

CITY OF LAFAYETTE
ANNUAL FINANCIAL STATEMENT REPORT
YEAR ENDED JUNE 30, 2009
(With Auditors' Report Thereon)

CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2009

MAYOR

Don Tatzin

Term Expires November 2010

CITY COUNCIL

Brandt Andersson, Vice Mayor
Term Expires November 2010

Carol Federighi
Term Expires November 2012

Carl Anduri
Term Expires November 2012

Mike Anderson
Term Expires November 2012

CITY MANAGER

Steven B. Falk – 19 years of service

ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 9 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 19 years of service

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Management's Discussion and Analysis

INTRODUCTION

As management of the City of Lafayette (the City), 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, 2009.

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),
- (d) and discuss the City's ability to address future challenges.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased by \$931,091. The governmental net assets decreased by \$931,573 and the business-type net assets (e.g. Parks & Recreation) increased by \$482.
- The City's governmental funds reported combined ending fund balances of \$83,155,040, of which \$20,326,534 is unrestricted.
- The unreserved fund balance for the General Fund was \$9,228,645, an increase of \$174,501 compared with the prior year.
- The City's total debt increased by \$9,070,000 during the current fiscal year due primarily to loans for the construction of the Lafayette Library and Learning Center. The total debt balance at year-end was \$35,230,000 (\$26,345,000 for loans to the RDA and \$8,885,000 for General Obligation bonds).

- The following is the year over year comparison of revenues and expenses:

Revenues	2007	2008	2009	Change
Property Tax	7,297,461	7,300,248	8,042,309	10.16%
Sales Tax	3,014,825	3,047,116	2,748,962	-9.78%
Franchise Fees	1,093,899	1,140,008	1,296,308	13.71%
Motor Vehicle Fee	1,879,161	1,949,901	2,036,467	4.44%
Transient Occupancy	628,571	615,415	493,812	-19.76%
Investment Income	1,656,880	1,888,359	1,222,093	-35.28%
Vehicle Fines	296,768	284,161	376,292	32.42%
Grants Federal/State	667,145	680,107	1,622,350	138.54%
Fees for Service	1,628,418	1,377,796	1,063,476	-22.81%
Parking Fees	146,410	199,507	214,306	7.42%
Gas Tax	451,046	442,236	404,980	-8.42%
Transfer Tax	284,441	215,548	155,934	-27.66%
Other	729,239	863,279	645,715	-25.20%
Recreation Programs	1,102,279	1,033,317	944,645	-8.58%
TOTAL	20,876,543	21,036,998	21,267,649	1.10%
Expenses				
Council & Commissions	974,170	1,840,706	1,087,322	-40.93%
Police	3,424,615	3,635,692	3,880,430	6.73%
Public Works / Infrastructure	5,755,309	5,338,412	5,529,874	3.59%
Planning & Engineering	1,385,661	1,630,903	1,447,089	-11.27%
Administration/Redev	3,183,659	3,524,051	3,457,033	-1.90%
Debt Service	1,287,148	1,774,358	2,632,165	48.34%
Reserve for Eden Loan	-	-	2,850,746	n/a
Other	327,034	303,832	389,918	28.33%
Recreation Programs	1,022,612	1,000,401	924,163	-7.62%
TOTAL	17,360,208	19,048,355	22,198,740	16.54%
Excess (Revenue - Expenses)	\$ 3,516,335	\$ 1,988,643	\$ (931,091)	-146.82%

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 Assets* 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 assets—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 assets 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.

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the City into two kinds of activities:

- 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. Governmental activities include Redevelopment funds as well. In most cases, reference to the City in this report will include the RDA, unless otherwise specified.
- 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 is reported here.

STATEMENT OF NET ASSETS

Year Ended June 30, 2009	Governmental Activities	Business Activities	Total
Beginning Net Assets	\$83,997,578	88,553	\$82,086,131
Increase/(Decrease)	(931,573)	482	(931,091)
Ending Net Assets	\$83,066,005	\$89,035	\$81,155,040

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. The detailed *Statement of Net Assets* on page 2 of the financial report shows two significant things pointing to the overall health of the City:

1. The City's net assets decreased by 1.13 % from prior year
2. Assets exceeded liabilities by \$81,155,040 at year-end

69 % of the City's net assets (\$57,240,735) are invested in capital assets (i.e., land, buildings, roads, parks, machinery and equipment) and are reported net of related debt. However, since capital assets are used to provide services to citizens, they cannot be used to liquidate liabilities. It should therefore be noted that the money needed to repay debt must be provided from other sources.

STATEMENT OF ACTIVITIES

Governmental Activities

The *Statement of Activities* can be found on page 2 of the financial statement report. In this table, 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 \$17,637,178 in general revenue and incurred expenses of \$18,568,269. The slowing economy has taken its toll and the City has had to use some cash reserves in order to maintain consistent levels of service. While this is not ideal, the City has been prudent in prior years and built up a healthy reserve expressly for the purpose of smoothing such economic turbulence.

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 \$944,163 and revenue of \$944,645 that program showed a gain of \$482. Therefore, the City's net assets increased by an equal amount. This is the fifth year that this enterprise fund has shown a profit in the last five years. (Note that some overhead expenses are covered by the General Fund and not charged to Recreation Programs.)

SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help control and manage money for particular purposes (e.g. Capital Project Funds) or to meet the legal responsibilities for using certain taxes and federal or state grants.

- Governmental funds—The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine what financial resources are available in the near future to finance the City's programs. The relationship between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled at the bottom of the fund financial statements.
- Proprietary funds—These funds make up the business-type activities reported in the *Statement of Net Assets* and the *Statement of Activities* but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS

Governmental Funds

In analyzing the City's governmental funds, the unreserved fund balances serve as a useful measure of the available resources.

As of the fiscal year ended June 30, 2009, the City's governmental funds reported combined ending fund balances of \$27,076,001 a decrease of \$6,111,195 in comparison to the prior year due to construction of the library.

Approximately 66 % of these funds are considered reserved, which means that they have already been committed to specific programs. The remaining funds are undesignated, which means that they are available for spending at the council's discretion.

Capital Assets

The City's investment in capital assets as of June 30, 2009 totaled \$91,677,870 (net of accumulated depreciation of \$54,145,162), which represents an increase of \$14,104,254 over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and bridges. The fixed assets summary can be found on page 27 of the financial statement.

Major capital asset additions during the current fiscal year include:

- Mt Diablo Blvd-1st to Dolores
- Stanley Blvd Sidewalk
- 2009 Road and Drain Project
- Mt Diablo Blvd Pathway/Risa to Reservoir
- Estates Drive/Canyon Road

Long Term Debt

At the end of the current fiscal year, the City had \$ 35,697,170 in long-term debt, which includes \$467,170 in accrued vacations and leave, \$ 26,345,000 in Redevelopment bonds and \$8,885,000 in General Obligation bonds.

STRENGTHS & RISKS

General Fund

The general fund is the primary operating fund of the City. At June 30, 2009, the undesignated fund balance was \$9,228,645, an increase of \$174,501 over the prior year. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end general fund balance represents almost 100 % of general fund expenditures, suggesting that the City is in a very strong position and could cover an entire year of expenses without revenue.

Expenses

As a limited service City, Lafayette strives to keep its operating expenses relatively 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 1/3 of the General Fund Expenses -- and Capital Improvements. Burgeoning police expenses, particularly the cost of pensions and unfunded pension obligations, which are negotiated by the County but passed on to the City via the contract, represent a large risk. Current cost projections have potential expenses for police services increasing by 60% over the next five years. To address this risk, a consultant has been hired to look at various options for restructuring our police services to lower costs.

Note, however, that Lafayette unlike most public agencies, does not provide the Public Employee Retirement System (PERS), a defined benefit pension program to its general employees. The City, therefore, does not face the huge unfunded obligations that many municipalities are now tackling. In addition, the City's defined contribution retirement system is also fully funded and insulates Lafayette from potentially large contribution increases associated with the poor performance of PERS investments.

Another issue the City faces is the cost of other post-employment benefits (OPEB) for medical premiums paid after an employee retires. The City's unfunded actuarial liability for OPEB was determined to be \$276,200, which will be paid in annual required contributions of \$42,400 over the next several years.

Over the last 10 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 in projects that should be completed over the next 5 years. Without an additional source of revenue, many of the City's residential streets will not be repaired or maintained. Furthermore, those streets that are currently in good condition may deteriorate. The Council has twice placed measures on the ballot to approve additional taxes for road repair and maintenance. Neither measure passed, however. Staff and the Council are currently working with a citizen task force to recommend alternatives.

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 9.08% for other cities in Contra Costa. This percentage is higher within the Redevelopment Area, however.

Despite the comparatively low share received by the City, the property tax base remains stable. Although most recent data shows that the median value of homes sold has declined about 15% nationwide as of 06/30/09, assessed values in the City increased 6.13 % from \$5,063,964,876 in fiscal year 2007/2008 to \$5,374,447,394 in fiscal year 2008/2009. The City's total property tax revenue increased from \$7,300,248 to \$ 8,042,309 (10.16%) due primarily to increases in Redevelopment tax increment.

Sales Tax is the second largest revenue source for the City. Sales tax revenue decreased by 9.78% during the year, from \$ 3,047,116 to \$ 2,748,962 and is expected to decrease again this fiscal year as the economy sorts its way through the recession.

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 place of taxing vehicles as personal property. The City received \$2,036,467 in 2008-2009 compared to \$1,949,901 in 2007-2008, an increase of \$86,566 in VLF revenues.

Another area of concern is State taking of funds from local municipalities. For the 2009-10 year, the State is appropriating \$480,000 in local property taxes and \$1.1 million in redevelopment increment. While the State claims it will repay the property tax with interest within three years, the current budget projections for the State are more dire than they were in the previous year. It is doubtful that the City will receive any money back in the near future. It is also likely that the State will seek to find additional ways to funnel local money to Sacramento, for example, through redirection of the gas tax, which will further hobble the City's efforts to repave local roads.

On the plus side, the City will realize an additional \$400,000 annually from waste management franchise fees which must be used to fund road repair and maintenance. This will allow the City to continue the Pavement Management Program while easing the burden on the General Fund.

Other opportunities for increasing revenue are limited. While the City may increase its fees for service to more closely match the expenses, any additional special taxes – such as a utility tax, 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 City is currently investigating a change to Charter City status in order to propose an additional property transfer tax, which would require only a 50% vote, both for the charter city change as well as for the tax. Depending on the outcome of resident polls and feedback, these measures may be put on a November 2010 ballot.

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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INDEPENDENT AUDITORS' 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof 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 November 4, 2009, 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.

The accompanying Management's Discussion and Analysis and budgetary comparison information on pages i-vii and page 39 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lafayette's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cropper Accountancy Corporation
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 4, 2009

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Statement of Net Assets
June 30, 2009

Statement I

<u>ASSETS</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (Note 3A)	\$ 21,218,467	\$ 350,753	\$ 21,569,220
Investments (Note 3A)	11,372,052	-	11,372,052
Accounts receivable (Note 3C)	3,708,153	370	3,708,523
Notes receivable	458,525	-	458,525
Accrued interest receivable	86,093	110	86,203
Prepaid assets	794,027	15,978	810,005
Other assets	11,479	-	11,479
	37,648,796	367,211	38,016,007
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents (Note 3A)	4,497,008	-	4,497,008
Accrued interest (Note 3B)	4,527	-	4,527
Eden loan receivable (Note 3B)	-	-	-
	4,501,535	-	4,501,535
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	9,991,094	-	9,991,094
Land improvements	3,733,992	-	3,733,992
Buildings and improvements	768,644	-	768,644
Infrastructure	44,644,829	-	44,644,829
Equipment and Furniture	264,419	-	264,419
Construction in progress	32,274,892	-	32,274,892
Total Capital Assets, net (Note 3D)	91,677,870	-	91,677,870
Total assets	\$ 133,828,201	\$ 367,211	\$ 134,195,412
 <u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 3,342,180	\$ 3,474	\$ 3,345,654
Other post-employment benefit obligation	41,512	-	41,512
Accrued interest payable	783,561	-	783,561
Refundable deposits	1,246,246	13,780	1,260,026
Current portion of accrued compensated absences	233,585	-	233,585
Unearned revenue	16,195	260,922	277,117
Bonds payable-current (Note 3F)	665,000	-	665,000
Total current liabilities	6,328,279	278,176	6,606,455
Noncurrent Liabilities:			
Accrued compensated absences, net of current portion	233,585	-	233,585
Library loan agreement (Note 3E)	9,635,332	-	9,635,332
Bonds payable (Note 3F)	34,565,000	-	34,565,000
Total noncurrent liabilities	44,433,917	-	44,433,917
Total liabilities	50,762,196	278,176	51,040,372
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	57,240,735	-	57,240,735
Restricted for:			
Debt service	3,506,673	-	3,506,673
Low/moderate income housing	834,502	-	834,502
Redevelopment	(4,784,936)	-	(4,784,936)
Other	6,031,532	-	6,031,532
Unrestricted	20,237,499	89,035	20,326,534
Total net assets	83,066,005	89,035	83,155,040
Total liabilities and net assets	\$ 133,828,201	\$ 367,211	\$ 134,195,412

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, 2009

Statement 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
<i>Governmental Activities:</i>							
City council, commissions & community support	\$ 1,087,322	\$ -	\$ -	\$ -	\$ (1,087,322)	\$ -	\$ (1,087,322)
Administration	3,457,033	-	-	-	(3,457,033)	-	(3,457,033)
Police services	3,880,430	52,200	100,000	-	(3,728,230)	-	(3,728,230)
Public works	2,342,472	-	49,609	1,472,741	(820,122)	-	(820,122)
Infrastructure - depreciation	3,187,402	-	-	-	(3,187,402)	-	(3,187,402)
Planning & engineering	1,447,089	1,011,276	-	-	(435,813)	-	(435,813)
Interest & debt charges	2,632,165	-	-	-	(2,632,165)	-	(2,632,165)
Other	3,240,664	-	-	-	(3,240,664)	-	(3,240,664)
Total governmental activities	\$ 21,274,577	1,063,476	149,609	1,472,741	(18,588,751)	-	(18,588,751)
<i>Business Type Activities:</i>							
Recreation programs	924,163	944,645	-	-	-	20,482	20,482
Total primary government	\$ 22,198,740	\$ 2,008,121	\$ 149,609	\$ 1,472,741	\$ (18,588,751)	\$ 20,482	\$ (18,568,269)
General revenues:							
Property tax and Assessments					8,042,309	-	8,042,309
Sales taxes					2,748,962	-	2,748,962
Franchise taxes					1,296,308	-	1,296,308
Transient occupancy tax					493,812	-	493,812
Vehicle code fines					376,292	-	376,292
Motor vehicle in lieu tax					2,036,467	-	2,036,467
Gas Tax					404,980	-	404,980
Transfer tax					155,934	-	155,934
Parking revenues					214,306	-	214,306
Investment income					1,222,093	-	1,222,093
Other					645,715	-	645,715
					17,637,178	-	17,637,178
Transfers from Enterprise Fund, net					20,000	(20,000)	-
					17,657,178	(20,000)	17,637,178
Change in net assets					(931,573)	482	(931,091)
Net assets at beginning of year					83,997,578	88,553	84,086,131
Net assets at end of year					\$ 83,066,005	\$ 89,035	\$ 83,155,040

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2009

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	\$ 8,190,451	\$ 5,919,047	\$ 3,095,587	\$ -
Investments (Note 3A)	3,768,930	-	7,603,122	-
Accounts receivable (Note 3C)	656,687	669,853	1,949,132	-
Notes Receivable	-	458,525	-	-
Accrued interest receivable	42,626	27,769	7,326	-
Prepaid expenses	1,162	-	-	-
Due from other funds	4,915,715	-	-	-
Other assets	9,043	1,199	1,237	-
Fixed Assets, net	-	-	-	-
Restricted Assets:				
Cash deposits and investments (Note 3A)	-	-	3,002,509	1,494,499
Accrued interest receivable (Note 3B)	-	-	2,508	2,019
Eden loan receivable (Note 3B)	-	-	-	-
Total assets	\$ 17,584,614	\$ 7,076,393	\$ 15,661,421	\$ 1,496,518
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 957,294	\$ 325,380	\$ 1,893,701	\$ -
Other post-employment benefit obligaton	41,512	-	-	-
Loan payable	-	-	9,635,332	-
Refundable deposits	1,245,934	312	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	5,479,498	-
Total liabilities	2,244,740	325,692	17,008,531	-
<u>Fund Balance</u>				
Invested in capital assets				
Restricted for:				
Debt service	-	-	2,010,155	1,496,518
Low/moderate income housing	-	-	834,502	-
Redevelopment excess of debt over assets	-	-	(4,191,767)	-
Capital projects	-	3,703,106	-	-
Special Purpose sources	-	-	-	-
Designated for:				
Capital projects	-	3,047,595	-	-
Special purpose	-	-	-	-
General traffic control	299,221	-	-	-
Insurance	250,000	-	-	-
Vehicles	84,432	-	-	-
Redevelopment loan	4,915,715	-	-	-
Other	561,861	-	-	-
Undesignated	9,228,645	-	-	-
Total fund balance	15,339,874	6,750,701	(1,347,110)	1,496,518
Total liabilities and fund balance	\$ 17,584,614	\$ 7,076,393	\$ 15,661,421	\$ 1,496,518

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2009

Statement 3

Other Governmental Funds		Total Governmental Funds	
\$ 4,013,382		\$ 21,218,467	
-		11,372,052	
432,481		3,708,153	
-		458,525	
8,372		86,093	
-		1,162	
563,783		5,479,498	
-		11,479	
-		4,497,008	
-		4,527	
-		-	
<u>\$ 5,018,018</u>		<u>\$ 46,836,964</u>	
\$ 165,805		\$ 3,342,180	
-		41,512	
-		9,635,332	
-		1,246,246	
16,195		16,195	
-		5,479,498	
<u>182,000</u>		<u>19,760,963</u>	
-		3,506,673	
-		834,502	
-		(4,191,767)	
-		3,703,106	
1,868,864		1,868,864	
-		3,047,595	
2,967,154		2,967,154	
-		299,221	
-		250,000	
-		84,432	
-		4,915,715	
-		561,861	
-		9,228,645	
<u>4,836,018</u>		<u>27,076,001</u>	
<u>\$ 5,018,018</u>		<u>\$ 46,836,964</u>	

	↓
Total fund balances per Governmental Funds Balance Sheet	<u>\$ 27,076,001</u>
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets less accumulated depreciation	91,677,870
Bond issuance costs, unamortized	792,865
Bonds Payable are reflected in the Statement of Net Assets as liabilities, while being recognized as proceeds for governmental purposes. That is financing revenue in the year received for "governmental fund" purposes.	(35,230,000)
Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Assets. For governmental purposes interest is recorded when due, not when incurred.	
Accrued interest payable	\$ 783,561
Accrued compensated absences	<u>467,170</u>
Subtotal	<u>(1,250,731)</u>
Subtotal	<u>55,990,004</u>
Total assets per Statement of Net Assets	<u>\$ 83,066,005</u>

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, 2009

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	\$ 3,302,387	\$ -	\$ 3,035,665	\$ 1,091,239
Sales and use tax (including Measure C)	2,394,096	-	-	-
Transient lodging tax	493,812	-	-	-
Franchise tax	1,296,308	-	-	-
Real property transfer tax	155,934	-	-	-
Vehicle code fines	107,408	-	-	-
Interest income	715,361	93,627	300,048	11,335
Motor vehicle in lieu tax	2,036,467	-	-	-
Grants - federal	-	550,091	-	-
Grants - state and local	49,609	922,650	-	-
Planning, permits and engineering	842,774	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	-	7,205	-	-
Park dedication fees	-	161,197	-	-
Walkway fees	-	100	-	-
Parking revenue and fees	-	-	-	-
Police	41,173	-	-	-
Abandoned vehicles	-	-	-	-
Other	157,014	432,052	22,128	-
Total	<u>11,592,343</u>	<u>2,166,922</u>	<u>3,357,841</u>	<u>1,102,574</u>
Expenditures				
City council, commissions, and community support	1,087,322	-	-	-
Police services	3,837,921	-	-	-
Public works	1,663,297	-	-	-
Library operations	112,131	-	-	-
Planning and engineering	660,391	503,845	274,968	-
Administration	1,488,450	-	925,505	-
Improvements - capital projects	-	3,117,667	14,246,171	-
Debt service -				
Principal	-	-	190,000	340,000
Interest and charges	-	-	1,945,748	423,214
Eden Loan subsidy	-	-	2,850,746	-
Rent and other expenses	99,714	-	66,656	1,000
Insurance and claims	110,417	-	-	-
Total expenditures	<u>9,059,643</u>	<u>3,621,512</u>	<u>20,499,794</u>	<u>764,214</u>
Excess (deficiency) of revenues over expenditures	2,532,700	(1,454,590)	(17,141,953)	338,360
Other financing sources				
Proceeds from bonds	-	-	9,600,000	-
Bond issuance costs	-	-	(456,319)	-
Operating transfers - in	347,900	3,497,532	1,016,569	-
Operating transfers - out	(3,175,612)	(548,892)	(1,016,569)	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(295,012)	1,494,050	(7,998,272)	338,360
Beginning fund balance	<u>15,634,886</u>	<u>5,256,651</u>	<u>6,651,162</u>	<u>1,158,158</u>
Ending fund balance	<u>\$ 15,339,874</u>	<u>\$ 6,750,701</u>	<u>\$ (1,347,110)</u>	<u>\$ 1,496,518</u>

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, 2009

Statement 4

Other Governmental Funds	Total Governmental Funds
\$ 613,018	\$ 8,042,309
354,866	2,748,962
-	493,812
-	1,296,308
-	155,934
268,884	376,292
101,722	1,222,093
-	2,036,467
-	550,091
100,000	1,072,259
-	842,774
404,980	404,980
-	7,205
-	161,197
-	100
214,306	214,306
-	41,173
11,027	11,027
34,521	645,715
<u>2,103,324</u>	<u>20,323,004</u>
-	1,087,322
-	3,837,921
666,104	2,329,401
-	112,131
-	1,439,204
986,613	3,400,568
-	17,363,838
-	530,000
-	2,368,962
-	2,850,746
-	167,370
-	110,417
<u>1,652,717</u>	<u>35,597,880</u>
450,607	(15,274,876)
-	9,600,000
-	(456,319)
559,246	5,421,247
<u>(660,174)</u>	<u>(5,401,247)</u>
349,679	(6,111,195)
<u>4,486,339</u>	<u>33,187,196</u>
<u>\$ 4,836,018</u>	<u>\$ 27,076,001</u>

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

Net change in fund balances - total governmental funds \$ (6,111,195)

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	\$ 17,426,086	
Depreciation expense	<u>(3,321,832)</u>	14,104,254

The issuance of long-term debt provides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:

Proceeds from bond issuance	(9,600,000)
Principal reduction applied to liability	530,000
Prepaid bond issuance costs, net of amortization	434,305
Increase in accrued compensated absences previously classified in long-term debt fund constitutes an expense	(47,748)
Increase in accrued interest liability previously recognized as paid constitutes an expense	<u>(241,189)</u>
Subtotal	<u>5,179,622</u>

Total change in net assets per Statement of Activities \$ (931,573)

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

CITY OF LAFAYETTE
Statement of Net Assets
Business Fund Type
Recreation Programs
June 30, 2009

Statement 5

ASSETS

Current Assets:

Cash and cash equivalents	\$ 350,753
Accounts receivable	370
Accrued interest receivable	110
Prepaid expenses	<u>15,978</u>
Total assets	<u>\$ 367,211</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 3,474
Refundable deposits	13,780
Deferred revenue	<u>260,922</u>
Total liabilities	<u>278,176</u>

NET ASSETS

Unrestricted (deficit)	<u>89,035</u>
Total net assets	<u>89,035</u>
Total liabilities and net assets	<u>\$ 367,211</u>

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Business Fund Type-Recreation Programs
Budget and Actual
For the Year Ended June 30, 2009

Statement 6

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	\$ 978,467	\$ 978,467	\$ 871,133	\$ (107,334)
Building rentals	63,000	63,000	70,579	7,579
Interest	-	-	701	701
Other	6,500	1,500	2,232	732
Total	<u>1,047,967</u>	<u>1,042,967</u>	<u>944,645</u>	<u>(98,322)</u>
Operating expenses				
Personnel services	485,753	485,753	481,187	4,566
Maintenance	10,000	10,000	2,023	7,977
Contractual services	412,800	412,800	383,197	29,603
Printing and supplies	83,000	83,000	44,868	38,132
Utilities	4,800	4,800	3,760	1,040
Rental expense	21,500	21,500	7,843	13,657
Other	1,500	1,500	1,285	215
Total	<u>1,019,353</u>	<u>1,019,353</u>	<u>924,163</u>	<u>95,190</u>
Operating income	28,614	23,614	20,482	(3,132)
Operating transfers - in	-	5,000	5,000	-
Operating transfers - out	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net income and operating transfers	28,614	3,614	482	(3,132)
Beginning retained earnings	<u>133,868</u>	<u>140,899</u>	<u>88,553</u>	<u>52,346</u>
Ending retained earnings	<u>\$ 162,482</u>	<u>\$ 144,513</u>	<u>\$ 89,035</u>	<u>\$ 49,214</u>

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

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2009

Statement 7

Cash flows from operating activities

Receipts from customers	\$ 909,108
Receipts from Building rentals, net of expense	70,579
Receipts from Interest income	952
Other receipts and payments	2,232
Payments for contractual services	(383,197)
Payments for printing and supplies	(56,016)
Payments to employees	(481,187)
Payments for maintenance	(2,023)
Payments for utilities	<u>(3,760)</u>
Net cash used in operating activities	<u>56,688</u>

Cash flows from noncapital financing activities

Transfers to General Fund, net	<u>(20,000)</u>
Net decrease in cash deposits and investments	36,688
Cash deposits and investments at beginning of year	<u>314,065</u>
Cash deposits and investments at end of year	<u>\$ 350,753</u>

Operating income (before operating transfers)	\$ 20,482
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	1,324
Security deposit	-
Prepaid expenses	(2,025)
Increase (decrease) in liabilities	
Accounts payable	(2,141)
Refundable deposits and deferred revenue	<u>39,048</u>
Net cash used in operating activities	<u>\$ 56,688</u>

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2009
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CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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 the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. Financial Reporting Entity

The 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.

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 are blended into those of the City's by appropriate activity type to compose the primary government presentation (i.e. The Lafayette Redevelopment Agency).

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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

Blended component unit - Redevelopment Agency

The Redevelopment Agency (the Agency) is 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 sets forth a legal framework and a broad policy framework for the activities of the City. The primary purpose and objective of the Redevelopment Plan is to stimulate and encourage the revitalization of the Project Area, to eliminate conditions of blight and to prevent the recurrence of blighting conditions, which shall be accomplished subject to and consistent with the goals and policies established by the General Plan of the City. The Redevelopment Plan has been approved by the City of Lafayette Redevelopment Agency, pursuant to the California Community Redevelopment Law of the State of California, and applicable laws and ordinances.

The Redevelopment Fund includes separate accounting funds for low-income housing, library project and a debt service fund to track bond obligations. The Redevelopment Agency had a combined fund balance of \$5,286,991 (see note 2.E.). Financing is accomplished by means of interfund loans from the General Fund of \$4,915,715 (at 8% interest), a loan with an outstanding balance of \$563,783 from another fund of the City being paid over a remaining period of 15 years with interest at 8%, and tax allocation bonds outstanding of \$26,345,000. The fund balance will increase and the debt service will decrease in future periods from Redevelopment incremental tax allocation revenues. Pursuant to an agreement dated April 2006, the Agency transferred title of the Veteran's Building to Contra Costa County.

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

- 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) accounts 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."

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

Fiduciary funds (not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. There were no remaining Agency Funds at June 30, 2009.

Major and non-major funds

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

<u>Fund</u>	<u>Brief Description</u>
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 of long-term debt.
Redevelopment Agency Funds	Accounts for the Redevelopment Agency funding and projects
Non-major:	
All Special Revenue Funds:	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows:
	<ul style="list-style-type: none">• Parking programs• Vehicle abatement• Senior transportation• Police services special fund• Gasoline tax• Measure C - 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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, except for general obligation bond principal and interest which are reported when due.

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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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.C. and 3.A.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “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 (15 remaining) payable from the Redevelopment Agency to another governmental fund in the amount of \$563,783 at June 30, 2009. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

Government-wide Statements

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

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. 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. In addition, certain redevelopment assets are restricted for low/moderate income housing expenditures (see Note 3.B.). 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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 50% current and 50% 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 Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

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.

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

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

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

	<u>Secured</u>	<u>Unsecured</u>
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 C" 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).

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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:

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

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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.

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, 2009.

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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Tax	Street Purposes
Measure C 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, 2009, 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. The City had previously issued \$10,320,000 of bonds under this authorization. In the fiscal year ended June 30, 2004, the City issued an additional \$6,035,000 of General Obligation Bonds of which \$4,791,110 were placed in trust for the retirement of previously issued G.O. Bonds. The Bonds are issued pursuant to the provisions of Article 1 of Chapter 4 (commencing with Section 43600) of Division 4 of Title 4 of the Government Code of the State of California and other applicable laws, and pursuant to the Paying Agent Agreement dated as of February 1, 2002, by and between the City and Wells Fargo Bank, acting as paying agent, as authorized by the City Council by a resolution adopted on January 28, 2002. On July 15, 2005, \$5,170,000, the remaining balance of the 1995 G.O. Bond issue was retired in full with interest due thereon of \$152,293 and a call premium of \$100,800.

CITY OF LAFAYETTE
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The liability for the two issues of general obligation bonds was as follows at June 30, 2009:

	Original Issue	Total Outstanding	Due in Fiscal year June 30, 2009
2002 Issue	\$ 4,320,000	\$ 3,750,000	\$ 110,000
2004 Issue	6,035,000	5,135,000	245,000
	\$ 10,355,000	\$ 8,885,000	\$ 355,000

In order to provide sufficient funds for repayment of principal and interest when due on the General Obligation Bonds, the City is empowered and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the City, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the City. 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.F. 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 2008-09, the City's total secured and unsecured assessed valuation is \$5,374,447,394.

Other long-term debt- Redevelopment Fund debt

To help finance redevelopment projects, the Redevelopment Agency 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 \$190,000 were scheduled and made on August 1, 2008. Principal payments of \$310,000 were made on August 1, 2009.

2. E. Fund Equity

Redevelopment Agency - Fund Equity

As noted in note 1.A., the Redevelopment Agency has funded much of its operations with loans from the General Fund. It has a net asset balance of \$5,286,991. The Fund equity is calculated as follows:

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Total Fund Balance (deficit) on a "Governmental Fund" basis	\$ (1,347,110)
Add: fixed assets capitalized	32,778,403
Deduct: accrued interest on debt payable	(592,167)
Prepaid debt issuance costs, net of amortization	792,865
Debt Payable – long and short term	<u>(26,345,000)</u>
Net Assets - Redevelopment Fund	<u>\$ 5,286,991</u>

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, 2009:

Cash and Cash Equivalents:

		<u>S&P Rating</u>
Deposits in Banks	\$ 1,916,491	N/A
Petty Cash	168	N/A
Local Agency Investment Fund - State of California	<u>22,351,428</u>	N/A
Total Cash and Cash Equivalents	<u>24,268,087</u>	
CAMP Pool (California JPA)	9,169,562	AAAm
Mutual Fund – U.S. Treasuries	409,334	
Investment in Federal Agency obligations, at market value <i>(See detailed listing on next page for maturities etc.)</i>	<u>3,591,297</u>	AAA
	<u>13,170,195</u>	
Total Cash and Investments	<u>\$ 37,438,280</u>	

Reconciliation to financial statements:

Unrestricted:

Cash and cash equivalents	\$ 21,569,220
Investments in bonds and mutual funds	<u>11,372,052</u>
Unrestricted cash and investments	32,941,272

Restricted for debt service and low and moderate housing:

Cash and investments	<u>4,497,008</u>
Total	<u>\$37,438,280</u>

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The City's investments with LAIF at June 30, 2009 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, 2009, the City had \$22,351,425 invested in LAIF, which had invested 14.71% of the pool investment fund in structured notes and asset-backed securities.

Investment in U.S. Treasury and Federal Agency Bonds and Obligations

Federal Agency	Par	Coupon Percentage	Maturity Dates	June 30, 2009 Market Value	S&P Rating
Federal Home Loan banks	\$ 955,000	5.25	9/11/2009	\$ 963,953	AAA
Fannie Mae	1,300,000	2.50	4/9/2010	1,320,313	AAA
Freddie Mac	1,250,000	4.13	10/18/2010	1,307,031	AAA
	<u>\$3,505,000</u>			<u>\$ 3,591,297</u>	

At June 30, 2009, the carrying amount of the City's deposits was \$1,920,296. Bank balances before reconciling items were \$2,014,530 (before deducting outstanding checks) 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.

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

CITY OF LAFAYETTE
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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 daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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

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

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

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

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

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	\$ 21,488
Interest income (all investments)	<u>1,200,605</u>
Total investment income	\$ <u>1,222,093</u>

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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

3. B. Restricted Assets

The amounts reported as restricted assets are held for debt service payments and low/moderate housing (the Redevelopment Agency). The restricted assets are as follows:

	Debt Service	Low/moderate Housing Income	Total
Cash and equivalents	\$ 2,010,155	\$ 992,354	\$ 3,002,509
Accrued interest	2,019	2,508	4,527
Eden loan receivable, net	-	-	-
Total restricted assets	<u>\$ 2,012,174</u>	<u>\$ 994,862</u>	<u>\$ 3,007,036</u>

The Eden loan receivable was \$2,896,511 at the end of fiscal 2009. This loan was reserved in full during the current year and the net realizable value is deemed to be zero at June 30, 2009.

3. C. Accounts Receivable

The amount of accounts receivable for the business-type activities was \$370 at June 30, 2009. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2009. They include:

California State library grant (RDA)	\$ 1,949,132
U. S. Department of Transportation	302,946
Measure J	352,000
Sales tax	266,400
EBMUD	222,480
Franchise taxes	136,761
Transient occupancy tax	106,535
Vehicle code fines	73,320
MTC	95,887
Proposition 42	48,540
Other grants	45,250
Lafayette School District - Crossing Guards	37,300
Property tax	26,254
MPA	23,930
Transfer tax	14,418
Other	7,000
Total governmental receivables	<u>\$ 3,708,153</u>

CITY OF LAFAYETTE
Notes to Financial Statements
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3. D. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

Governmental Activities	Balance June 30, 2008	Additions	Capitalized Work in Progress	Transfer to Contra Costa County	Balance June 30, 2009
<i>Capital Assets:</i>					
Land, easements, and right of way:					
City	\$ 7,986,650	\$ -	\$ -	\$ -	\$ 7,986,650
RDA	2,004,444	-	-	-	2,004,444
Land improvements	4,860,580	-	-	-	4,860,580
Building/improvements	1,232,292	-	-	-	1,232,292
Infrastructure	93,918,125	-	2,087,100	-	96,005,225
Equipment and furniture	1,392,482	66,467	-	-	1,458,949
Construction in progress					
City	474,585	3,113,448	(2,087,100)	-	1,500,933
RDA	16,527,788	14,246,171	-	-	30,773,959
Total capital assets at cost	<u>128,396,946</u>	<u>17,426,086</u>	<u>-</u>	<u>-</u>	<u>145,823,032</u>
<i>Accumulated depreciation:</i>					
Land improvements	883,558	243,030	-	-	1,126,588
Building/improvements	444,777	18,871	-	-	463,648
Infrastructure	48,439,114	2,921,282	-	-	51,360,396
Equipment and furniture	1,055,881	138,649	-	-	1,194,530
Total accum. depreciation	<u>50,823,330</u>	<u>3,321,832</u>	<u>-</u>	<u>-</u>	<u>54,145,162</u>
Total capital assets, net	<u>\$ 77,573,616</u>	<u>\$ 14,104,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,677,870</u>

Current Depreciation

Administration	\$ 8,717
Public Works	18,680
Infrastructure and related improvements	3,183,183
Police services	108,976
Planning & engineering	<u>2,276</u>
Total depreciation	<u>\$ 3,321,832</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

3. E. Library Loan Agreement

In May of 2008, the Lafayette Redevelopment Agency (the Agency) and the Lafayette Library and Learning Center Foundation (the Foundation) entered into an agreement whereby the Foundation agreed to loan the Agency \$9,000,000 with interest to be paid at the rate of 6.25% per annum. Per the agreement, funds are to be used by the Agency to pay for the construction costs of the library project. The loan and accrued interest is to be paid in full by December 31, 2039 unless an alternative agreement is reached with the Foundation.

3. F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling \$8,885,000 and Redevelopment tax allocation bonds of \$26,345,000 to be repaid from governmental activities (see note 2.D.). Following is a summary of general long-term debt transactions for the fiscal year ended June 30, 2009 :

	Interest Rates	Balance <u>June 30, 2008</u>	Principal Increases (Decreases)	Balance <u>June 30, 2009</u>
<i>Redevelopment:</i>				
Tax allocation bonds				
Bonds issued fiscal 2003				
Matures to fiscal 2033	2.25– 5.3%	\$ 5,255,000	\$ (110,000)	\$ 5,145,000
Bonds issued fiscal 2005				
Matures to fiscal 2030	3.0 – 4.7%	11,680,000	(80,000)	11,600,000
Bonds issued fiscal 2008				
Matures to fiscal 2038	3.75 - 6.5%	-	9,600,000	9,600,000
		<u>16,935,000</u>	<u>9,410,000</u>	<u>26,345,000</u>
<i>General Obligation:</i>				
Bonds Issued fiscal 2002				
Matures to fiscal 2026	3.5 – 5.0%	3,860,000	(110,000)	3,750,000
Bonds Issued fiscal 2004				
Matures to fiscal 2026	2.0 – 4.7%	5,365,000	(230,000)	5,135,000
		<u>9,225,000</u>	<u>(340,000)</u>	<u>8,885,000</u>
Totals		<u>\$ 26,160,000</u>	<u>\$ 9,070,000</u>	<u>\$ 35,230,000</u>
Bonds payable – current				\$ 665,000
Bonds payable – noncurrent				<u>34,565,000</u>
				<u>\$ 35,230,000</u>

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2009:

General obligation bonds - 2002 issue	\$ 191,801
General obligation bonds - 2004 issue	231,413
Redevelopment tax allocation bonds-2003 issue	286,468
Redevelopment tax allocation bonds-2005 issue	540,101
Redevelopment tax allocation bonds-2008 issue	131,235
	<u>\$ 1,381,018</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

The following are the debt service schedules for the obligations related to general obligation bonds issued in fiscal years 2002 and 2004:

<u>General Obligation Bonds - Issued 2002</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2010	\$ 110,000	\$ 186,301	\$ 296,301
2011	115,000	180,676	295,676
2012	125,000	174,676	299,676
2013	130,000	168,301	298,301
2014	130,000	161,801	291,801
2015-2019	775,000	700,628	1,475,628
2020-2024	1,095,000	479,896	1,574,896
2025-2026	1,270,000	65,856	1,335,856
	<u>\$ 3,750,000</u>	<u>\$ 2,118,135</u>	<u>\$ 5,868,135</u>

<u>General Obligation Bonds - Issued 2004</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2010	\$ 245,000	\$ 223,638	\$ 468,638
2011	260,000	213,538	473,538
2012	265,000	202,176	467,176
2013	280,000	189,015	469,015
2014	290,000	174,765	464,765
2015-2019	1,675,000	666,655	2,341,655
2020-2024	1,945,000	267,318	2,212,318
2025	175,000	8,343	183,343
	<u>\$ 5,135,000</u>	<u>\$ 1,945,448</u>	<u>\$ 7,080,448</u>

CITY OF LAFAYETTE
Notes to Financial Statements
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The following are the debt service schedules for the City's obligations related to the Redevelopment Agency Bonds issued fiscal years 2003, 2005 and 2008:

<u>Redevelopment Tax Allocation Bonds - Issued 2003</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2010	\$ 115,000	\$ 281,824	\$ 396,824
2011	115,000	276,821	391,821
2012	125,000	271,388	396,388
2013	130,000	265,458	395,458
2014	135,000	259,129	394,129
2015-2019	780,000	1,182,888	1,962,888
2020-2024	1,015,000	935,507	1,950,507
2025-2029	1,350,000	599,377	1,949,377
2030-2033	1,380,000	164,450	1,544,450
	<u>\$ 5,145,000</u>	<u>\$ 4,236,842</u>	<u>\$ 9,381,842</u>

<u>Redevelopment Tax Allocation Bonds - Issued 2005</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2010	\$ 195,000	\$ 535,781	\$ 730,781
2011	220,000	529,086	749,086
2012	220,000	521,661	741,661
2013	230,000	513,643	743,643
2014	240,000	504,074	744,074
2015-2019	1,395,000	2,335,250	3,730,250
2020-2024	1,720,000	1,994,308	3,714,308
2025-2029	2,140,000	1,554,858	3,694,858
2030-2034	3,105,000	970,815	4,075,815
2035-2036	2,135,000	108,124	2,243,124
	<u>\$ 11,600,000</u>	<u>\$ 9,567,600</u>	<u>\$ 21,167,600</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

<u>Redevelopment Tax Allocation Bonds - Issued 2008</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2010	\$ -	\$ 598,031	\$ 598,031
2011	-	598,031	598,031
2012	45,000	597,188	642,188
2013	100,000	594,344	694,344
2014	105,000	590,086	695,086
2015-2019	585,000	2,872,339	3,457,339
2020-2024	775,000	2,689,569	3,464,569
2025-2029	1,030,000	2,419,988	3,449,988
2030-2034	1,390,000	2,042,784	3,432,784
2035-2036	<u>5,570,000</u>	<u>1,169,024</u>	<u>6,739,024</u>
	<u>\$ 9,600,000</u>	<u>\$ 14,171,384</u>	<u>\$ 23,771,384</u>

3. G. Interfund Transactions and Balances

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:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 347,900	\$ 3,175,612
Capital project funds	3,497,532	548,892
Redevelopment agency	1,016,569	1,016,569
Other governmental funds	559,246	660,174
Subtotal	<u>5,421,247</u>	<u>5,401,247</u>
Proprietary fund	-	20,000
	<u>\$ 5,421,247</u>	<u>\$ 5,421,247</u>

The Redevelopment Agency has borrowed \$4,915,715 (at 8% per annum) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund has borrowed \$563,783 from another City fund to be repaid over a 20 year period at 8% (15 years remaining), also to be paid out of future ad valorem revenues.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

NOTE 4. OTHER NOTES

4. A. Employee Benefit Plans

Employee Retirement Contribution

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

Tenure-Based Contribution System

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

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 is required to contribute 5% of earnings to the plan and the City has elected to match such contribution by the same percentage. Employees currently in the tenure based contribution system may choose to be placed on the Salary-Based at any time, however, once this option has been exercised, the employee may not revert back to the tenure based contribution system.

Employees are fully vested in the City's contributions (and 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 2009 was approximately \$3,911,241. Contributions to the plans totaled \$482,069 by the City and \$157,196 by individuals during the year.

The following summarizes transactions in the Plan for the year ended June 30, 2009:

Defined contribution retirement plan:	
Balance June 30, 2008	\$ 3,576,400
Contributions : Employer	482,069
Employee	157,196
Other	(6,004)
Disbursements, net	(24,926)
Earnings	(730,123)
Balance June 30, 2009	<u>\$ 3,454,612</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

Deferred Compensation Plan

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

The following summarizes transactions in the Plan for the year ended June 30, 2009:

Deferred compensation plan:	
Balance June 30, 2008	\$ 4,387,728
Contributions	325,023
Disbursements	(157,062)
Earnings	(996,248)
Other	2,829
Balance June 30, 2009	\$ <u>3,562,270</u>

Other Post Employment Retirement Plan

Plan Description

The District's defined benefit post employment healthcare plan, (DPHP), 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.

The City is currently researching an adequate alternative for the OPEB trust. As such, no contributions have been made to the trust at June 30, 2009.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

Annual OPEB Cost

For 2009, the City's annual OPEB cost (expense) was \$42,400. In addition, the City paid \$888 in medical premiums to retirees (an implied subsidy), which was offset against the OPEB cost. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2009 and the preceding year are presented below:

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 42,400	2%	\$41,512

An actuarial study was performed by the City as of January 1, 2009. The study estimated the overall OPEB liability to be \$276,200 of which the City Council reserved \$50,000 in funds while investigating Trust options. The financial statement shows the OPEB benefit of \$41,512 on the Statement of Net Assets.

Funding Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	\$ 276,200
Actuarial Value of Plan Assets	<u>(0)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 276,200</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	<u>\$ 3,874,700</u>
UAAL as a Percentage of Covered Payroll	7.13%

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

Actuarial Methods and Assumptions

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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

Valuation Date	January 1, 2009
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Over Service
Average Remaining Period	30 Years as of the Valuation Date
<i>Actuarial Assumptions:</i>	
Investment Rate of Return	5%
Inflation	3% (general); 4% (payroll); 6% (premiums)
Monthly premiums	\$529 pre-Medicare; \$180 with Medicare

4. B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA). The following is a summary of coverage as of June 30, 2009:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	\$ 1,000,000,000	\$ 5,000
Boiler and machinery	\$ 25,000,000	\$ 5,000
Liability	\$ 24,000,000	\$ 5,000
Auto-physical damage	\$ 250,000	\$ 2,000
Workers' compensation	\$ 50,000,000	\$ 0

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

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

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

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.

4. D. New Accounting Pronouncements

In April 2004, GASB issued GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement provides guidance on how to report OPEB plans that qualify as a trust or agency funds or as fiduciary component units of either a participating employer, a plan sponsor, a public employee retirement system (CalPERS, or other administering entity). The requirements for this statement are effective for fiscal periods beginning after December 15, 2006 provided GASB 45 is also implemented. The City Council is actively researching setting up a trust account.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

The City implemented the provisions of this Statement for the fiscal year ended June 30, 2009 (effective for the fiscal years beginning after December 31, 2007). See note 4. A. for additional information.

In November of 2006, GASB issued GASBS No. 49, *Accounting and Financial Reporting Pollution Remediation Obligations*. The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for "periods beginning after December 15, 2007"). This standard addresses current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as a landfill closure. This statement was implemented in the current year and did not have a material effect on the financial statements of the City.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

In June of 2007, GASB issued GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*. The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2010 (effective for periods beginning after June 15, 2009; for governments classified as phase 2 under GASBS No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ended after June 30, 1980). This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. The implementation of the provisions of this standard may have a material effect on the financial statements of the City.

In November of 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for periods beginning after June 15, 2008). This Statement requires endowments to report their land and other real estate investments at fair value and governments to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes—pension and other postemployment benefit plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans—however, report land and other real estate held as investments at their fair value. We do not expect this statement to have a material effect on the financial statements of the City.

In June of 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement requires governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and future contracts. The City is required to implement the provisions of the Statement for the fiscal year ending June 30, 2010 (effective for periods beginning after June 15, 2009), which should allow users of the financial statements to more fully understand the City’s resources available to provide services. The City does not currently hold such instruments which would be classified as derivatives other than a small amount held through the State Investment Pool.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2009

In March of 2009, GASB issued GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the reserved component of fund balance in favor of a restricted classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in this Statement will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types. The provisions of the Statement are effective for fiscal years beginning after June 30, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

In March of 2009, GASB issued GASBS No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. This Statement will make it easier for preparers of state and local government financial statements to identify and apply all relevant guidance. 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 2009, GASB issued GASBS No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort is important from the perspective of bringing the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. This Statement will not result in a change in current practice or have a material effect on the financial statements of the City.

4. E. Subsequent Events

On October 26, 2009, the City Council approved an amendment of the Redevelopment Agency's loan receivable to Eden Housing, Inc. which increased the total amount to be funded under the loan by \$500,000. As discussed in Note 3. B., the entire balance under this loan of \$2,896,511 at June 30, 2009 has been 100% reserved.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAFAYETTE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2009

Exhibit 1

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	\$ 3,403,228	\$ 3,403,228	\$ 3,302,387	\$ (100,841)
Sales and use tax	2,603,309	2,603,309	2,394,096	(209,213)
Transient lodging tax	550,000	550,000	493,812	(56,188)
Franchise tax	1,114,832	1,145,461	1,296,308	150,847
Real property transfer tax	220,706	219,859	155,934	(63,925)
Vehicle code fines	150,000	150,000	107,408	(42,592)
Interest income	470,000	470,000	715,361	245,361
Motor vehicle in lieu tax	1,900,000	1,900,000	2,036,467	136,467
Planning, permits and fees	952,000	952,000	842,774	(109,226)
Police services	50,000	50,000	41,173	(8,827)
Other	95,000	95,000	206,623	111,623
	<u>11,509,075</u>	<u>11,538,857</u>	<u>11,592,343</u>	<u>53,486</u>
Expenditures				
City council, commissions and community support				
City council	128,356	133,356	130,912	2,444
Commissions and committees	989,162	1,028,073	956,410	71,663
Police services	4,215,768	4,215,768	3,837,921	377,847
Public works				
Street maintenance	909,301	909,301	672,810	236,491
Traffic maintenance	344,848	344,848	282,094	62,754
Parks and walkway maintenance	328,292	335,544	305,341	30,203
Facilities maintenance	360,528	245,489	241,868	3,621
Emergency response	307,000	307,000	161,184	145,816
Library Operations	-	114,900	112,131	2,769
Planning and engineering				
Planning department	552,301	553,451	471,979	81,472
Engineering department	197,184	193,741	188,412	5,329
Administration				
City management	404,723	457,058	392,878	64,180
Legal services	317,000	317,000	250,301	66,699
City clerk	139,579	149,560	127,530	22,030
Finance and personnel	600,894	599,658	584,214	15,444
Technology services	113,432	112,019	92,015	20,004
Other post-employment benefits	-	-	41,512	(41,512)
Business registration fees	-	-	-	-
Rent and other expenses	152,214	152,214	99,714	52,500
Insurance - premiums and claims	190,267	190,267	110,417	79,850
	<u>10,250,849</u>	<u>10,359,247</u>	<u>9,059,643</u>	<u>1,299,604</u>
Excess of revenues over expenditures	1,258,226	1,179,610	2,532,700	1,353,090
Other financing sources				
Operating transfers - in	-	450,000	347,900	(102,100)
Operating transfers - out	<u>(3,812,011)</u>	<u>(3,812,011)</u>	<u>(3,175,612)</u>	<u>636,399</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(2,553,785)	(2,182,401)	(295,012)	1,887,389
Beginning fund balance	<u>15,634,886</u>	<u>15,634,886</u>	<u>15,634,886</u>	<u>-</u>
Ending fund balance	<u>\$ 13,081,101</u>	<u>\$ 13,452,485</u>	<u>\$ 15,339,874</u>	<u>\$ 1,887,389</u>

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

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OTHER SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
 Redevelopment Agency
 Combining Fund Balance Sheet
 For the Year Ended June 30, 2009

Exhibit 2

ASSETS	Capital Projects Funds				Debt Service Fund		Special Revenue Fund		Total Governmental Funds
	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund		Special Revenue Fund			
				Debt Service	Low/moderate Income Housing				
Cash and equivalents	\$ 2,780,777	\$ 314,810	\$ 3,095,587	\$ -	\$ -	\$ -	\$ -	\$ 3,095,587	
Investments	-	7,603,122	7,603,122	-	-	-	-	7,603,122	
Redevelopment Interfund Balances	849,166	(849,166)	-	-	-	-	-	-	
Accounts receivable	-	1,949,132	1,949,132	-	-	-	-	1,949,132	
Accrued interest receivable	7,326	-	7,326	-	-	-	-	7,326	
Other assets	-	1,237	1,237	-	-	-	-	1,237	
Restricted assets for:									
Cash and investments	-	-	-	2,010,155	992,354	3,002,509	-	3,002,509	
Accrued interest receivable	-	-	-	-	2,508	2,508	-	2,508	
Eden loan receivable	-	-	-	-	-	-	-	-	
Total assets	\$ 3,637,269	\$ 9,019,135	\$ 12,656,404	\$ 2,010,155	\$ 994,862	\$ 15,661,421	\$ -	\$ 15,661,421	
LIABILITIES AND FUND BALANCE									
Accounts payable and accrued liabilities:	\$ 65,988	\$ 1,667,353	\$ 1,733,341	\$ -	\$ 160,360	\$ 1,893,701	\$ -	\$ 1,893,701	
Loan payable - Lafayette Library and Learning Center Foundation	-	9,635,332	9,635,332	-	-	9,635,332	-	9,635,332	
Advances from general fund	2,998,842	1,916,873	4,915,715	-	-	4,915,715	-	4,915,715	
Loan payable parking fund	563,783	-	563,783	-	-	563,783	-	563,783	
Total liabilities and other credits	3,628,613	13,219,558	16,848,171	-	160,360	17,008,531	-	17,008,531	
Fund balances									
Restricted for:									
Debt service	-	-	-	2,010,155	-	2,010,155	-	2,010,155	
Low/moderate income housing	-	-	-	-	834,502	834,502	-	834,502	
Other	8,656	(4,200,423)	(4,191,767)	-	-	(4,191,767)	-	(4,191,767)	
Unrestricted	-	-	-	-	-	-	-	-	
Fund balance	8,656	(4,200,423)	(4,191,767)	2,010,155	834,502	(1,347,110)	-	(1,347,110)	
Total liabilities and fund balance:	\$ 3,637,269	\$ 9,019,135	\$ 12,656,404	\$ 2,010,155	\$ 994,862	\$ 15,661,421	\$ -	\$ 15,661,421	

CITY OF LAFAYETTE
 Redevelopment Agency
 Combining Fund Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For the Year Ended June 30, 2009

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	Total Governmental Funds
	General Projects	Library Project	Total Capital Projects			
Revenues						
Tax increment revenue	\$ 2,186,913	\$ -	\$ 2,186,913	\$ -	\$ 848,752	\$ 3,035,665
Investment income	63,954	177,743	241,697	30,126	28,225	300,048
Other revenue	21,561	496	22,057	-	71	22,128
Total revenues	<u>2,272,428</u>	<u>178,239</u>	<u>2,450,667</u>	<u>30,126</u>	<u>877,048</u>	<u>3,357,841</u>
Expenditures						
Administrative costs	171,869	693,906	865,775	-	59,730	925,505
Assessment District bond principal	-	-	-	190,000	-	190,000
Planning and design	-	-	-	-	-	-
Improvement costs	-	14,246,171	14,246,171	-	-	14,246,171
Interest expense	279,170	708,775	987,945	957,803	-	1,945,748
Professional services	252,645	-	252,645	-	22,323	274,968
Community promotion	-	-	-	-	-	-
Low income subsidy	-	-	-	-	-	-
Eden Loan subsidy	-	-	-	-	20,130	20,130
Other expenses	46,200	326	46,526	-	2,850,746	2,850,746
Total expenditures	<u>749,884</u>	<u>15,649,178</u>	<u>16,399,062</u>	<u>1,147,803</u>	<u>2,952,929</u>	<u>20,499,794</u>
Excess (deficiency) of revenues over expenditures	<u>1,522,544</u>	<u>(15,470,939)</u>	<u>(13,948,395)</u>	<u>(1,117,677)</u>	<u>(2,075,881)</u>	<u>(17,141,953)</u>
Other financing sources (uses):						
Proceeds from bonds	-	8,762,481	8,762,481	837,519	-	9,600,000
Bond issuance costs	-	(456,319)	(456,319)	-	-	(456,319)
Operating transfers - in	-	-	-	1,016,569	-	1,016,569
Operating transfers - out	(1,016,569)	-	(1,016,569)	-	-	(1,016,569)
Total other financing sources (uses)	<u>(1,016,569)</u>	<u>8,306,162</u>	<u>7,289,593</u>	<u>1,854,088</u>	<u>-</u>	<u>9,143,681</u>
Excess (deficiency) of revenues over expenditures, net of other financing sources	505,975	(7,164,777)	(6,658,802)	736,411	(2,075,881)	(7,998,272)
Beginning fund balance	(497,319)	2,964,354	2,467,035	1,273,744	2,910,383	6,651,162
Ending fund balance	<u>\$ 8,656</u>	<u>\$ (4,200,423)</u>	<u>\$ (4,191,767)</u>	<u>\$ 2,010,155</u>	<u>\$ 834,502</u>	<u>\$ (1,347,110)</u>

THE CITY OF LAFAYETTE
 Capital Projects
 Combining Funds Balance Sheet
 June 30, 2009

Exhibit 4

ASSETS	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Cash and investments	\$ 544,033	-	\$ 2,801,574	\$ -	\$ 261,097	\$ 250,087	\$ 2,061,337	\$ 919	\$ 5,919,047
Accounts receivable	-	-	669,853	-	-	-	-	-	669,853
Accrued interest receivable	1,964	6	7,848	-	412	483	17,053	3	27,769
Prepaid expenses	-	-	1,199	-	-	-	-	-	1,199
Notes receivable	-	-	-	-	-	-	458,525	-	458,525
Total assets	\$ 545,997	\$ 6	\$ 3,480,474	\$ -	\$ 261,509	\$ 250,570	\$ 2,536,915	\$ 922	\$ 7,076,393
LIABILITIES AND FUND BALANCE									
Accounts payable and accrued liabilities	\$ 53,682	-	\$ 270,299	\$ -	\$ 1,399	\$ -	\$ -	\$ -	\$ 325,380
Deferred Revenue	-	-	-	-	-	-	-	-	-
Project deposits	-	-	312	-	-	-	-	-	312
Total liabilities	\$ 53,682	-	\$ 270,611	\$ -	\$ 1,399	\$ -	\$ -	\$ -	\$ 325,692
Fund Balance									
Restricted by source	492,315	6	3,209,863	-	-	-	-	922	3,703,106
Designated	-	-	-	-	260,110	250,570	2,536,915	-	3,047,595
Total fund balance	\$ 492,315	\$ 6	\$ 3,209,863	\$ -	\$ 260,110	\$ 250,570	\$ 2,536,915	\$ 922	\$ 6,750,701
Total liabilities and net assets	\$ 545,997	\$ 6	\$ 3,480,474	\$ -	\$ 261,509	\$ 250,570	\$ 2,536,915	\$ 922	\$ 7,076,393

THE CITY OF LAFAYETTE
Capital Projects

Exhibit 5

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2009

	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues									
Interest income	\$ 14,271	\$ 6	\$ 21,152	\$ -	\$ 2,680	\$ 483	\$ 54,113	\$ 922	\$ 93,627
Grants - federal	-	-	550,091	-	-	-	-	-	550,091
Grants - state and local	-	-	922,650	-	-	-	-	-	922,650
Drainage Impact fees	-	-	7,205	-	-	-	-	-	7,205
Walkways fees	-	-	100	-	-	-	-	-	100
Park dedication fees	111,110	-	-	-	-	50,087	-	-	161,197
Developers contributions	-	-	34,557	-	-	-	-	-	34,557
Other revenues and donations	3,050	-	394,445	-	-	-	-	-	397,495
Total revenues	<u>128,431</u>	<u>6</u>	<u>1,930,200</u>	<u>-</u>	<u>2,680</u>	<u>50,570</u>	<u>54,113</u>	<u>922</u>	<u>2,166,922</u>
Expenditures									
Capital projects	169,751	-	2,946,811	-	1,105	-	-	-	3,117,667
Administration	39,888	-	463,663	-	294	-	-	-	503,845
Total expenditures	<u>209,639</u>	<u>-</u>	<u>3,410,474</u>	<u>-</u>	<u>1,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,621,512</u>
Excess (deficiency) of revenues over expenditures	<u>(81,208)</u>	<u>6</u>	<u>(1,480,274)</u>	<u>-</u>	<u>1,281</u>	<u>50,570</u>	<u>54,113</u>	<u>922</u>	<u>(1,454,590)</u>
Other financing sources:									
General obligations bonds issued	-	-	-	-	-	-	-	-	-
Operating transfers - in	52,141	-	3,230,391	-	15,000	200,000	-	-	3,497,532
Operating transfers - out	<u>(200,000)</u>	<u>(193,826)</u>	<u>-</u>	<u>(142,066)</u>	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(548,892)</u>
Excess (deficiency) of revenues over expenditures, net of other financing sources	<u>(229,067)</u>	<u>(193,820)</u>	<u>1,750,117</u>	<u>(142,066)</u>	<u>3,281</u>	<u>250,570</u>	<u>54,113</u>	<u>922</u>	<u>1,494,050</u>
Beginning fund balance	<u>721,382</u>	<u>193,826</u>	<u>1,459,746</u>	<u>142,066</u>	<u>256,829</u>	<u>-</u>	<u>2,482,802</u>	<u>-</u>	<u>5,256,651</u>
Ending net fund balance	<u>\$ 492,315</u>	<u>\$ 6</u>	<u>\$ 3,209,863</u>	<u>\$ -</u>	<u>\$ 260,110</u>	<u>\$ 250,570</u>	<u>\$ 2,536,915</u>	<u>\$ 922</u>	<u>\$ 6,750,701</u>

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2009

Exhibit 6

ASSETS	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return to Source	Supplemental Law Enforcement	Assessment Districts			Total Other Governmental Funds
								Street Lighting	Core Area Maintenance	Stormwater Pollution	
Cash deposits and investments	\$2,388,716	\$ 472	\$ 37,752	\$ 43,984	\$ 777,654	\$ (332,696)	\$ (36,488)	\$ 115,842	\$ 651,726	\$ 366,420	\$ 4,013,382
Accounts receivable	29,242	5,170	819	-	-	352,000	45,250	-	-	-	432,481
Note receivable	563,783	-	-	-	-	-	-	-	-	-	563,783
Accrued interest receivable	5,653	9	90	-	662	-	25	10	1,894	29	8,372
Total assets	\$2,987,394	\$ 5,651	\$ 38,661	\$ 43,984	\$ 778,316	\$ 19,304	\$ 8,787	\$ 115,852	\$ 653,620	\$ 366,449	\$ 5,018,018
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	\$ 90,750	\$ 15	\$ 1,576	\$ -	\$ -	\$ 37,742	\$ -	\$ -	\$ 20,759	\$ 14,963	\$ 165,805
Deferred Revenue	-	-	-	16,195	-	-	-	-	-	-	16,195
Total liabilities	90,750	15	1,576	16,195	-	37,742	-	-	20,759	14,963	182,000
Fund Balance											
Restricted Designated	2,896,644	5,636	37,085	27,789	778,316	(18,438)	8,787	115,852	632,861	351,486	1,868,864
Total fund balance	2,896,644	5,636	37,085	27,789	778,316	(18,438)	8,787	115,852	632,861	351,486	4,836,018
Total liabilities and fund balance	\$2,987,394	\$ 5,651	\$ 38,661	\$ 43,984	\$ 778,316	\$ 19,304	\$ 8,787	\$ 115,852	\$ 653,620	\$ 366,449	\$ 5,018,018

CITY OF LAFAYETTE
 Other Governmental
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 As of the Year Ended June 30, 2009

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return To Source	Assessment Districts			Total Other Governmental Funds
							Street Lighting	Core Area Maintenance	Stormwater Pollution	
Revenues										
Parking revenue	\$ 214,306	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,306
Vehicle code fines	268,884	-	-	-	-	-	-	-	-	268,884
Property tax and assessments	-	-	-	-	-	-	18,958	240,598	353,462	613,018
Interest income	81,122	217	510	20	4,018	-	59	11,104	177	101,722
Gas tax	-	-	-	-	404,980	-	-	-	-	404,980
Sales tax - Measure C	-	-	-	-	-	354,866	-	-	-	354,866
Abandoned vehicles	-	11,027	-	-	-	-	-	-	-	11,027
Grants - state	270	-	33,887	-	-	-	-	-	-	100,000
Other revenue	564,582	11,244	34,397	20	408,998	354,982	116	61	187	100,000
Total revenues										34,521
										2,103,324
Expenditures										
Public works Administration	398,759	27,192	69,158	-	-	98,433	-	310,526	342,420	666,104
Total expenditures	398,759	27,192	69,158	-	-	98,433	-	310,526	342,420	986,613
Excess (deficiency) of revenues over expenditures	165,823	(15,948)	(34,761)	20	408,998	256,549	-	(58,763)	11,406	450,607
Other financing sources										
Operating transfers - in	-	16,175	25,000	-	-	(633,800)	-	225,000	-	559,246
Operating transfers - out	-	-	-	-	(26,374)	-	-	-	-	(660,174)
Excess (deficiency) of revenues over expenditures, net of other financing sources	165,823	227	(9,761)	20	382,624	(377,251)	4,495	166,237	11,406	349,679
Beginning fund balance	2,730,821	5,409	46,846	27,769	395,692	358,813	4,292	466,624	340,080	4,486,339
Ending fund balance	\$ 2,896,644	\$ 5,636	\$ 37,085	\$ 27,789	\$ 778,316	\$ (18,438)	\$ 8,787	\$ 632,861	\$ 351,486	\$ 4,836,018