003	-16.19%
RDA Admin	872.278	395,883	-	N/A
Eden Loan Subsidy	149,578	247,023	-	N/A
TOTAL	**21,591,776**	**21,470,476**	**19,201,404**	-10.57%
Excess (Revenue – Expenses)	$ (856,016)	$ (797,837)	$ 2,978,409	

- Fees for Service increased primarily due to Planning Fees for several large projects as well as a general uptick in applications.
- Debt Service declined by 33.29% due to the dissolution of Redevelopment.

THE CITY AS A WHOLE

One of the most important questions often asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the City as a whole in a way that helps answer this question.

Looking at the City's net position—the difference between assets and liabilities—is one way to measure the City's financial health. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads must also be considered.

STATEMENT OF NET POSITION

Year Ending June 30, 2012	Governmental Activities	Business Activities	Total
Beginning Net Position	$ 81,333,664	$ 167,522	$ 81,501,186
Increase/(Decrease)	$ 44,986,543	$ 74,606	$ 45,061,149
Ending Net Position	**$ 126,320,207**	**$ 242,128**	**$ 126,562,335**

The detailed *Statement of Net Position* on page 10 of the financial report shows several significant things pointing to the overall health of the City:

1. Assets exceeded liabilities by $126,562,335.

2. Total capital assets decreased by $34,562.

78.17 % of the City's net position ($98,939,504) are invested in capital assets (e.g., land, buildings, utility plants, and machinery and equipment; net of related debt). However, since capital assets are used to provide services to citizens, they cannot be easily liquidated to pay liabilities.

STATEMENT OF ACTIVITIES

Governmental Activities

The *Statement of Activities* can be found on page 11 of the financial statement report. In this schedule, you will notice that expenses are listed in combination with the revenue for each particular program. This format shows how much of each program is funded through fees and/or grants and highlights the relative financial burden of each program for the City's taxpayers. This year the City received a total of $22,185,813 in revenue and incurred expenses of $19,201,404. Revenues were composed of $14,079,839 in general revenue and $5,105,974 in program revenue.

Business-Type Activities

The City reports only one program, Recreation Programs, as a business-type activity since Recreation programs are expected to be fully self-supporting through fees, donations, gifts and grants. This year, with expenditures and transfers of $993,224 and revenue of $1,067,830 that program showed a gain of $74,606. Note than some overhead expenses are covered by the General Fund and not charged to Recreation Programs.

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES

As noted on the first page, the Governmental Funds are actually made up of several different types of funds. It is also useful, when considering the relative health of the City, to look more closely at the fund balances for each type:

	General Funds	Capital Projects	Other	**TOTAL**
Beginning Fund Balance	$ 17,375,830	$ 4,534,437	$ 2,284,228	**$ 25,410,130**
Ending Fund Balance	$ 18,173,947	$ 4,502,162	$ 3,499,863	**$ 27,677,449**
Net Change	**$ 798,117**	**$ (32,275)**	**$ 1,215,635**	**$ 1,981,477**

As of the fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of $27,677,449 as compared to $8,396,347 in the prior year. The increase of $19,281,102 (230%) is primarily due to moving Redevelopment debt to the Successor Agency.

STRENGTHS & RISKS

General Funds

The general funds are the primary operating funds of the City. At June 30, 2012, the unassigned general fund balance was $10,391,624. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end unassigned general fund balance represents over 102% of general fund expenditures, suggesting that the City is in a very strong position and could cover almost an entire year of expenses without revenue. Note that this reserve amount does not include $6M in loans to the former Redevelopment Agency. While these loans may be paid back at some point in the future, it is unclear as to when and at what rate. In fact, the total value of these loans is likely to be written down to a lower interest rate per legislation subsequent to that which dissolved the Redevelopment Agency.

Expenses

As a limited service City, Lafayette strives to keep its operating expenses low and permanent employees at a minimum. The major expenses for the City are Police Services -- which are contracted through the County and account for more than 40% of the General Fund Expenses -- and Capital Improvements. Burgeoning police expenses, particularly pensions and cost of unfunded pension obligations, are the City's biggest risk.

Note, however, that Lafayette, unlike most public agencies, does not provide the Public Employee Retirement System (PERS), a defined benefit pension program, to its employees. The City, therefore, does not face the unfunded obligations that many municipalities are now experiencing for this class of employees. The City's defined contribution retirement system is fully funded and insulates Lafayette from potentially large contribution increases associated with the poor performance of PERS investments. The City has also reserved 100% of the actuarial estimate for retiree health care obligations as of June 30, 2012.

Over the last 12 years, the City has significantly improved the condition of most of the City's major thoroughfares and arterials. In order to maintain this investment, the City's General Fund contributes approximately $1 million each year to the Pavement Management Program (PMP). However, the Capital Improvement Program for roads and drains still has a backlog of $15 million. Absent a new source of revenue, many of the City's residential streets will not be repaired. Various tax measures have been placed on the ballot, but none have passed although all have garnered a majority vote, including the most recent measure that was on the ballot in November 2011.

Revenue

Property Tax and Assessments are the largest revenue source for the City. Incorporated in 1968, the City did not levy a property tax prior to 1978 when Proposition 13 was adopted. Consequently, it receives a relatively low share of the property tax under the statutory formula. Under legislation adopted in 1988, some relief has been granted to cities in similar circumstances. Property tax collections, however, continue to be relatively less than most other California cities collect. Currently, the City receives approximately 6.18% of the property taxes paid by its residents, compared to an average of 10.5% for other cities in Contra Costa. This is not likely to change.

Despite the comparatively low share received by the City, the property tax base remains stable. Assessed values in the City decreased 0.70 % from $5,608,573,569 in fiscal year 2010/2011 to $5,569,356,901 in fiscal year 2011/2012 due largely to a lower sale prices and legally required reassessment of property values which were not offset by the 2% increase in assessed value of properties assessed below market value under Proposition 13. The City's total property tax and assessment revenue decreased from $7,680,137 (not including the amount of $470,898 borrowed by the State) to $6,763,452 for a decrease of $916,685, although most of this decrease was in the Redevelopment Fund which was dissolved as of February 2012.

Sales Tax is the second largest revenue source for the City. Sales tax revenue increased during the year, from $2,558,987 to $2,927,906 an increase of $ 368,919 (14%).

Vehicle License Fees (VLF) is the third largest source of revenue for the City. The State imposes an annual vehicle license fee (VLF) on the ownership of each registered vehicle in California, in lieu of taxing vehicles as personal property. The City received $2,035,206 in 2011 – 2012 compared to $2,149,290 in 2010 – 2011, a decrease of $ 114,084 in VLF revenues due primarily to State takeaways of these funds.

Other opportunities for increasing revenue are limited. While the City may increase its fees for services to more closely match the expenses up to the actual cost of the service, any additional special taxes – such as a bond tax, parcel tax or assessment district tax -- must be passed by a 2/3 vote of the citizens, which has proven difficult for Lafayette – the last three measures have reached a majority vote, but not crossed the 2/3 threshold. Recent discussions on a proposed increase to the real estate transfer tax, which would have necessitated a change to Charter City status, was tabled largely based on the negative feedback from residents. General taxes – such as sales taxes, utility tax and real estate transfer taxes -- must get only a 50% majority vote. While Lafayette residents have shown little appetite for these types of taxes, the voters in nearby Moraga and Orinda passed limited term incremental sales taxes in November 2012.

Redevelopment

California Redevelopment Agencies were dissolved in fiscal year 2011-2012. See footnote 4.A.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City'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
Lafayette, CA 94549
925.284.1968

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BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Statement of Net Position
June 30, 2012

Statement 1

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (Note 3A)	$ 14,793,371	$ 511,052	$ 15,304,423
Investments (Note 3A)	4,013,101	-	4,013,101
Accounts receivable (Note 3B)	3,258,586	354	3,258,940
Notes receivable	6,978,068	-	6,978,068
Accrued interest receivable	12,383	27	12,410
Prepaid assets	136,858	17,784	154,642
Other assets	14,802	-	14,802
	29,207,169	529,217	29,736,386
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents	1,499,257	-	1,499,257
Accrued interest	503	-	503
	1,499,760	-	1,499,760
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	12,256,045	-	12,256,045
Land improvements	3,950,517	-	3,950,517
Buildings and improvements	39,748,048	-	39,748,048
Infrastructure	45,439,157	-	45,439,157
Furniture and Equipment	1,073,947	-	1,073,947
Books and artwork	1,471,492		1,471,492
Construction in progress	2,901,068	-	2,901,068
Total Capital Assets, net (Note 3C)	106,840,274	-	106,840,274
Total assets	$ 137,547,203	$ 529,217	$ 138,076,420
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,671,808	$ 3,444	$ 1,675,252
Accrued interest payable	168,468	-	168,468
Refundable deposits	751,755	15,837	767,592
Current portion of accrued compensated absences	119,835	-	119,835
Unearned revenue	10,789	267,808	278,597
Bonds payable-current (Note 3F)	495,000	-	495,000
Total current liabilities	3,217,655	287,089	3,504,744
Noncurrent Liabilities:			
Accrued compensated absences, net of current portion	479,341	-	479,341
Library loan agreement (Note 3D)	-	-	-
Bonds payable- noncurrent (Note 3F)	7,530,000	-	7,530,000
Total noncurrent liabilities	8,009,341	-	8,009,341
Total liabilities	11,226,996	287,089	11,514,085
NET POSITION			
Invested in capital assets, net of related debt	98,939,504	-	98,939,504
Restricted for:			
RDA Successor Agency Loan	6,647,816	-	6,647,816
Debt service	1,501,477	-	1,501,477
Special purpose sources	2,329,005	-	2,329,005
Capital projects	4,502,162	-	4,502,162
Other	1,590,983	-	1,590,983
Unrestricted	10,809,260	242,128	11,051,388
Total net position	126,320,207	242,128	126,562,335
Total liabilities and net position	$ 137,547,203	$ 529,217	$ 138,076,420

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

CITY OF LAFAYETTE
Statement of Activities
For the Year Ended June 30, 2012

Statement 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Business-Type Activities	Total
Primary Government							
Governmental Activities:							
City council, commissions & community support	$ 1,156,123	$ -	$ -	$ -	$ (1,156,123)	$ -	$ (1,156,123)
Administration	2,660,629	-	-	-	(2,660,629)	-	(2,660,629)
Police services	3,917,326	34,857	100,000	-	(3,782,469)	-	(3,782,469)
Public works	2,250,034	-	49,609	2,231,839	31,414	-	31,414
Infrastructure - depreciation	3,412,239	-	-	-	(3,412,239)	-	(3,412,239)
Planning & engineering	1,969,349	1,621,839	-	-	(347,510)	-	(347,510)
Interest & debt charges	2,101,477	-	-	-	(2,101,477)	-	(2,101,477)
Other	771,003	-	-	-	(771,003)	-	(771,003)
Total governmental activities	$ 18,238,180	1,656,696	149,609	2,231,839	(14,200,036)	-	(14,200,036)
Business Type Activities:							
Recreation programs	963,224	1,067,830	-	-	-	104,606	104,606
Total primary government	$ 19,201,404	$ 2,724,526	$ 149,609	$ 2,231,839	$ (14,200,036)	$ 104,606	$ (14,095,430)
General revenues:							
Property tax and Assessments					6,763,452	-	6,763,452
Sales taxes					2,927,906	-	2,927,906
Franchise taxes					1,609,145	-	1,609,145
Transient occupancy tax					522,777	-	522,777
Vehicle code fines					440,463	-	440,463
Motor vehicle in lieu tax					2,035,206	-	2,035,206
Gas Tax					690,985	-	690,985
Transfer tax					207,002	-	207,002
Parking revenues					327,353	-	327,353
Investment income					590,727	-	590,727
Other					958,823	-	958,823
					17,073,839	-	17,073,839
Transfers from Enterprise Fund, net					30,000	(30,000)	-
					17,103,839	(30,000)	17,073,839
Extraordinary gain on dissolution of RDA					42,082,740	-	42,082,740
Change in net position					44,986,543	74,606	45,061,149
Net position at beginning of year					81,333,664	167,522	81,501,186
Net position at end of year					$ 126,320,207	$ 242,128	$ 126,562,335

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2012

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	$ 8,742,834	$ 3,527,637	$ -	$ -
Investments (Note 3A)	4,013,101	-	-	-
Accounts receivable (Note 3C)	1,803,112	986,444	-	717
Notes Receivable	6,022,847	330,252	-	-
Accrued interest receivable	9,126	3,068	-	-
Prepaid expenses	11,628	-	-	1,000
Other assets	14,802	-	-	-
Restricted Assets:				
Cash deposits and investments (Note 3A)	-	-	-	1,499,257
Accrued interest receivable (Note 3B)	-	-	-	503
Total assets	$ 20,617,450	$ 4,847,401	$ -	$ 1,501,477
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	$ 1,221,162	$ 344,927	$ -	$ -
Refundable deposits	751,443	312	-	-
Unearned revenue	470,898	-	-	-
Total liabilities	2,443,503	345,239	-	-
Fund Balance				
Nonspendable fund balance				
RDA Successor Agency Loan	6,022,847	-	-	-
Restricted fund balance:				
Debt service	-	-	-	1,501,477
Capital projects	-	478,100	-	-
Special purpose sources	-	-	-	-
Committed fund balance:				
Capital projects	-	4,024,062	-	-
Accrued vacations	599,176	-	-	-
Police cars / transports	349,367	-	-	-
Pleasant Hill Rd. medians	125,000	-	-	-
Engineering/PW vehicle replacement	110,000	-	-	-
Library maintenance	100,000	-	-	-
Other	225,933	-	-	-
Assigned fund balance:				
Insurance	250,000	-	-	-
Unassigned fund balance:	10,391,624	-	-	-
Total fund balance	18,173,947	4,502,162	-	1,501,477
Total liabilities and fund balance	$ 20,617,450	$ 4,847,401	$ -	$ 1,501,477

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2012

Statement 3

Other Governmental Funds	Total Governmental Funds
$ 2,522,900	$ 14,793,371
-	4,013,101
468,313	3,258,586
624,969	6,978,068
189	12,383
-	12,628
-	14,802
-	1,499,257
-	503
$ 3,616,371	$ 30,582,699
$ 105,719	$ 1,671,808
-	751,755
10,789	481,687
116,508	2,905,250
624,969	6,647,816
-	1,501,477
-	478,100
2,329,005	2,329,005
-	4,024,062
-	599,176
-	349,367
-	125,000
-	110,000
-	100,000
81,507	307,440
-	-
-	250,000
-	-
3,499,863	27,677,449
$ 3,616,371	$ 30,582,699

Total fund balances per Governmental Funds Balance Sheet		$ 27,677,449
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Position less accumulated depreciation		106,840,274
Bonds Payable are reflected in the Statement of Net Position as liabilities, while being recognized as proceeds for governmental purposes. Bonds are treated as financing revenue in the year received for "governmental fund" purposes. (See Note 3. F.)		(8,025,000)
Prepayments of interest and loan fees on 2011 General Obligation Refunding Bond transaction		129,139
Amortization of prepaid loan fees on 2011 General Obligation Refunding Bond.		(4,909)
Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Position. For governmental fund purposes interest is recorded when due, not when incurred.		
Accrued interest payable	$ 168,468	
Accrued compensated absences	599,176	(767,644)
Proposition 1A receivables were recognized as property tax revenue in the Statement of Activities for the fiscal year ended June 30, 2010. For governmental purposes this revenue was deferred since it didn't meet the availability criterion under modified accrual (not collectable within 60 days)		$ 470,898
Subtotal		98,642,758
Total assets per Statement of Net Position		$ 126,320,207

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2012

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	$ 3,389,124	$ -	$ 2,017,004	$ 741,594
Sales and use tax (including Measure J)	2,561,057	-	-	-
Transient lodging tax	522,777	-	-	-
Franchise tax	1,609,145	-	-	-
Real property transfer tax	207,002	-	-	-
Vehicle code fines	150,881	-	-	-
Interest income	502,673	43,603	304	2,107
Motor vehicle in lieu tax	2,035,206	-	-	-
Grants - state and local	3,850	2,252,252	-	-
Planning, permits and engineering	1,244,377	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	3,335	57,985	-	-
Park dedication fees	-	305,889	-	-
Walkway fees	488	9,765	-	-
Parking revenue and fees	-	-	-	-
Police	23,814	-	-	-
Abandoned vehicles	-	-	-	-
Library operation	509,941	-	-	-
Other	128,635	263,577	-	717
Total	12,892,305	2,933,071	2,017,308	744,418
Expenditures				
City council, commissions, and community support	1,156,123	-	-	-
Police services	3,865,518	-	-	-
Public works	1,445,849	-	-	-
Library operations	605,701	-	-	-
Planning and engineering	1,187,882	780,467	1,000	-
Administration	1,701,759	-	18,131	-
Improvements - capital projects	-	3,818,700	-	-
Debt service -				
Principal	-	-	390,000	390,000
Interest and charges	-	-	2,223,046	317,013
Eden Loan subsidy	-	-	-	-
Rent and other expenses	129,651	-	-	-
Insurance and claims	35,651	-	-	-
Total expenditures	10,128,134	4,599,167	2,632,177	707,013
Excess (deficiency) of revenues over expenditures	2,764,171	(1,666,096)	(614,869)	37,405
Other financing sources				
Operating transfers - in	259,340	1,633,821	1,801,428	-
Operating transfers - out	(2,225,394)	-	(1,801,428)	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	798,117	(32,275)	(614,869)	37,405
Extraordinary gain (loss) on RDA dissolution	-	-	17,877,089	-
Change in fund balances	798,117	(32,275)	17,262,220	37,405
Beginning fund balance	17,375,830	4,534,437	(17,262,220)	1,464,072
Ending fund balance	$ 18,173,947	$ 4,502,162	$ -	$ 1,501,477

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2012

Statement 4

Other Governmental Funds	Total Governmental Funds
$ 615,730	$ 6,763,452
366,849	2,927,906
-	522,777
-	1,609,145
-	207,002
289,582	440,463
42,040	590,727
-	2,035,206
125,346	2,381,448
-	1,244,377
690,985	690,985
-	61,320
-	305,889
-	10,253
327,353	327,353
-	23,814
11,043	11,043
-	509,941
55,953	448,882
2,524,881	21,111,983
-	1,156,123
-	3,865,518
775,358	2,221,207
-	605,701
-	1,969,349
867,248	2,587,138
28,873	3,847,573
	780,000
-	2,540,059
-	-
-	129,651
-	35,651
1,671,479	19,737,970
853,402	1,374,013
597,366	4,291,955
(235,133)	(4,261,955)
1,215,635	1,404,013
-	17,877,089
1,215,635	19,281,102
2,284,228	8,396,347
$ 3,499,863	$ 27,677,449

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

Net change in fund balances - total governmental funds		$ 1,404,013
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life and reported as depreciation expense:		
Cost of capital assets	$ 4,558,162	
Depreciation expense	(4,207,818)	
		350,344
The issuance of long-term debt povides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:		
Principal reduction applied to liability		780,000
Prepaid bond issuance costs, net of amortization		(16,579)
Decrease in accrued interest liability		590,931
Additional interest on 2011 General Obligation Refunding Bond transaction		(130,862)
Amortization of prepaid loan fees on 2011 General Obligation Refunding Bond		(4,909)
Increase in accrued compensated absences		(69,135)
Extraordinary gain on dissolution of former RDA		42,082,740
Subtotal		43,582,530
Total change in net position per Statement of Activities		$ 44,986,543

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

Statement 5

CITY OF LAFAYETTE
Statement of Net Position
Business Fund Type
Recreation Programs
June 30, 2012

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 511,052
Accounts receivable	354
Accrued interest receivable	27
Prepaid expenses	17,784
Total assets	$ 529,217
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 3,444
Refundable deposits	15,837
Unearned revenue	267,808
Total liabilities	287,089
NET POSITION	
Unrestricted (deficit)	242,128
Total net position	242,128
Total liabilities and net position	$ 529,217

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Statement of Revenues, Expenses and
Changes in Net Position
Business Fund Type-Recreation Programs
Budget and Actual
For the Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	$ 980,000	$ 955,000	$ 982,151	$ 27,151
Building rentals	70,000	70,000	85,564	15,564
Interest	-	-	115	115
Total	1,050,000	1,025,000	1,067,830	42,830
Operating expenses				
Personnel services	491,148	491,148	511,365	(20,217)
Maintenance	8,000	8,000	6,821	1,179
Contractual services	392,800	392,800	388,983	3,817
Printing and supplies	66,600	66,600	43,164	23,436
Utilities	3,900	3,900	5,474	(1,574)
Rental expense	7,800	7,800	6,087	1,713
Other	2,000	2,000	1,330	670
Total	972,248	972,248	963,224	9,024
Operating income	77,752	52,752	104,606	51,854
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	(30,000)	(30,000)
Net income and operating transfers	77,752	52,752	74,606	21,854
Beginning retained earnings	167,522	167,522	167,522	-
Ending retained earnings	$ 245,274	$ 220,274	$ 242,128	$ 21,854

The accompanying notes are an integral part of these financial statements.

Statement 7

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2012

Cash flows from operating activities	
Receipts from customers	$ 1,027,662
Receipts from Building rentals, net of expense	79,477
Receipts from Interest income	122
Other receipts and payments	(1,330)
Payments for contractual services	(400,985)
Payments for printing and supplies	(43,164)
Payments to employees	(511,365)
Payments for maintenance	(6,821)
Payments for utilities	(5,474)
Net cash provided by (used in) operating activities	138,122
Cash flows from noncapital financing activities	
Transfers to General Fund, net	(30,000)
Net increase in cash deposits and investments	108,122
Cash deposits and investments at beginning of year	402,930
Cash deposits and investments at end of year	$ 511,052

Operating income (before operating transfers)	$ 104,606
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	1,931
Prepaid expenses	(1,971)
Increase (decrease) in liabilities	
Accounts payable	(10,031)
Refundable deposits and deferred revenue	43,587
Net cash provided by (used in) operating activities	$ 138,122

The accompanying notes are an integral part of these financial statements

Statement 8

City of Lafayette
Statement of Fiduciary Net Position
Private Purpose Trust fund - Successor Agency
June 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents	$ 2,322,382
Investments	77,903
Accrued interest receivable	69
Prepaid bond issuance costs	707,602
Total current assets	3,107,956
Noncurrent assets:	
Restricted cash	1,878,962
Loans to other funds	-
Total noncurrent assets	1,878,962
Total assets	4,986,918
Liabilities:	
Current liabilities:	
Accounts payable	1,025,938
Accrued interest payable	576,111
Total current liabilities	1,602,049
Noncurrent liabilities:	
Bond payable	25,310,000
Loan payable - Lafayette Library and Learning Cener Foundation	14,742,137
Loan from parking fund	540,500
Advances from general fund	6,107,315
Total noncurrent liabilities	46,699,952
Total liabilities	48,302,001
Net position:	
Held in trust for other governments	$ (43,315,083)

The accompanying notes are an integral part of these financial statements

City of Lafayette
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Pd. February 1, 2012 through June 30, 2012

	Total
Additions	
Tax increment revenue	$ 628,753
Investment income	2,452
Total additions	631,205
Deductions	
Interest expense	1,182,816
Low income subsidy	42,850
Eden Loan Subsidy	252,977
Depreciation	384,905
Total deductions	1,863,548
Extraordinary gain (loss)	(42,082,740)
Change in net position	(43,315,083)
Net position - beginning	-
Net position - ending	$ (43,315,083)

The accompanying notes are an integral part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2012
Index

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City 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 financial statements of the City of Lafayette (the "City") include all the City's financial activities over which the City Council exercises oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board (i.e., all funds and entities for which the City council is financially accountable). As a result, the basic financial statements include the financial activities of the City as well as the City's Redevelopment Agency (the former RDA).

The former RDA was dissolved as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets, liabilities and activities of the Successor Agency to the RDA are reported in a fiduciary fund in the financial statements of the City, however the Successor Agency's activities and net position do not roll-up to the government-wide financial statements. See Note 4.A. for more detail.

Financial statements for the Lafayette Community Center Foundation and the Lamorinda School Bus Transportation Agency are not included, as they are administered by boards separate from the City Council. These entities determine their own budget, enter into contracts, have the legal right to sue and be sued, and acquire and dispose of property.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds (such as the former RDA funds) are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Blended component unit - Redevelopment Agency

The former Redevelopment Agency (the former RDA) was a separate agency of the City of Lafayette (the City) that carries out the Redevelopment Plan of the City and is the only unit blended in the reporting activity types of the City's report.

The Redevelopment Plan set forth a legal framework and a broad policy framework for the activities of the City. The primary purpose and objective of the Redevelopment Plan was to stimulate and encourage the revitalization of the Project Area, to eliminate conditions of blight and to prevent the recurrence of blighting conditions, which were required to be accomplished subject to and consistent with the goals and policies established by the General Plan of the City. The Redevelopment Plan was 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 former RDA Fund included separate accounting funds for low-income housing, library project and a debt service fund to track bond obligations. Financing was provided by the following sources: (1) tax allocation bonds issued in 2002, 2005 and 2008 for a total of $26,865,000 with a remaining balance of $25,310,000 as of January 31, 2012; (2) loan from the General Fund at 8% interest with a balance of $6,022,847 as of January 31, 2012 (original principal of $2,579,695 plus accrued interest of $3,443,152); and (3) loan from the City Parking Fund at 8% interest with an original principal balance of $685,000 being repaid over a remaining period of 14 years with a remaining principal balance of $540,500, and accrued interest payable of $84,468 as of January 31, 2012.

The activities of the RDA are reported as a major fund from July 1, 2011 through January 31, 2012. On February 1, 2012, all assets and liabilities of the former RDA were transferred by the City to a Successor Agency. The activities of the Successor Agency are reported on the fiduciary financial statements. For additional information, please refer to note 4.A.

1. B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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. Funds are organized into three major categories: governmental, proprietary (business type), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

Governmental funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other 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. All Special Revenue Funds of the City are categorized as "Other Governmental Funds" since they do not meet the criteria individually as a major fund.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one combined Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund and other fund sources.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city. Ad valorem taxes are used for the payment of principal and interest.

Redevelopment Agency Fund

The Redevelopment Agency Fund ("RDA") accounted for activities of the RDA as previously described.

Proprietary fund

Enterprise (Business Type) Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's only proprietary fund (business-type) is that of the "Recreation Programs."

Fiduciary funds (not included in government-wide statements)

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held by the City as trustee for third party beneficiaries. They City's only trust fund relates to its role as the Successor Agency for the former Redevelopment Agency.

Major and non-major funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General Fund	Primary operating Fund of the City
Capital Project Fund	Accounts for specific capital projects
Debt Service Fund	Accounts for resources for payment of interest and principal on long-term debt.
Redevelopment Agency Funds	Accounts for the Redevelopment Agency funding and projects

Non-major:	
All Special Revenue Funds: (Other Governmental Funds)	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows: • Parking programs • Vehicle abatement • Senior transportation • Police services special fund • Gasoline tax • Measure J - Return-to-source • Supplemental law enforcement • Assessment District-Street Lighting • Assessment District-Core Area Maintenance • Assessment District-Storm Water Pollution

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 are presented using the economic resources measurement focus as defined in item 'b' below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. 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.

b. The proprietary fund (business-type) utilizes 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 noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Fiduciary funds that are Private Purpose Trust Funds have an "economic resources" measurement focus, which is the accrual basis of accounting. The trust fund reports all of the assets (including capital assets) and liabilities (including long term indebtedness). Effective February 1, 2012, the Successor Agency to the former Lafayette RDA began reporting on this basis.

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like 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 and agency funds (when applicable) 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.

All proprietary funds utilize 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.

1. D. Assets, Liabilities, and Equity

Cash and investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all cash accounts, savings accounts, certificates of deposits of the City, and the investment in the State of California fund called the "Local Agency Investment Fund (LAIF)" which is available for immediate withdrawal. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Cash and investments in restricted assets are not considered cash equivalents.

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.B. 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 "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". In addition, there is a 20 year note (13 remaining) payable from the Successor Agency to the Parking Fund in the amount of $540,500 at June 30, 2012. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.F. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report sundry class receivables and interest earnings as receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

Fixed Assets

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 cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets for which cost was not available.

Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1968) have been valued at estimated historical cost.

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 is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

Type	Useful Life (years)
Land, easements, and right of way	N/A
Land improvements	20
Building and improvements	50
Infrastructure	15 – 65
Equipment and furniture	3 – 15
Books and artwork	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. Fixed assets used in proprietary fund (business-type) operations are accounted for the same as in the government-wide statements.

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. Certain capital project funds and special revenue funds are restricted by the sources for specific purposes such as gas tax, Measure J (streets) and maintenance assessment districts.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is 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. The accounting for a proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences in the government-wide statements has been estimated by management to be 20% current and 80% non-current liabilities.

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 "restricted" or "invested in capital assets, net of related debt."

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.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

Each year, the City strives to maintain a minimum unassigned general fund balance equivalent to 50% of annual operating expenses for the general fund.

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 zero share, except from those areas of the City annexed after 1968.

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 10.5% allocation received by cities in Contra Costa County. The amount received is further reduced by a partial shift to fund schools, and amounts sent to the former RDA and the Successor Agency.

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

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

Sales tax

The State presently levies an 9.25% sales tax on taxable sales within the City of which 1% is allocated to the City. The sales tax is collected by the State and remitted to the City in the month following receipt. The State receives the sales tax approximately one to three months after collection by vendors. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Accounts Receivable". The 9.25% sales tax also includes some "Measure J" funds which are allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA).

Other taxes

Other taxes as realized by the City include franchise taxes, transient occupancy taxes, motor vehicle in lieu tax and other fines and fees.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services (recreation classes).

Expenditures / expenses

In the government-wide financial statements, expenses are classified by function for both governmental and 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

Proprietary Fund—By Operating and Non-operating (if applicable)

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

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

Fund	Required By
Gas Tax Fund	State Law - included in "Other Governmental"
Parking Programs	Local Ordinance
Code Enforcement	Local Ordinance
Measure J	County Measure
Assessment Districts:	
Street Lighting	Local Ordinance
Core Area Maintenance	Local Ordinance
Storm Water Pollution	Local Ordinance

2. B. Deposits and Investments Laws and Regulations

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City'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 City may waive collateral requirements for deposits, which are insured by federal depository insurance. The City had not waived such requirements as of June 30, 2012.

2. C. Revenue Restrictions

The City 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
Gasoline Tax	Street Purposes
Measure J Tax (part of sales tax)	Street and Alley Purposes
Assessment Districts	Lighting, Core Area Maintenance, and Storm Water
Ad Valorem Tax Assessments	Debt Service
Supplemental Law Enforcement	Police

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

2. D. Debt Restrictions and Covenants

General obligation debt

- Authority of Issuance

The General Obligation Bonds (G.O. Bonds) were issued to finance the repair and reconstruction of the City's roads and drains. The Bonds constitute a portion of the total authorized amount of $13,000,000 of general obligation bonds of the City duly authorized by at least two-thirds of the qualified voters of the City voting at an election on March 7, 1995.

At June 30, 2012, the City's two general obligation bonds totaled $8,025,000 as follows:

	Original Issue	Total Outstanding	Due in Fiscal year June 30, 2013
2002 Issue	$ 4,320,000	$ 700,000	$ 130,000
2004 Issue	6,035,000	4,365,000	280,000
2011 Issue	2,960,000	2,960,000	85,000
	$ 13,315,000	$ 8,025,000	$ 495,000

In order to provide sufficient funds for repayment of principal and interest when due on the General Obligation Bonds, the City is empowered and 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. Such taxes, when collected will be placed in the Interest and Sinking Fund for the bonds authorized in the March 1995 election. Refer to note 3.E. for details on long-term debt.

Assessed Valuation of Property Within the City

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 2011-12, the City's total secured and unsecured assessed valuation is $5,684,154,614.

Other long-term debt – Successor Agency to the Former Redevelopment Agency

To help finance redevelopment projects, the former RDA issued bonded indebtedness on August 20, 2002, November 9, 2005 and November 11, 2008, which will be repaid using redevelopment tax increment. Principal payments of $390,000 were scheduled and made on August 1, 2012.

On February 1, 2012, the Redevelopment Fund debt, along with all other assets and liabilities of the RDA, were transferred by the City to the Successor Agency Trust Fund. The Successor Agency accepted the role as custodian for the Redevelopment Agency's assets and liabilities pending a distribution to the appropriate taxing entity.

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

The City had the following cash and investments at June 30, 2012:

Cash and Cash Equivalents:		S&P Rating
Deposits in Banks	$ 416,176	N/A
Money Market Funds	244,040	N/A
Petty Cash	783	N/A
Local Agency Investment Fund - State of California	14,643,424	N/A
Total Cash and Cash Equivalents	15,304,423	
CAMP Pool (California JPA)	-	AAA
Investment in Federal Agency obligations, at market value	4,013,101	AAA
(See detailed listing on next page for maturities etc.)		
	4,013,101	
Total Cash and Investments	$ 19,317,524	

Reconciliation to financial statements:	
Unrestricted:	
Cash and cash equivalents – Statement 3	$ 14,793,371
Cash and cash equivalents – Statement 5	511,052
Investments in bonds and mutual funds – Statement 3	4,013,101
Unrestricted cash and investments	19,317,524
Total	$ 19,317,524

The City's investments with LAIF at June 30, 2012 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, 2012, the City had $14,643,424 invested in LAIF, which had invested 5.01% of the pool investment fund in structured notes and asset-backed securities.

Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following schedule provides information regarding the coupon percentage rate, maturity dates, par and market values and the S&P rating assigned to the City's Investments in Federal Agency Bonds and Obligations.

Investment in Federal Agency Bonds and Obligations

Federal Agency	Par	Coupon Percentage	Maturity Dates	June 30, 2012 Market Value	S&P Rating
Federal Home Loan Banks	$ 980,000	1.625	9/26/2012	$ 983,371	AAA
Fannie Mae	1,000,000	1.750	2/22/2013	1,009,250	AAA
Federal Home Loan Banks	1,000,000	1.625	3/20/2013	1,009,770	AAA
Fed'l Home Loan Mtg Corp	1,000,000	1.625	4/15/2013	1,010,710	AAA
	$ 3,980,000			$ 4,013,101	

At June 30, 2012, the carrying amount of the City's deposits was $416,176. Bank balances before reconciling items were $3,153,701 at that date, the total amount of which 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. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average monthly 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 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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Investments,* investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

Unrealized gain/(loss) in changes in fair value of investments	$ (43,519)
Interest income (all investments)	634,246
Total investment income	$ 590,727

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will rise.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

3. B. Accounts Receivable

The amount of accounts receivable for the business-type activities was $354 at June 30, 2012. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2012. They include:

California Department of Transportation	$	954,421
Property taxes (Prop 1A)		470,898
Lafayette Library Foundation		438,748
Measure J		366,849
Sales taxes (State)		311,500
Lafayette Park Hotel		147,960
Comcast		105,301
City of Walnut Creek		68,509
BART retrofit		54,595
Municipal Pooling Authority		53,421
Surcharge fees (County)		47,557
Lafayette School District		38,410
Lafayette Residential Partners		32,022
Municipal court fines & fees (County)		28,899
County transfer tax		26,008
		3,145,098
Others (under $25,000)		113,488
Total governmental receivables	$	3,258,586

3. C. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Governmental Activities	Balance June 30, 2011	Additions	Capitalized Work in Progress	Transfer to/From Successor Agency	Balance June 30, 2012
Capital Assets:					
Land, easements, and right of way:					
City	$ 10,251,601	-	-	2,004,444	$ 12,256,045
Former RDA	2,004,444	-	-	(2,004,444)	-
Land improvements	5,316,353	-	489,842	-	5,806,195
Building and improvements					
City	1,232,292	-	-	40,634,129	41,866,421
Former RDA	40,634,129	-	-	(40,634,129)	-
Infrastructure	103,060,338	-	2,949,120	-	106,009,458
Furniture and equipment					
City	1,596,347	-	-	1,129,866	2,726,213
Former RDA	1,129,866	-	-	(1,129,866)	-
Books & artwork (former RDA)	1,526,089	-	-	(1,526,089)	-
Book Collection (Library)	-	-	-	1,091,940	1,091,940
Artwork (Library)	-	-	-	434,149	434,149
Construction in progress					
City	1,781,869	4,558,161	(3,438,962)	-	2,901,068
Former RDA	-	-	-	-	-
Total capital assets at cost	168,533,328	4,558,161	-	-	173,091,489
Accumulated depreciation					
Land improvements	1,612,648	243,030	-	-	1,855,678
Building and improvements					
City	501,388	18,871	-	1,598,114	2,118,373
Former RDA	785,431	474,065	-	(1,259,496)	-
Infrastructure	57,248,242	3,322,059	-	-	60,570,301
Furniture and equipment					
City	1,454,290	84,990	-	112,986	1,652,266
Former RDA	56,493	32,954	-	(89,447)	-
Book collection (former RDA)	-	31,848	-	(31,848)	-
Book collection (Library)	-	-	-	54,597	54,597
Total accumulated depreciation	61,658,492	4,207,817	-	384,906	66,251,215
Total capital assets, net	$ 106,874,836	$ 350,344	$ -	(384,906)	$ 106,840,274

Current Depreciation

Administration	$ 4,355
Public Works	28,827
Police Services	51,808
Infrastructure and related improvements	3,583,960
RDA (July 1, 2011 – January 31, 2012)	538,867
Total depreciation	$ 4,207,817

3. D. Library Loan Agreement

The former RDA 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 former RDA 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%.

On February 1, 2012, both loans from the Foundation, along with all other assets and liabilities of the former RDA, were transferred from the RDA to the Successor Agency (see notes 1.A. and 4.A.).

3. E. Refunding of Long-Term Debt

On December 9, 2011 the City issued $2.96 million in General Obligation Bonds with an average interest rate of 2.8 percent to advance refund $2.7 million of outstanding 2002 Series bonds with an average interest rate of 5.0 percent. The net proceeds of $2,891,724 (after payment of $68,276 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agency to fund the payoff of the 2002 bonds, including a 2% call premium on July 15, 2012.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $54,000. This difference combined with refunding bond issuance costs is being charged to operations using a straight line method over the life of the debt. The City completed the advance refunding to reduce its total debt service payments over the next 13 years by $353,571 and to obtain an economic gain (difference between the present values of the old and new debt service payments.

Aggregate Difference in Debt Service Between Refunded Debt and Refunding Debt with Calculation of Economic Gain on the Transaction

Payments due in fiscal year ended June 30,	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 12/9/2011 at 2.85%
2013	$ 136,551	$ 135,616	$ 935	$ 1,876
2014	136,551	111,938	24,613	23,896
2015	136,551	101,083	35,468	33,320
2016	136,551	100,513	36,038	32,909
2017	136,551	104,943	31,608	28,105
2018 – 2022	1,504,627	1,340,717	163,910	133,669
2023 – 2026	2,066,626	1,928,484	138,142	98,563
	$ 4,254,008	$ 3,823,294	$ 430,714	$ 352,338

Calculation of Economic Gain on Refunding Transaction	
PV of savings from cash flow	$ 352,338
Plus: Refunding funds on hand	709
Economic gain on transaction	$ 353,047

3.F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling $8,155,000 and Redevelopment tax allocation bonds of $25,700,000 to be repaid from governmental activities (see note 2.D.). Following is a summary of general long-term debt transactions for the year ended June 30, 2012:

	Interest Rates	Balance June 30, 2011	Principal Increases (Decreases)	Transfer to Successor Agency	Balance June 30, 2012
Redevelopment:					
Tax allocation bonds					
Bonds issued fiscal 2003					
Matures to fiscal 2033	2.25– 5.3%	$ 4,915,000	$ (125,000)	$ (4,790,000)	$ -
Bonds issued fiscal 2005					
Matures to fiscal 2030	3.0 – 4.7%	11,185,000	(220,000)	(10,965,000)	-
Bonds issued fiscal 2008					
Matures to fiscal 2038	3.75 - 6.5%	9,600,000	(45,000)	(9,555,000)	-
		25,700,000	(390,000)	(25,310,000)	-
General Obligation:					
Bonds Issued fiscal 2002					
Matures to fiscal 2016	5.0%	3,525,000	(2,825,000)	-	700,000
Bonds Issued fiscal 2004					
Matures to fiscal 2026	2.0 – 4.7%	4,630,000	(265,000)	-	4,365,000
Refunding Bonds Issued 2011					
Matures to fiscal 2026	2.85%	-	2,960,000	-	2,960,000
		8,155,000	(130,000)	-	8,025,000
Totals		$ 33,855,000	$ (520,000)	$(25,310,000)	$ 8,025,000

Bonds payable – current	$ 495,000
Bonds payable – noncurrent	7,530,000
	$ 8,025,000

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2012:

General obligation bonds - 2002 issue	$	114,837
General obligation bonds - 2004 issue		202,176
Refunding General obligation bonds - 2011 issue		
Redevelopment tax allocation bonds-2003 issue		271,388
Redevelopment tax allocation bonds-2005 issue		521,661
Redevelopment tax allocation bonds-2008 issue		597,188
	$	1,767,089

The following are the debt service schedules for the obligations related to general obligation bonds

General Obligation Refunding Bonds – Issued 2011

Payments due in fiscal year ended June 30,	Principal	Interest	Total
2013	$ 85,000	$ 50,616	$ 135,616
2014	30,000	81,938	111,938
2015	20,000	81,083	101,083
2016	20,000	80,513	100,513
2017	25,000	79,942	104,942
2018 – 2022	1,000,000	340,717	1,340,717
2023 – 2026	1,780,000	148,485	1,928,485
	$ 2,960,000	$ 863,294	$ 3,823,294

Unrefunded Bond Debt Service
General Obligation Bonds – Issued 2002

Payments due in fiscal year ended June 30,	Principal	Interest	Total
2013	$ 130,000	$ 35,000	$ 165,000
2014	130,000	28,500	158,500
2015	140,000	22,000	162,000
2016	145,000	15,000	160,000
2017	155,000	7,750	162,750
	$ 700,000	$ 108,250	$ 808,250

General Obligation Bonds – Issued 2004

Payments due in fiscal years ending June 30:	Principal	Interest	Total
2013	280,000	189,015	469,015
2014	290,000	174,765	464,765
2015	310,000	160,540	470,540
2016	325,000	147,065	472,065
2017	330,000	133,883	463,883
2018 – 2022	1,880,000	441,373	2,321,373
2023 – 2026	950,000	59,455	1,009,455
	$ 4,365,000	$ 1,306,095	$ 5,671,095

3. F. Interfund Transfers and Balances

Transfers

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfers were made during the year:

Fund	Transfers In	Transfers Out
General Fund	$ 259,340	$ 2,225,394
Capital project funds	1,633,821	-
Former RDA	1,801,428	1,801,428
Other governmental funds	597,366	235,133
Subtotal	4,291,955	4,261,955
Proprietary fund	-	30,000
	$ 4,291,955	$ 4,291,955

NOTE 4. Dissolution of Redevelopment Agency

4. A. Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the City of Lafayette which previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as a part of a City minute order.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the California State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain of $17,877,089 in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary loss of $42,082,740.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. A trailer bill recognizes that debts to the City for non-bonded indebtedness such as General Fund loans are enforceable obligations, however it provides that interest rates could be adjusted downward, which could cause a reduction in the total obligations due to the City.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

Following is a reconciliation of the extraordinary loss upon dissolution of the redevelopment agency between the governmental fund statement of revenues, expenditures and changes in fund balances and both the government-wide statement of activities and the Successor Agency's statement of changes in fiduciary net assets for the Successor Agency:

Transfer of fund balance (reported as extraordinary gain on governmental financial statements)	$ (17,877,089)
Decrease in governmental assets (decrease to net position):	
Depreciation recorded by Successor Agency on library fixed assets prior to transfer to City	384,906
Prepaid bond issuance costs transferred to Successor Agency	719,444
Decrease in governmental activities (increase in net position)	
Bonds payable transferred to Successor Agency	(25,310,000)
Net assets received by Successor Agency upon dissolution of the former Redevelopment Agency (reported as an extraordinary gain on the Successor Agency's statement of changes in fiduciary net assets and the government-wide statement of net position	$ (42,082,740)

NOTE 5. OTHER NOTES

5. A. 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 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 2012 was approximately $3,877,515. Contributions to the plans totaled $539,655 by the City and $142,444 by individuals during the year.

The following summarizes transactions in the Plan for the year ended June 30, 2012:

Defined contribution retirement plan:		
Balance June 30, 2011	$	5,825,895
Contributions: Employer		539,655
Employee		142,444
Other		8,675
Disbursements, net		(466,929)
Earnings		508,179
Balance June 30, 2012	$	6,557,919

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, 2012:

Deferred compensation plan:		
Balance June 30, 2011	$	5,413,236
Contributions		373,380
Disbursements (net)		(852,217)
Earnings		861,343
Balance June 30, 2012	$	5,795,742

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 2012, the City's annual required contribution (ARC) of $24,900 was paid to the OPEB Trust. In addition, the City paid $1,008 in medical premiums to retirees. The City's current year OPEB costs, which consist of the ARC and the implied subsidy, were $25,908. The following table shows the components of the City's annual OPEB costs for 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligaton:

Annual required contribution (ARC)	$ 24,900
Interest on net OPEB obligation (asset)	-
Adjustment to annual required contribution	(26)
Annual OPEB cost (AOC)	24,874
Contributions made:	
Health care premiums paid	(1,008)
Contribution to CERBT trust	(24,900)
Increase (decrease) in net OPEB obligation	(1,034)
Net OPEB Obligation (Asset) — Beginning of Year	(2,008)
Net OPEB Obligation (Asset) — End of Year	$ (3,042)

An actuarial study was performed by the City as of July 1, 2011. The study estimated the overall OPEB liability to be $203,400. The financial statement does not show the OPEB asset of $3,042 on the statement of net assets.

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2011 (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
July 1, 2011	$ 87,200	$ 203,400	$ (116,200)	57%	$ 4,057,500	2.86%
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.

The City is making all of the required OPEB annual required contributions and has an additional $18,600 set aside in the General Fund in order to smooth any future changes to the PERS expected investment rate of return.

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	July 1, 2011
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Percentage of Increasing Payroll
Average Remaining Period	30 Years fixed for the initial UAAL period (27 years remaining at 7/1/2011)
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Inflation	3% (general); 3.25% (payroll); 6% (premiums)
Monthly premiums	$595 pre-Medicare; $160 with Medicare

5. 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, 2012:

	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.

5. 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.

Grant programs

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

5. D. New Accounting Pronouncements

In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The City is required to implement the provisions of the Statement for the current fiscal year. This Statement did not result in a change in current practice because the City does not use the alternative measurement method.

In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The City has no known SCAs that would require disclosure or have a material effect on the financial statements of the City.

In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus*. This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). The City no longer has a component unit that would require disclosure of have a material effect on the financial statements of the City.

In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement most likely will not result in a change in current practice. The City does not anticipate a material change to the financial statements of the City.

In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* This Statement amends Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.* This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25.* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the District participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. The District is required to implement to provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013).

This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the District, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

5. E. Proposition 1A Securitization Program

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (including redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Lafayette was $470,898.

5. F. Subsequent Events

Management has evaluated subsequent events through November 22, 2012, the date on which the financial statements were available to be issued. There are no known material violations of finance-related legal and contractual provisions.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAFAYETTE
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2012

Exhibit 1

	Original Budget	Final Amended Budget	Actual	Variance with Final Amended Budget
Revenues				
Property tax	$ 3,321,953	$ 3,411,301	$ 3,389,124	(22,177)
Sales and use tax	2,380,000	2,380,000	2,561,057	181,057
Transient lodging tax	450,000	450,000	522,777	72,777
Franchise tax	1,571,936	1,571,118	1,609,145	38,027
Real property transfer tax	178,500	173,582	207,002	33,420
Vehicle code fines	150,000	150,000	150,881	881
Interest income	500,000	500,000	502,673	2,673
Motor vehicle in lieu tax	2,184,917	2,184,917	2,035,206	(149,711)
Planning, permits and fees	771,000	1,086,000	1,244,377	158,377
Police services	30,000	30,000	23,814	(6,186)
Other	138,000	275,000	646,249	371,249
	11,676,306	12,211,918	12,892,305	680,387
Expenditures				
City council, commissions and community support				
City council	175,956	175,956	169,373	6,583
Commissions and committees	1,009,667	1,009,855	986,750	23,105
Police services	3,861,664	3,921,664	3,865,518	56,146
Public works				
Street maintenance	799,013	811,481	700,666	110,815
Traffic maintenance	320,886	320,886	259,024	61,862
Parks and walkway maintenance	344,307	346,870	296,858	50,012
Facilities maintenance	196,771	207,678	189,301	18,377
Emergency response	100,000	100,000	-	100,000
Library Operations	790,954	697,825	605,701	92,124
Planning and engineering				
Planning department	725,380	1,063,463	962,316	101,147
Engineering department	221,386	221,915	225,566	(3,651)
Administration				
City management	519,825	521,231	447,752	73,479
Legal services	302,000	302,000	290,808	11,192
City clerk	157,883	157,839	136,688	21,151
Finance and personnel	721,897	718,716	709,637	9,079
Technology services	150,013	149,994	116,874	33,120
Other post-employment benefits	-	-	-	-
Business registration fees	-	-	-	-
Rent and other expenses	123,106	123,106	129,651	(6,545)
Insurance - premiums and claims	95,200	95,200	35,651	59,549
	10,615,908	10,945,679	10,128,134	817,545
Excess of revenues over expenditures	1,060,398	1,266,239	2,764,171	1,497,932
Other financing sources				
Operating transfers - in	-	-	259,340	259,340
Operating transfers - out	(2,203,663)	(2,203,663)	(2,225,394)	(21,731)
Excess (deficiency)of revenues over expenditures and other financing sources	(1,143,265)	(937,424)	798,117	1,735,541
Beginning fund balance	17,375,830	17,375,830	17,375,830	-
Ending fund balance	$ 16,232,565	$ 16,438,406	$ 18,173,947	1,735,541

The accompanying notes are an integral part of these financial statements.

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OTHER SUPPLEMENTARY INFORMATION

Exhibit 2

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2012

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	
	General Projects	Library Project	Total Capital Projects	Debt Service	Low/Moderate Income Housing	Total Governmental Funds
Revenues						
Tax increment revenue	$ 1,613,603	$ -	$ 1,613,603	$ -	$ 403,401	$ 2,017,004
Investment income	141	-	141	17	146	304
Total revenues	1,613,744	-	1,613,744	17	403,547	2,017,308
Expenditures						
Administrative costs	-	18,131	18,131	-	-	18,131
Asessment District bond principal	-	-	-	390,000	-	390,000
Interest expense	179,957	652,853	832,810	1,390,236	-	2,223,046
Professional services	1,000	-	1,000	-	-	1,000
Total expenditures	180,957	670,984	851,941	1,780,236	-	2,632,177
Excess (deficiency) of revenues over expenditures	1,432,787	(670,984)	761,803	(1,780,219)	403,547	(614,869)
Other financing sources (uses):						
Operating transfers - in	-	-	-	1,801,428	-	1,801,428
Operating transfers - out	(1,801,428)	-	(1,801,428)	-	-	(1,801,428)
Total other financing sources (uses)	(1,801,428)	-	(1,801,428)	1,801,428	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(368,641)	(670,984)	(1,039,625)	21,209	403,547	(614,869)
Extraordinary gain (loss)- RDA dissolution	3,775,515	18,258,584	22,034,099	(1,876,653)	(2,280,357)	17,877,089
Change in fund balances	3,406,874	17,587,600	20,994,474	(1,855,444)	(1,876,810)	17,262,220
Beginning fund balance	(3,406,874)	(17,587,600)	(20,994,474)	1,855,444	1,876,810	(17,262,220)
Ending fund balance	$ -	$ -	$ -	$ -	$ -	$ -

Exhibit 3

CITY OF LAFAYETTE
Capital Projects
Combining Funds Balance Sheet
June 30, 2012

	Park Facilities	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
ASSETS							
Cash and investments	$ 381,579	$ 194,915	$ 76,213	$ 600,302	$ 2,273,692	$ 936	$ 3,527,637
Accounts receivable	-	954,421	-	-	32,023	-	986,444
Accrued interest receivable	-	1,008	54	181	1,824	1	3,068
Notes receivable	-	-	-	-	330,252	-	330,252
Total assets	$ 381,579	$ 1,150,344	$ 76,267	$ 600,483	$ 2,637,791	$ 937	$ 4,847,401
LIABILITIES AND FUND BALANCE							
Accounts payable and accrued liabilities	$ 1,478	$ 343,449	$ -	$ -	$ -	$ -	$ 344,927
Project deposits	-	312	-	-	-	-	312
Total liabilities	1,478	343,761	-	-	-	-	345,239
Fund Balance							
Restricted by source	-	146,911	-	-	330,252	937	478,100
Committed	380,101	659,672	76,267	600,483	2,307,539	-	4,024,062
Assigned	-	-	-	-	-	-	-
Total fund balance	380,101	806,583	76,267	600,483	2,637,791	937	4,502,162
Total liabilities and fund balance	$ 381,579	$ 1,150,344	$ 76,267	$ 600,483	$ 2,637,791	$ 937	$ 4,847,401

Exhibit 4

CITY OF LAFAYETTE
Capital Projects
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2012

	Park Facilities	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues							
Interest income	$ -	$ 3,793	$ 226	$ 755	$ 38,825	$ 4	$ 43,603
Grants - state and local	-	2,252,252	-	-	-	-	2,252,252
Drainage Impact fees	-	57,985	-	-	-	-	57,985
Walkways fees	-	9,765	-	-	-	-	9,765
Park dedication fees	153,431	-	-	152,458	-	-	305,889
Measure J	-	45,358	-	-	-	-	45,358
Other revenues and donations	-	218,219	-	-	-	-	218,219
Total revenues	153,431	2,587,372	226	153,213	38,825	4	2,933,071
Expenditures							
Capital projects	27,774	3,790,926	-	-	-	-	3,818,700
Administration	43,632	729,282	-	7,553	-	-	780,467
Total expenditures	71,406	4,520,208	-	7,553	-	-	4,599,167
Excess (deficiency) of revenues over expenditures	82,025	(1,932,836)	226	145,660	38,825	4	(1,666,096)
Other financing sources:							
Operating transfers - in	121,115	1,497,706	15,000	-	-	-	1,633,821
Operating transfers - out	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	203,140	(435,130)	15,226	145,660	38,825	4	(32,275)
Beginning fund balance	176,961	1,241,713	61,041	454,823	2,598,966	933	4,534,437
Ending net fund balance	$ 380,101	$ 806,583	$ 76,267	$ 600,483	$2,637,791	$ 937	$ 4,502,162

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2012

Exhibit 5

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure J Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
ASSETS											
Cash deposits and investments	$ 405,948	$ 18,096	$ 29,717	$ 38,620	$ 1,142,472	$ (59,036)	$ 17,244	$ 133,449	$ 415,891	$ 380,499	$ 2,522,900
Accounts receivable	72,892	-	17,835	-	-	376,787	799	-	-	-	468,313
Note receivable	624,969	-	-	-	-	-	-	-	-	-	624,969
Accrued interest receivable	51	-	-	-	-	-	-	2	129	7	189
Total assets	$ 1,103,860	$ 18,096	$ 47,552	$ 38,620	$ 1,142,472	$ 317,751	$ 18,043	$ 133,451	$ 416,020	$ 380,506	$ 3,616,371
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	$ 14,509	$ 2	$ 2,182	$ -	$ -	$ 27,023	$ -	$ -	$ 44,352	$ 17,651	$ 105,719
Unearned revenue	-	-	-	10,789	-	-	-	-	-	-	10,789
Total liabilities	14,509	2	2,182	10,789	-	27,023	-	-	44,352	17,651	116,508
Fund Balance											
Non-Spendable	624,969	-	-	-	-	-	-	-	-	-	624,969
Restricted	-	-	-	27,831	1,142,472	290,728	-	133,451	371,668	362,855	2,329,005
Committed	-	18,094	45,370	-	-	-	18,043	-	-	-	81,507
Assigned	464,382	-	-	-	-	-	-	-	-	-	464,382
Total fund balance	1,089,351	18,094	45,370	27,831	1,142,472	290,728	18,043	133,451	371,668	362,855	3,499,863
Total liabilities and fund balance	$ 1,103,860	$ 18,096	$ 47,552	$ 38,620	$ 1,142,472	$ 317,751	$ 18,043	$ 133,451	$ 416,020	$ 380,506	$ 3,616,371

CITY OF LAFAYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2012

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure J Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
Revenues											
Parking revenue	$ 327,353	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 327,353
Vehicle code fines	289,582	-	-	-	-	-	-	-	-	-	289,582
Property tax and assessments	-	-	-	-	-	-	-	18,988	219,119	377,623	615,730
Interest income	41,443	2	-	14	1	-	-	10	540	30	42,040
Gas tax	-	-	-	-	690,985	-	-	-	-	-	690,985
Sales tax - Measure C/Measure J	-	-	-	-	-	366,849	-	-	-	-	366,849
Abandoned vehicles	-	11,043	-	-	-	-	-	-	-	-	11,043
Grants - state	-	-	16,529	-	-	-	108,817	-	-	-	125,346
Other revenue	-	-	55,953	-	-	-	-	-	-	-	55,953
Total revenues	658,378	11,045	72,482	14	690,986	366,849	108,817	18,998	219,659	377,653	2,524,881
Expenditures											
Public works	-	-	1,375	-	-	-	-	12,515	358,010	403,458	775,358
Capital Projects	28,873	-	-	-	-	-	-	-	-	-	28,873
Administration	277,205	6,052	99,635	-	-	83,990	400,366	-	-	-	867,248
Total expenditures	306,078	6,052	101,010	-	-	83,990	400,366	12,515	358,010	403,458	1,671,479
Excess (deficiency) of revenues over expenditures	352,300	4,993	(28,528)	14	690,986	282,859	(291,549)	6,483	(138,351)	(25,805)	853,402
Other financing sources											
Operating transfers - in	-	-	60,000	-	-	-	300,366	-	237,000	-	597,366
Operating transfers - out	-	-	-	-	(234,250)	(883)	-	-	-	-	(235,133)
Excess (deficiency) of revenues over expenditures, net of other financing sources	352,300	4,993	31,472	14	456,736	281,976	8,817	6,483	98,649	(25,805)	1,215,635
Beginning fund balance	737,051	13,101	13,898	27,817	685,736	8,752	9,226	126,968	273,019	388,660	2,284,228
Ending fund balance	$ 1,089,351	$ 18,094	$ 45,370	$ 27,831	$1,142,472	$ 290,728	$ 18,043	$ 133,451	$ 371,668	$ 362,855	$ 3,499,863

City of Lafayette
Combining Statement of Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
June 30, 2012

ASSETS	Redevelopment Agency	Low & Moderate Income Housing	Library Project	RDA Debt Service	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ 1,224,254	$ 791,086	$ 307,042	$ -	$ -	$ 2,322,382
Investments	142	77,761	-	-	-	77,903
Accrued interest receivable	-	69	-	-	-	69
Prepaid bond issuance costs	-	-	707,602	-	-	707,602
Due from other funds	849,166	-	-	-	(849,166)	-
Total current assets	2,073,562	868,916	1,014,644	-	(849,166)	3,107,956
Noncurrent assets:						
Restricted cash	-	-	-	1,878,962	-	1,878,962
Loans to other funds	-	1,115,757	-	-	(1,115,757)	-
Total noncurrent assets	-	1,115,757	-	1,878,962	(1,115,757)	1,878,962
Total assets	$ 2,073,562	$ 1,984,673	$ 1,014,644	$ 1,878,962	$ (1,964,923)	$ 4,986,918
LIABILITIES AND NET POSITION						
Liabilities						
Current liabilities:						
Accounts payable	$ -	$ -	$ 1,025,938	$ -	$ -	$ 1,025,938
Accrued interest payable	111,880	-	464,231	-	-	576,111
Due to other funds	-	-	849,166	-	(849,166)	-
Total current liabilities	111,880	-	2,339,335	-	(849,166)	1,602,049
Noncurrent liabilities:						
Bond payable	4,790,000	-	20,520,000	-	-	25,310,000
Loan payable - Lafayette Library and Learning Cener Foundation	-	-	14,742,137	-	-	14,742,137
Loan from parking fund	540,500					540,500
Advances from general fund	3,692,607	-	2,414,708	-	-	6,107,315
Advance from LMI fund	1,115,757	-	-	-	(1,115,757)	-
Total noncurrent liabilities	10,138,864	-	37,676,845	-	(1,115,757)	46,699,952
Total liabilities	10,250,744	-	40,016,180	-	(1,964,923)	48,302,001
NET POSITION						
Held in trust for other governments	(8,177,182)	1,984,673	(39,001,536)	1,878,962	-	(43,315,083)
Total liablilities and net position	$ 2,073,562	$ 1,984,673	$ 1,014,644	$ 1,878,962	$ (1,964,923)	$ 4,986,918

City of Lafayette
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Period February 1, 2012 through June 30, 2012

	Redevelopment Agency	Low & Moderate Income Housing	Library Project	RDA Debt Service	Total
Additions					
Tax increment revenue	$ 628,753	$ -	$ -	$ -	$ 628,753
Investment income	-	143	-	2,309	2,452
Total additions	628,753	143	-	2,309	631,205
Deductions					
Interest expense	240,420	-	942,396	-	1,182,816
Low income subsidy	-	42,850	-	-	42,850
Eden Loan Subsidy	-	252,977	-	-	252,977
Depreciation	-	-	384,905	-	384,905
Total deductions	240,420	295,827	1,327,301	-	1,863,548
Extraordinary gain (loss)	(8,565,515)	2,280,357	(37,674,235)	1,876,653	(42,082,740)
Change in net position	(8,177,182)	1,984,673	(39,001,536)	1,878,962	(43,315,083)
Net position held in trust - beginning	-	-	-	-	-
Net position held in trust - ending	$ (8,177,182)	$ 1,984,673	$ (39,001,536)	$ 1,878,962	$ (43,315,083)

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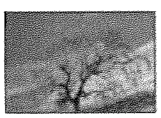
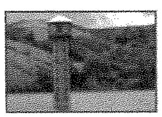
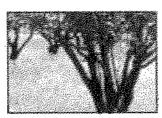
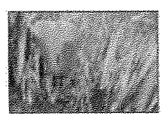
STATISTICAL SECTION

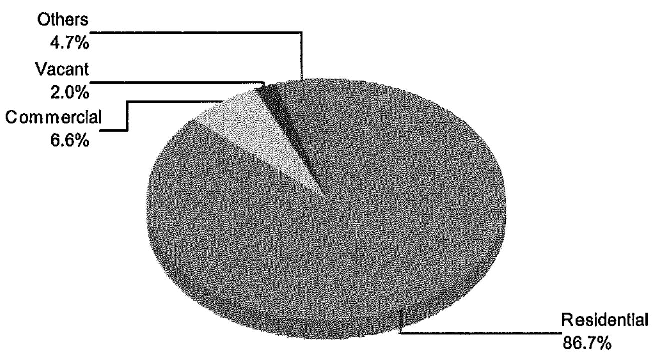
     

THE CITY OF LAFAYETTE
2010/11 USE CATEGORY SUMMARY

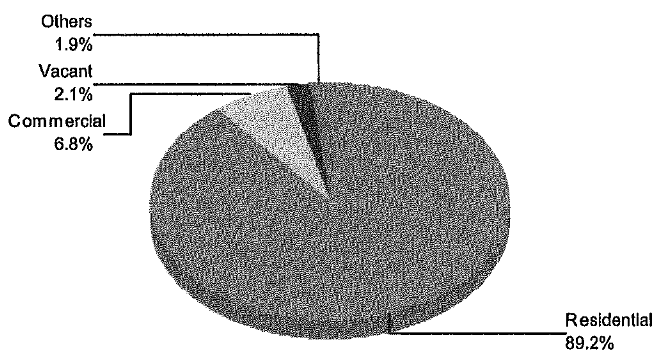
BASIC PROPERTY VALUE TABLE

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

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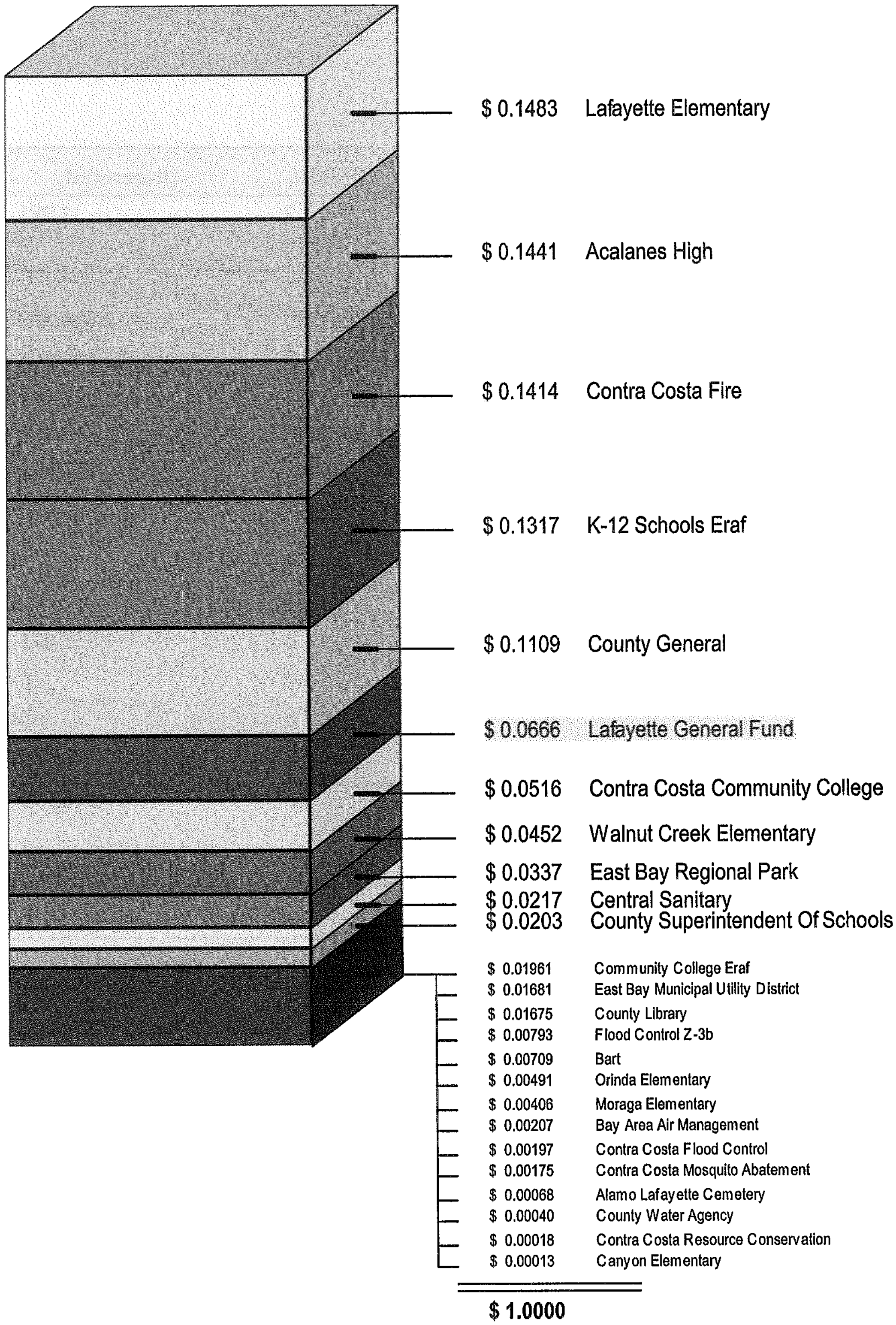
THE CITY OF LAFAYETTE
PROPERTY TAX DOLLAR BREAKDOWN



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

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THE CITY OF LAFAYETTE
2010/11 CITY ROLL SUMMARY

Taxable Property Values

	Secured	Nonunitary Utilities	Unsecured
Parcels	8,753	2	1,081
TRAs	19	2	8
Values			
Land	2,835,363,223	650,940	2,534,308
Improvements	2,828,629,814	0	24,963,306
Personal Property	1,801,938	0	28,079,505
Fixtures	0	0	0
Aircraft	0	0	0
Total Value	**$5,665,794,975**	**$650,940**	**$55,577,119**
Exemptions			
Real Estate	68,155,317	0	0
Personal Property	0	0	1,216,629
Fixtures	0	0	0
Aircraft	0	0	0
Homeowners*	44,070,600	0	0
Total Exemptions*	**$68,155,317**	**$0**	**$1,216,629**
Total Net Value	**$5,597,639,658**	**$650,940**	**$54,360,490**

Combined Values	Total
Total Values	**$5,722,023,034**
Total Exemptions	**$69,371,946**
Net Total Values	**$5,652,651,088**
Net Aircraft Values	**$0**

* *Note: Homeowner Exemptions are not included in Total Exemptions*

Totals do not include Aircraft Values or Exemptions

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

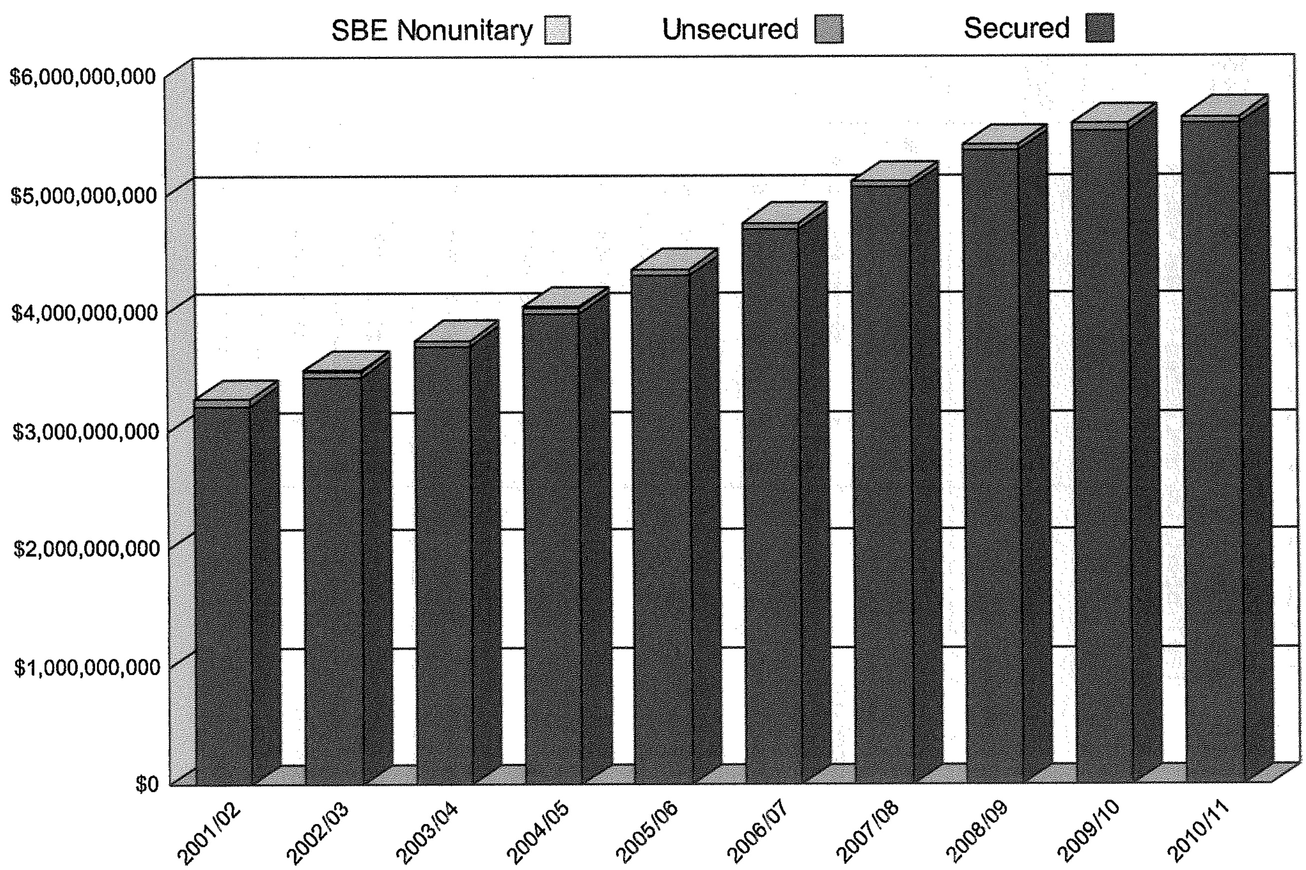
Prepared On 8/18/2011 By MV

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

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THE CITY OF LAFAYETTE
2010/11 TOP TEN PROPERTY TAXPAYERS
Top Property Owners Based On Net Values

Owner	Secured			Unsecured			Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	Value	% of Net AV	
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

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Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE
2001/02 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured			Unsecured			Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	Value	% of Net AV	
1) OAKWOOD ATHLETIC CLUB LLC	2	$15,754,694	0.49%	1	$1,796,236	2.92%	**$17,550,930**	**0.54%**	Commercial Lafayette General Fund
2) LAFAYETTE HIGHLANDS APARTMENTS	1	$14,753,409	0.46%				**$14,753,409**	**0.45%**	Residential Lafayette RDA
3) LAFAYETTE PARK HOTEL ASSOCIATES	1	$14,674,859	0.46%				**$14,674,859**	**0.45%**	Commercial Lafayette RDA
4) CONNECTICUT MUTUAL LIFE INSURANCE COMPA	2	$10,522,157	0.33%				**$10,522,157**	**0.32%**	Commercial Lafayette RDA
5) RUSSELL J. AND JOAN E. BRUZZONE	26	$10,297,227	0.32%				**$10,297,227**	**0.31%**	Commercial Lafayette RDA
6) GRAY HORSE INVESTORS	2	$9,808,000	0.31%				**$9,808,000**	**0.30%**	Commercial Lafayette RDA
7) TELEVENTS INC				4	$9,021,166	14.68%	**$9,021,166**	**0.28%**	Unsecured Lafayette General Fund
8) BAY GLEN LP	2	$8,658,418	0.27%				**$8,658,418**	**0.26%**	Residential Lafayette RDA
9) PAUL J. CORTESE	6	$8,412,038	0.26%				**$8,412,038**	**0.26%**	Commercial Lafayette RDA
10) SPIEKER PROPERTIES	1	$8,106,538	0.25%				**$8,106,538**	**0.25%**	Commercial Lafayette RDA
Top Ten Total	43	$100,987,340	3.14%	5	$10,817,402	17.60%	**$111,804,742**	**3.41%**	
City Total		$3,214,070,594			$61,467,264		$3,275,537,858		

Top Owners last edited on 8/18/11 by maheav using sales through 06/30/02

Data Source: Contra Costa County Assessor 2001/02 Combined Tax Rolls and the SBE Non Unitary Tax Roll

Prepared On 8/18/2011 By MV

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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 MV

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THE CITY OF LAFAYETTE

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER $100 OF TAXABLE VALUE)

	Last 10 Fiscal Years									
Agency	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
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 Obiligation Debt Rate	0.02050	0.02100	0.02100	0.02100	0.02000	0.04000	0.02000	0.01930	0.01300	0.01300
Redevelopment Rate[4]	1.02520	1.02350	1.02000	1.02060	1.01950	1.02120	1.01950	1.02140	1.02200	1.01950
Total Direct Rate[5]	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 figues.

[4]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.

[5]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

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THE CITY OF LAFAYETTE

DIRECT & OVERLAPPING DEBT AS OF JUNE 30, 2011

		Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
Direct Debt				
419400	LAFAYETTE BOND	8,255,000	100.000	8,255,000
Total Direct Debt				**8,255,000**
Overlapping Debt				
100300	CONTRA COSTA COUNTY PENSION DEBT	399,840,000	3.998	15,984,562
202000	CONTRA COSTA FIRE PENSION OBLIGATION	116,240,000	8.544	9,931,935
400800	BART 2005 & 2007 GENERAL OBLIGATION BONDS	139,254,567	3.998	5,567,035
402700	EAST BAY REGIONAL PARK BONDS	66,309,021	3.998	2,650,862
509100	ACALANES UNION 1997 BOND	48,078,086	23.472	11,284,991
509500	ACALANES UNION 1988 BOND	13,605,000	22.937	3,120,589
509600	ACALANES UNION 2002 & 2008 BONDS	139,541,813	23.472	32,753,551
529000	LAFAYETTE ELEMENTARY BOND 1995	38,930,000	89.600	34,881,113
549000	ORINDA ELEMENTARY BOND	11,815,000	0.155	18,367
792100	CONTRA COSTA COMMUNITY COLLEGE 2002 BOND	106,980,000	4.013	4,292,633
792200	CONTRA COSTA COMMUNITY COLLEGE 2006 BOND	130,115,000	4.013	5,220,938
Total Overlapping Debt				**125,706,576**
Total Direct and Overlapping Debt				**133,961,576**

2010/11 Assessed Valuation: $5,263,055,554 After Deducting $389,595,534 Redevelopment Increment.

Debt To Assessed Valuation Ratios:	Direct Debt	0.16%
	Overlapping Debt	2.39%
	Total Debt	2.55%

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortage revenue, tax allocation bonds, interim financing obligations, non-bonded captial lease obligations, and certificates of partipation, unless provided by the city.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Data Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor Combined 2010/11 Lien Date Tax Rolls
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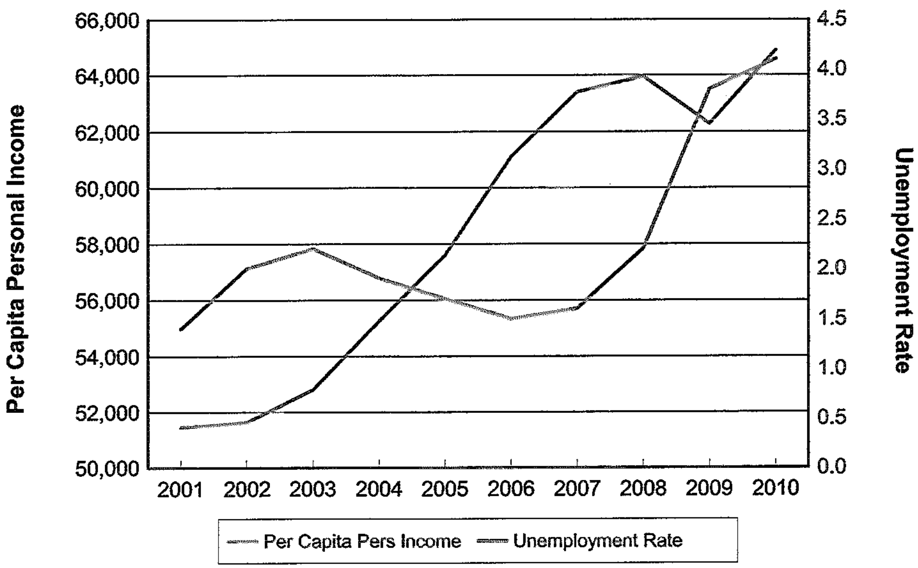
THE CITY OF LAFAYETTE

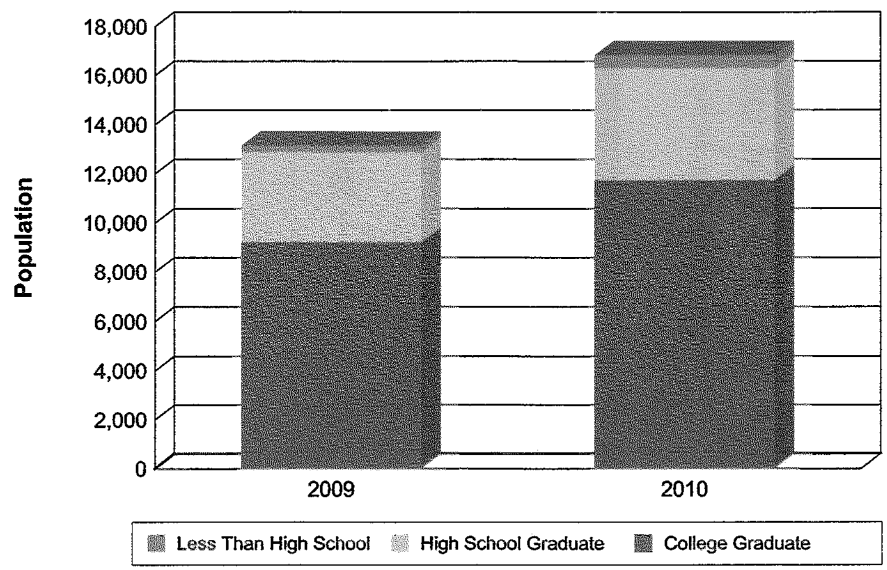
DEMOGRAPHIC AND ECONOMIC STATISTICS

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

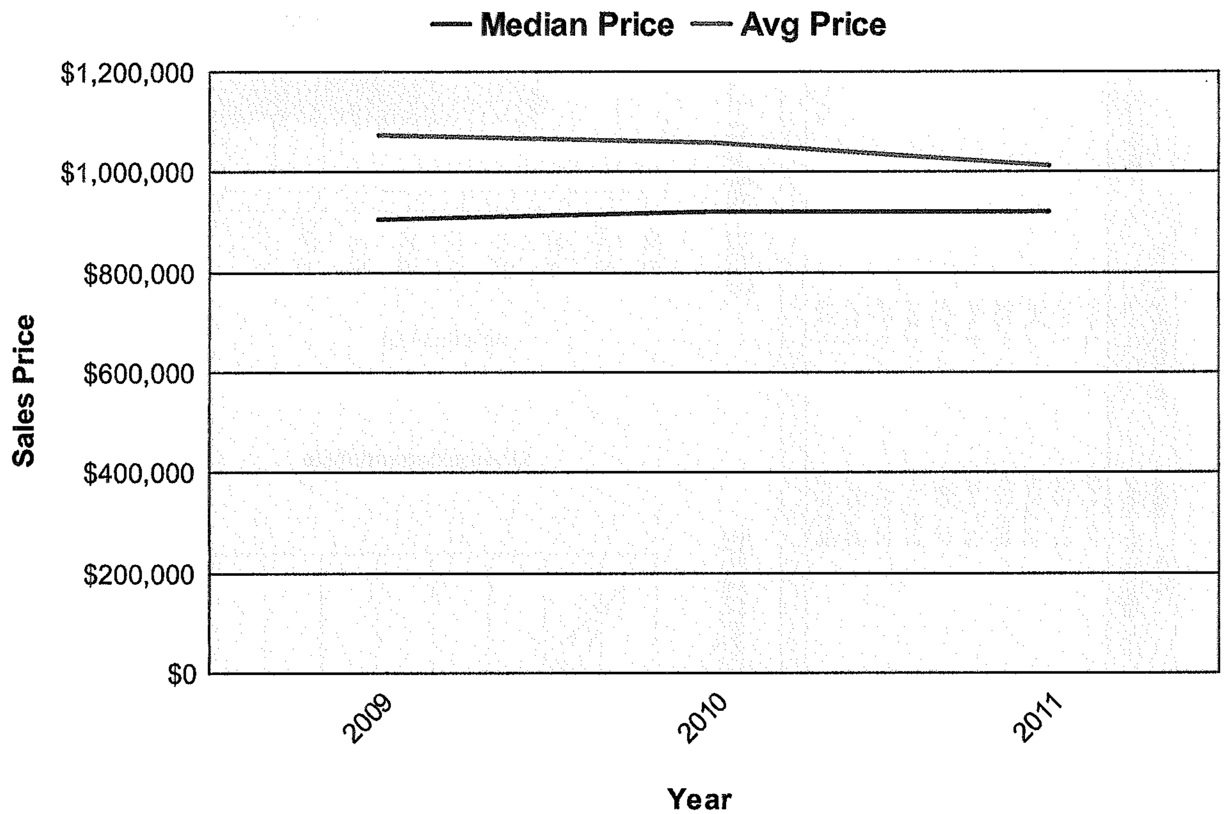
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 8/18/2011 By MV

THE CITY OF LAFAYETTE
SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2009 - 6/30/2011)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2009	200	$1,075,558	$907,500	
2010	239	$1,057,383	$920,000	1.38%
2011	115	$1,014,618	$920,000	0.00%



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: Contra Costa County DataQuick Property Data Prepared On 8/18/2011 By MV

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