CITY OF LAFAYETTE

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2010

(With Auditors' Report Thereon)

Cropper Accountancy Corporation

Certified Public Accountants

CITY OF LAFAYETTE

CITY OFFICIALS AS OF JUNE 30, 2010

MAYOR

Brandt Andersson

Term Expires November 2010

CITY COUNCIL

Mike Anderson
Term Expires November 2012

Carl Anduri, Vice Mayor
Term Expires November 2012

Carol Federighi
Term Expires November 2012

Don Tatzin
Term Expires November 2010

CITY MANAGER

Steven B. Falk – 20 years of service

ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 10 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 20 years of service

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Exhibits

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, 2010.

The management discussion and analysis is designed to:

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

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

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

2. Whereas the annual budget breaks the City's operation into 25 discrete funds, the financial statements divide the City into only two kinds of activities –Governmental and Business-type. The budget funds (with corresponding fund numbers in parentheses) are grouped as follows:

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

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

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

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

   Together these funds, along with the Debt Service Fund (95) and the Redevelopment Funds (91, 92, 93) are referred to as Governmental Funds.

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

FINANCIAL HIGHLIGHTS

- The City's governmental funds reported combined net assets of $82,299,024, of which $20,666,981 is unrestricted.

- The City's net assets decreased by $856,016. The governmental net assets decreased by $852,719 and the business-type net assets (e.g. Parks & Recreation) decreased by $3,297.

- The General Funds balances increased by $881,151.

- The City's total debt increased by $2,500,000 during the current fiscal year due primarily to an additional loan from the Lafayette Library and Learning Center Foundation for the construction of the Lafayette Library and Learning Center.

  Total City debt at year end was $47,486,914:

  - ✓ Redevelopment Tax Allocation Bonds of $26,035,000 including $710,000 currently payable.
  - ✓ General Obligation Bonds of $8,530,000
  - ✓ Loans from the Lafayette Library and Learning Center Foundation of $12,921,914 including interest.

- Expenses decreased 2.7% from the prior year.

  The following is a three year comparison of revenues and expenses:

Revenues	Fiscal Year Ending 2008	2009	2010	% Change 2009-2010
Property Tax	7,300,248	8,042,309	7,843,392	-2.47%
Sales Tax	3,047,116	2,748,962	2,598,675	-5.47%
Motor Vehicle Fee	1,949,901	2,036,467	2,089,830	2.62%
Franchise Fees	1,140,008	1,296,308	1,538,647	18.69%
Grants Federal/State	680,107	1,622,350	1,505,986	-7.17%
Fees for Service	1,377,796	1,063,476	1,058,489	-0.47%
Recreation Programs	1,033,317	944,645	967,494	2.42%
Other	863,279	645,715	815,830	26.35%
Investment Income	1,888,359	1,222,093	698,747	-42.82%
Vehicle Fines	284,161	376,292	426,865	13.44%
Transient Occupancy	615,415	493,812	413,796	-16.20%
Gas Tax	442,236	404,980	401,734	-0.80%
Parking Fees	199,507	214,306	198,424	-7.41%
Transfer Tax	215,548	155,934	177,851	14.06%
TOTAL	**21,036,998**	**21,267,649**	**20,735,760**	-2.50%

Expenses				
Public Works / Infrastructure	5,338,412	5,529,874	5,635,545	1.91%
Police	3,635,692	3,880,430	3,850,434	-0.77%
Debt Service	1,774,358	2,632,165	3,067,390	16.53%
Planning & Engineering	1,630,903	1,447,089	2,770,095	91.43%
Other	1,447,341	1,432,996	1,720,024	20.03%
Administration	1,461,721	1,488,450	1,545,485	3.83%
Council & Commissions	1,840,706	1,087,322	1,055,156	-2.96%
Recreation Programs	1,000,401	924,163	950,791	2.88%
RDA	918,821	925,505	847,278	-8.45%
Eden Loan	-	2,850,746	149,578	N/A
TOTAL	**19,048,355**	**22,198,740**	**21,591,776**	-2.73%
Excess (Revenue - Expenses)	$ 1,988,643	$ (931,091)	$ (856,016)	-8.06%

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.

Statement of Net Assets

Year Ended June 30, 2010	Governmental Activities	Business Activities	Total
Beginning Net Assets	$83,066,005	$89,035	$83,155,040
Increase/(Decrease)	(852,719)	(3,297)	(856,016)
Ending Net Assets	**$82,213,286**	**$85,738**	**$82,299,024**

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. Although the City's net assets decreased by 1.02% from prior year, this was due primarily to spending down fund balances for library and other infrastructure construction.

2. Assets exceeded liabilities by $82,299,024 at year-end.

83 % of the City's net assets ($68,757,999) are invested in capital assets (i.e., land, buildings, utility plants, 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 and 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 $17,203,791 in general revenue and incurred expenses of $18,059,807.

While the slowing economy has continued to take its toll with respect to sales and property taxes, the state also took away $1,115,757 in Redevelopment revenue as an ERAF (Education Revenue Augmentation Fund) shift as well as borrowed $470,898 in property taxes. Therefore, 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 $975,791 and revenue of $972,494 that program showed a loss of $3,297. Note than some overhead expenses are covered by the General Fund and not charged to Recreation Programs.

Statement of Revenues, Expenditures & Changes in Fund Balances

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

	General Funds	Capital Projects	Redevelopment/ Debt Service	Other
Beg. Fund Balance	$15,339,874	$6,750,701	$149,408	$4,836,018
Ending Fund Balance	16,228,025	5,756,185	(11,892,546)	4,158,606
Net Change	**$888,151**	**($994,516)**	**($12,041,954)**	**($677,412)**

As of the fiscal year ended June 30, 2010, the City's governmental funds reported combined ending fund balances of $14,250,270, a decrease of $12,825,731 as compared to the prior year.

However, there are two issues of note:

1. The Fund Balance increased by 5.7% in the General Fund balances.

2. Decreases in other non-general fund balances were due primarily to investment in capital projects and library construction. The City's investment in capital assets as of June 30, 2010 totaled $102,558,555 (net of accumulated depreciation of $57,387,642) which represents an increase of $10,880,685 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:

   - Stanley Blvd Sidewalk
   - 2009 PMP Surface Seal
   - Pavement Rehabilitation Deer Hill & St Mary's
   - Happy Valley Road Pathway
   - Lafayette Library and Learning Center

STRENGTHS & RISKS

General Funds

The general funds are the primary operating funds of the City. At June 30, 2010, the undesignated fund balance was $7,868,890. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end general fund balances represents over 70% of general fund expenditures, suggesting that the City is in a very strong position and could cover almost an entire year of expenses without revenue.

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 40% of the General Fund Expenses -- and Capital Improvements. Burgeoning police expenses, particularly pensions and cost of unfunded pension obligations are the City's biggest risk.

Note, however, that Lafayette, unlike most public agencies, does not provide the Public Employee Retirement System (PERS), a defined benefit pension program, to its general employees. The City, therefore, does not face the unfunded obligations that many municipalities are now tackling for this class of employees. The City's defined contribution retirement system is fully funded and insulates Lafayette from potentially large contribution increases associated with the poor performance of PERS investments. The City has also reserved 100% of the actuarial estimate for retiree health care obligations as of June 30, 2010.

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. Absent a new source of revenue, many of the City's residential streets will not be repaired. Various tax measures have been placed on the ballot, but none have passed.

Revenue

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

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 06/30/10, assessed values in the City increased 3.2 % from $5,374,447,394 in fiscal year 2008/2009 to $5,554,526,485 in fiscal year 2009/2010. The City's total property tax revenue decreased from $8,042,309 to $7,843,392 due primarily to the state borrowing of $470,898.

Sales Tax is the second largest revenue source for the City. Sales tax revenue decreased by 6% during the year, from $2,748,962 to $2,598,675.

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 $2,089,830 in 2009-2010 compared to $2,036,467 in 2008-2009, an increase of $53,363 in VLF revenues.

Another area of concern is State taking of funds from local municipalities. For the 2009-10 year, the State appropriated $1,115,757 in redevelopment increment and borrowed $470,898 in local property taxes. The City does not count repayment these funds when forecasting future revenue for planning purposes.

On the plus side the City realized an additional $400,000 annually from waste management franchise fees. This will enable the City to continue its $1M annual commitment to the Pavement Management Program.

Other opportunities for increasing revenue are limited. While the City may increase its fees for service to more closely match the expenses up to the actual cost of the service, 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. Recent discussions on a proposed increase to the real estate transfer tax, which would have necessitated a change to Charter City status, was tabled largely based on the negative feedback from residents.

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

Cropper Accountancy Corporation
Certified Public Accountants

_977 Ygnacio Valley Road, #460
Walnut Creek, California 94598
Tel: (925) 932-3860
Fax: (925) 932-3862

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, 2010, 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 amining, 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010, on our consideration of the City of Lafayette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
October 22, 2010

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Statement of Net Assets
June 30, 2010

Statement 1

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (Note 3A)	$ 14,513,723	$ 345,340	$ 14,859,063
Investments (Note 3A)	8,887,435	-	8,887,435
Accounts receivable (Note 3C)	2,906,132	15,649	2,921,781
Notes receivable	458,525	-	458,525
Accrued interest receivable	23,001	42	23,043
Prepaid assets	767,179	24,348	791,527
Other assets	39,802	-	39,802
	27,595,797	385,379	27,981,176
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents (Note 3A)	3,694,919	-	3,694,919
Accrued interest (Note 3B)	1,151	-	1,151
	3,696,070	-	3,696,070
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	9,991,094	-	9,991,094
Land improvements	3,490,962	-	3,490,962
Buildings and improvements	749,774	-	749,774
Infrastructure	45,871,748	-	45,871,748
Equipment and Furniture	218,735	-	218,735
Construction in progress	42,236,242	-	42,236,242
Total Capital Assets, net (Note 3D)	102,558,555	-	102,558,555
Total assets	$ 133,850,422	$ 385,379	$ 134,235,801
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,129,787	$ 9,363	$ 2,139,150
Accrued interest payable	771,913	-	771,913
Refundable deposits	738,359	19,238	757,597
Current portion of accrued compensated absences	98,794	-	98,794
Unearned revenue	16,195	271,040	287,235
Bonds payable-current (Note 3F)	710,000	-	710,000
Total current liabilities	4,465,048	299,641	4,764,689
Noncurrent Liabilities:			
Accrued compensated absences, net of current portion	395,174	-	395,174
Library loan agreement (Note 3E)	12,921,914	-	12,921,914
Bonds payable (Note 3F)	33,855,000	-	33,855,000
Total noncurrent liabilities	47,172,088	-	47,172,088
Total liabilities	51,637,136	299,641	51,936,777
NET ASSETS			
Invested in capital assets, net of related debt	68,757,999	-	68,757,999
Restricted for:			
Debt service	3,336,515	-	3,336,515
Low/moderate income housing	1,438,657	-	1,438,657
Redevelopment	(17,255,248)	-	(17,255,248)
Other	5,354,120	-	5,354,120
Unrestricted	20,581,243	85,738	20,666,981
Total net assets	82,213,286	85,738	82,299,024
Total liabilities and net assets	$ 133,850,422	$ 385,379	$ 134,235,801

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, 2010

Statement 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Business-Type Activities	Total
Primary Government							
Governmental Activities:							
City council, commissions & community support	$ 1,055,156	$ -	$ -	$ -	$ (1,055,156)	$ -	$ (1,055,156)
Administration	3,407,361	-	-	-	(3,407,361)	-	(3,407,361)
Police services	3,850,434	47,254	100,000	-	(3,703,180)	-	(3,703,180)
Public works	2,300,946	-	49,609	1,356,377	(894,960)	-	(894,960)
Infrastructure - depreciation	3,334,599	-	-	-	(3,334,599)	-	(3,334,599)
Planning & engineering	2,770,095	1,011,235	-	-	(1,758,860)	-	(1,758,860)
Interest & debt charges	3,067,390	-	-	-	(3,067,390)	-	(3,067,390)
Other	855,004	-	-	-	(855,004)	-	(855,004)
Total governmental activities	$ 20,640,985	1,058,489	149,609	1,356,377	(18,076,510)	-	(18,076,510)
Business Type Activities:							
Recreation programs	950,791	967,494	-	-	-	16,703	16,703
Total primary government	$ 21,591,776	$ 2,025,983	$ 149,609	$ 1,356,377	$ (18,076,510)	$ 16,703	$ (18,059,807)

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property tax and Assessments	7,843,392	-	7,843,392
Sales taxes	2,598,675	-	2,598,675
Franchise taxes	1,538,647	-	1,538,647
Transient occupancy tax	413,796	-	413,796
Vehicle code fines	426,865	-	426,865
Motor vehicle in lieu tax	2,089,830	-	2,089,830
Gas Tax	401,734	-	401,734
Transfer tax	177,851	-	177,851
Parking revenues	198,424	-	198,424
Investment income	698,747	-	698,747
Other	815,830	-	815,830
	17,203,791	-	17,203,791
Transfers from Enterprise Fund, net	20,000	(20,000)	-
	17,223,791	(20,000)	17,203,791
Change in net assets	(852,719)	(3,297)	(856,016)
Net assets at beginning of year	83,066,005	89,035	83,155,040
Net assets at end of year	$ 82,213,286	$ 85,738	$ 82,299,024

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2010

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	$ 1,357,177	$ 5,927,298	$ 3,918,664	$ -
Investments (Note 3A)	8,887,435	-	-	-
Accounts receivable (Note 3C)	1,212,258	60,983	1,216,038	-
Notes Receivable	-	458,525	-	-
Accrued interest receivable	8,626	8,568	3,157	-
Prepaid expenses	2,680	55	-	-
Interfund borrowings	7,163,621	-	-	-
Other assets	14,802	-	-	-
Restricted Assets:				
Cash deposits and investments (Note 3A)	-	-	2,211,360	1,483,559
Accrued interest receivable (Note 3B)	-	-	372	779
Total assets	$ 18,646,599	$ 6,455,429	$ 7,349,591	$ 1,484,338
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	$ 1,209,629	$ 698,932	$ 100,440	$ -
Other post-employment benefit obligaton	-	-	-	-
Loan payable	-	-	12,921,914	-
Refundable deposits	738,047	312	-	-
Unearned revenue	470,898	-	-	-
Interfund borrowings	-	-	7,704,121	-
Total liabilities	2,418,574	699,244	20,726,475	-
Fund Balance				
Invested in capital assets				
Restricted for:				
Debt service	-	-	1,852,177	1,484,338
Low/moderate income housing	-	-	1,438,657	-
Redevelopment excess of debt over assets	-	-	(16,667,718)	-
Capital projects	-	2,763,728	-	-
Special Purpose sources	-	-	-	-
Designated for:				
Capital projects	-	2,992,457	-	-
Special purpose	-	-	-	-
General traffic control	299,221	-	-	-
Insurance	250,000	-	-	-
Vehicles	84,432	-	-	-
Redevelopment loan	7,163,621	-	-	-
Other	561,861	-	-	-
Undesignated	7,868,890	-	-	-
Total fund balance	16,228,025	5,756,185	(13,376,884)	1,484,338
Total liabilities and fund balance	$ 18,646,599	$ 6,455,429	$ 7,349,591	$ 1,484,338

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2010

Statement 3

Other Governmental Funds	Total Governmental Funds
$ 3,310,584	$ 14,513,723
-	8,887,435
416,853	2,906,132
-	458,525
2,650	23,001
-	2,735
540,500	7,704,121
25,000	39,802
-	3,694,919
-	1,151
$ 4,295,587	$ 38,231,544
$ 120,786	$ 2,129,787
-	-
-	12,921,914
-	738,359
16,195	487,093
-	7,704,121
136,981	23,981,274
-	3,336,515
-	1,438,657
-	(16,667,718)
-	2,763,728
1,163,170	1,163,170
-	2,992,457
2,995,436	2,995,436
	299,221
-	250,000
-	84,432
-	7,163,621
-	561,861
-	7,868,890
4,158,606	14,250,270
$ 4,295,587	$ 38,231,544

Total fund balances per Governmental Funds Balance Sheet		$ 14,250,270
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets less accumulated depreciation		102,558,555
Bond issuance costs, unamortized		764,444
Bonds Payable are reflected in the Statement of Net Assets as liabilities, while being recognized as proceeds for governmental purposes. Bonds are treated as financing revenue in the year received for "governmental fund" purposes. (See Note 3. F.)		(34,565,000)
Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Assets. For governmental fund purposes interest is recorded when due, not when incurred.		
Accrued interest payable	$ 771,913	
Accrued compensated absences	493,968	(1,265,881)
Proposition 1A receivables are recognized as property tax revenue in the Statement of Activities. For governmental purposes this revenue was deferred since it didn't meet the availability criterion under modified accrual (not collectable within 60 days)		$ 470,898
Subtotal		67,963,016
Total assets per Statement of Net Assets		$ 82,213,286

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, 2010

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	$ 2,875,673	$ -	$ 3,122,277	$ 750,030
Sales and use tax (including Measure J)	2,261,525	-	-	-
Transient lodging tax	413,796	-	-	-
Franchise tax	1,538,647	-	-	-
Real property transfer tax	177,851	-	-	-
Vehicle code fines	145,320	-	-	-
Interest income	569,365	31,407	34,661	3,729
Motor vehicle in lieu tax	2,089,830	-	-	-
Grants - federal	-	-	-	-
Grants - state and local	101,974	1,304,012	-	-
Planning, permits and engineering	776,878	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	1,716	30,765	-	-
Park dedication fees	-	198,028	-	-
Walkway fees	775	3,073	-	-
Parking revenue and fees	-	-	-	-
Police	36,820	-	-	-
Abandoned vehicles	-	-	-	-
Library operation	418,878	-	-	-
Other	48,357	121,080	182,662	-
Total	11,457,405	1,688,365	3,339,600	753,759
Expenditures				
City council, commissions, and community support	1,055,156	-	-	-
Police services	3,825,308	-	-	-
Public works	1,531,498	-	-	-
Library operations	418,626	-	-	-
Planning and engineering	608,528	570,655	1,590,912	-
Administration	1,545,485	-	847,278	-
Improvements - capital projects	-	4,470,037	9,790,931	-
Debt service -				
Principal	-	-	310,000	355,000
Interest and charges	-	-	2,640,678	409,939
Eden Loan subsidy	-	-	149,578	-
Rent and other expenses	142,132	-	39,997	1,000
Insurance and claims	103,672	-	-	-
Total expenditures	9,230,405	5,040,692	15,369,374	765,939
Excess (deficiency) of revenues over expenditures	2,227,000	(3,352,327)	(12,029,774)	(12,180)
Other financing sources				
Operating transfers - in	340,645	2,357,817	1,563,418	-
Operating transfers - out	(1,679,494)	(6)	(1,563,418)	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	888,151	(994,516)	(12,029,774)	(12,180)
Beginning fund balance	15,339,874	6,750,701	(1,347,110)	1,496,518
Ending fund balance	$ 16,228,025	$ 5,756,185	$ (13,376,884)	$ 1,484,338

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, 2010

Statement 4

Other Governmental Funds	Total Governmental Funds
$ 624,514	$ 7,372,494
337,150	2,598,675
-	413,796
-	1,538,647
-	177,851
281,545	426,865
59,585	698,747
-	2,089,830
-	-
100,000	1,505,986
-	776,878
401,734	401,734
-	32,481
-	198,028
-	3,848
198,424	198,424
-	36,820
10,434	10,434
-	418,878
44,854	396,953
2,058,240	19,297,369
-	1,055,156
-	3,825,308
757,607	2,289,105
-	418,626
-	2,770,095
979,083	3,371,846
-	14,260,968
-	665,000
-	3,050,617
-	149,578
-	183,129
-	103,672
1,736,690	32,143,100
321,550	(12,845,731)
417,038	4,678,918
(1,416,000)	(4,658,918)
(677,412)	(12,825,731)
4,836,018	27,076,001
$ 4,158,606	$ 14,250,270

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

Net change in fund balances - total governmental funds		$ (12,825,731)
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	$ 14,123,165	
Depreciation expense	(3,242,480)	
		10,880,685
The issuance of long-term debt povides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:		
Principal reduction applied to liability		665,000
Prepaid bond issuance costs, net of amortization		(28,421)
Increase in accrued compensated absences		(26,798)
Increase in accrued interest liability previously recognized as paid consitutes an expense		11,648
Proposition 1A receivables are recognized as property tax revenue in the Statement of Activities. For governmental purposes this revenue was deferred since it didn't meet the availability criterion under modified accrual (not collectable within 60 days)		$ 470,898
Subtotal		11,973,012
Total change in net assets per Statement of Activities		$ (852,719)

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

Statement 5

CITY OF LAFAYETTE
Statement of Net Assets
Business Fund Type
Recreation Programs
June 30, 2010

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 345,340
Accounts receivable	15,649
Accrued interest receivable	42
Prepaid expenses	24,348
Total assets	$ 385,379
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 9,363
Refundable deposits	19,238
Unearned revenue	271,040
Total liabilities	299,641
NET ASSETS	
Unrestricted (deficit)	85,738
Total net assets	85,738
Total liabilities and net assets	$ 385,379

The accompanying notes are an integral part of these financial statements

Statement 6

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, 2010

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	$ 824,300	$ 853,300	$ 898,090	$ 44,790
Building rentals	63,000	68,000	69,201	1,201
Interest	-	-	203	203
Total	887,300	921,300	967,494	46,194
Operating expenses				
Personnel services	490,105	488,732	504,835	(16,103)
Maintenance	10,000	17,591	8,443	9,148
Contractual services	372,650	354,650	380,140	(25,490)
Printing and supplies	69,560	64,560	45,147	19,413
Utilities	4,800	4,800	4,666	134
Rental expense	10,000	10,000	6,548	3,452
Other	1,500	1,500	1,012	488
Total	958,615	941,833	950,791	(8,958)
Operating income	(71,315)	(20,533)	16,703	37,236
Operating transfers - in	-	-	5,000	5,000
Operating transfers - out	-	-	(25,000)	(25,000)
Net income and operating transfers	(71,315)	(20,533)	(3,297)	17,236
Beginning retained earnings	89,035	89,035	89,035	-
Ending retained earnings	$ 17,720	$ 68,502	$ 85,738	$ 17,236

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, 2010

Statement 7

Cash flows from operating activities	
Receipts from customers	$ 898,387
Receipts from Building rentals, net of expense	62,653
Receipts from Interest income	271
Other receipts and payments	(1,012)
Payments for contractual services	(382,621)
Payments for printing and supplies	(45,147)
Payments to employees	(504,835)
Payments for maintenance	(8,443)
Payments for utilities	(4,666)
Net cash provided by (used in) operating activities	14,587
Cash flows from noncapital financing activities	
Transfers to General Fund, net	(20,000)
Net decrease in cash deposits and investments	(5,413)
Cash deposits and investments at beginning of year	350,753
Cash deposits and investments at end of year	$ 345,340

Operating income (before operating transfers)	$ 16,703
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	(15,211)
Prepaid expenses	(8,370)
Increase (decrease) in liabilities	
Accounts payable	5,889
Refundable deposits and deferred revenue	15,576
Net cash provided by (used in) operating activities	$ 14,587

The accompanying notes are an integral part of these financial statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In 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 these Notes.

1. A. Financial Reporting Entity

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

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.

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 $3,334,364 (see note 2.E.). Financing is accomplished by means of inter-fund loans from the General Fund of $7,163,621 (at 8% interest), a loan with an outstanding balance of $540,500 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 $26,035,000. 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

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."

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, 2010.

Major and non-major funds

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

Fund	Brief Description
Major:	
General Fund	Primary operating Fund of the City
Capital Project Fund	Accounts for specific capital projects
Debt Service Fund	Accounts for resources for payment of interest and principal of long-term debt.
Redevelopment Agency Funds	Accounts for the Redevelopment Agency funding and projects
Non-major:	
All Special Revenue Funds: (Other Governmental Funds)	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows:

- Parking programs
- Vehicle abatement
- Senior transportation
- Police services special fund
- Gasoline tax
- Measure 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.

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.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1. D. Assets, Liabilities, and Equity

Cash and investments

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

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

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". In addition, there is a 20 year note (14 remaining) payable from the Redevelopment Agency to the Parking Fund in the amount of $540,500 at June 30, 2010. 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.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets for which cost was not available.

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

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

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.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for a proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated absences

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

Equity classifications

Government-wide Statements

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

a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statement

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.

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 10.5% allocation received by cities in Contra Costa County. The amount received is further reduced by a partial shift to fund schools.

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

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

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 a 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).

Expenditures / expenses

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

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

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

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

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

Interfund transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

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

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

2. B. Deposits and Investments Laws and Regulations

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

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, 2010.

2. C. Revenue Restrictions

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

Revenue Source	Legal Restrictions of Use
Gasoline Tax	Street Purposes
Measure 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, 2010, the City complied, in all material respects, with these revenue restrictions.

2. D. Debt Restrictions and Covenants

General obligation debt

- Authority of Issuance

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

At June 30, 2010, the City's two general obligation bonds totaled $8,530,000 as follows:

	Original Issue	Total Outstanding	Due in Fiscal year June 30, 2010
2002 Issue	$ 4,320,000	$ 3,640,000	$ 115,000
2004 Issue	6,035,000	4,890,000	260,000
	$ 10,355,000	$ 8,530,000	$ 375,000

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 2009-10, the City's total secured and unsecured assessed valuation is $5,554,526,485.

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 $310,000 were scheduled and made on August 1, 2009. Principal payments of $335,000 were made on August 1, 2010.

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 $3,334,364. The Fund equity is calculated as follows:

Total Fund Balance (deficit) on a "Governmental Fund" basis	$ (13,376,884)
Add: fixed assets capitalized	42,569,334
Deduct: accrued interest on debt payable	(587,530)
Prepaid debt issuance costs, net of amortization	764,444
Debt Payable – long and short term	(26,035,000)
Net Assets - Redevelopment Fund	$ 3,334,364

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, 2010:

Cash and Cash Equivalents:		S&P Rating
Deposits in Banks	$ 1,406,004	N/A
Money Market Funds	1,816,209	N/A
Petty Cash	1,048	N/A
Local Agency Investment Fund - State of California	15,283,489	N/A
Total Cash and Cash Equivalents	18,506,750	
CAMP Pool (California JPA)	1,464,078	AAAm
Investment in Federal Agency obligations, at market value	7,470,589	AAA
(See detailed listing on next page for maturities etc.)		
	8,934,667	
Total Cash and Investments	$ 27,441,417	

Reconciliation to financial statements:	
Unrestricted:	
Cash and cash equivalents	$ 14,859,063
Investments in bonds and mutual funds	8,887,435
Unrestricted cash and investments	23,746,498
Restricted for debt service and low and moderate housing:	
Cash and investments	3,694,919
Total	$27,441,417

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

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

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

As of June 30, 2010, the City had $15,451,798 invested in LAIF, which had invested 10.84% of the pool investment fund in structured notes and asset-backed securities.

Interest Rate and Credit Risk

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

Investment in Federal Agency Bonds and Obligations

Federal Agency	Par	Coupon Percentage	Maturity Dates	June 30, 2010 Market Value	S&P Rating
Fed'l Home Loan Mtg Corp	$ 1,250,000	4.125	10/18/2010	$ 1,264,450	AAA
Fannie Mae	575,000	1.25	9/28/2011	575,719	AAA
Federal Home Loan Banks	980,000	1.625	9/26/2012	996,542	AAA
Fannie Mae	575,000	2.0	9/28/2012	576,998	AAA
Fannie Mae	1,000,000	1.75	2/22/2013	1,019,380	AAA
Federal Home Loan Banks	1,000,000	1.625	3/20/2013	1,014,690	AAA
Fed'l Home Loan Mtg Corp	1,000,000	1.625	4/15/2013	1,015,000	AAA
Fed'l Home Loan Mtg Corp	1,000,000	2.0	6/10/2013	1,007,810	AAA
	$ 7,380,000			$ 7,470,589	

At June 30, 2010, the carrying amount of the City's deposits was $1,406,004. Bank balances before reconciling items were $1,456,349 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

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

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

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

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

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

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

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

Unrealized gain/(loss) in changes in fair value of investments	$	1,896
Interest income (all investments)		696,851
Total investment income	$	698,747

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

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

3. B. 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:

	Cash and Equivalents	Accrued Interest	Total
Redevelopment Fund:			
RDA Debt Service Fund	$ 1,852,177	$ -	$ 1,852,177
Low/Moderate Income Housing	359,183	372	359,555
Total Redevelopment Fund	2,211,360	372	2,211,732
Debt Service Fund	1,483,559	779	1,484,338
Totals	$ 3,694,919	$ 1,151	$ 3,696,070

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

3. C. Accounts Receivable

The amount of accounts receivable for the business-type activities was $15,649 at June 30, 2010. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2010. They include:

California state library grant (RDA)	$ 1,188,056
Property taxes (Prop 1A)	470,898
Measure J	349,423
Sales tax (State)	250,300
Franchise taxes	136,999
Transient occupancy tax	108,662
Franchise fees (CCCSWA)	67,622
Proposition 42 (State)	60,960
Surcharge fees (County)	50,229
Lafayette School District - Crossing Guards	38,372
Library - Rent	26,281
East Bay MUD	25,000
Transfer taxes	23,010
Senior Transportation Program (MTC)	22,825
Parking (ETEC)	20,956
Motor vehicle fees	18,099
Municipal Court fines/fees (County)	16,624
SLESF Allocation	13,975
Others (under $10,000)	17,841
Total governmental receivables	$ 2,906,132

3. D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows: (needs update for any changes after 10/8)

Governmental Activities	Balance June 30, 2009	Additions	Capitalized Work in Progress	Transfer to Contra Costa County	Balance June 30, 2010
Capital Assets:					
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	96,005,225	-	4,077,974	-	100,083,199
Equipment and furniture	1,458,949	83,841	-	-	1,542,790
Construction in progress					
City	1,500,933	4,248,393	(4,077,974)	-	1,671,352
RDA	30,773,959	9,790,931	-	-	40,564,890
Total capital assets at cost	145,823,032	14,123,165	-	-	159,946,197
Accumulated depreciation:					
Land improvements	1,126,588	243,030	-	-	1,369,618
Building/improvements	463,648	18,870	-	-	482,518
Infrastructure	51,360,396	2,851,055	-	-	54,211,451
Equipment and furniture	1,194,530	129,525	-	-	1,324,055
Total accum. depreciation	54,145,162	3,242,480	-	-	57,387,642
Total capital assets, net	$ 91,677,870	$ 10,880,685	$ -	$ -	$ 102,558,555

Current Depreciation

Administration	$ 8,717
Public Works	37,467
Police Services	83,341
Infrastructure and related improvements	3,112,955
Total depreciation	$ 3,242,480

3. E. Library Loan Agreement

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

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

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

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

3. F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling $8,530,000 and Redevelopment tax allocation bonds of $26,035,000 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, 2010 :

	Interest Rates	Balance June 30, 2009	Principal Increases (Decreases)	Balance June 30, 2010
Redevelopment:				
Tax allocation bonds				
Bonds issued fiscal 2003				
Matures to fiscal 2033	2.25– 5.3%	$ 5,145,000	$ (115,000)	$ 5,030,000
Bonds issued fiscal 2005				
Matures to fiscal 2030	3.0 – 4.7%	11,600,000	(195,000)	11,405,000
Bonds issued fiscal 2008				
Matures to fiscal 2038	3.75 - 6.5%	9,600,000	-	9,600,000
		26,345,000	(310,000)	26,035,000
General Obligation:				
Bonds Issued fiscal 2002				
Matures to fiscal 2026	3.5 – 5.0%	3,750,000	(110,000)	3,640,000
Bonds Issued fiscal 2004				
Matures to fiscal 2026	2.0 – 4.7%	5,135,000	(245,000)	4,890,000
		8,885,000	(355,000)	8,530,000
Totals		$ 35,230,000	$ (665,000)	$ 34,565,000
Bonds payable – current				$ 710,000
Bonds payable – noncurrent				33,855,000
				$ 34,565,000

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2010:

General obligation bonds - 2002 issue	$	186,301
General obligation bonds - 2004 issue		223,638
Redevelopment tax allocation bonds-2003 issue		281,824
Redevelopment tax allocation bonds-2005 issue		535,781
Redevelopment tax allocation bonds-2008 issue		598,031
	$	1,825,575

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

	General Obligation Bonds – Issued 2002		
	Principal	Interest	Total
Payments due in fiscal years ending June 30:			
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
	$ 3,640,000	$ 1,931,834	$ 5,571,834

	General Obligation Bonds – Issued 2004		
	Principal	Interest	Total
Payments due in fiscal years ending June 30:			
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
	$ 4,890,000	$ 1,721,810	$ 6,611,810

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:

	Redevelopment Tax Allocation Bonds - Issued 2003		
Payments due in fiscal years ending June 30:	Principal	Interest	Total
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
	$ 5,030,000	$ 3,955,018	$ 8,985,018

	Redevelopment Tax Allocation Bonds - Issued 2005		
Payments due in fiscal years ending June 30:	Principal	Interest	Total
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
	$ 11,405,000	$ 9,031,819	$ 20,436,819

Payments due in fiscal years ending June 30;	Redevelopment Tax Allocation Bonds - Issued 2008 Principal	Interest	Total
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	5,570,000	1,169,024	6,739,024
	$ 9,600,000	$ 13,573,353	$ 23,173 353

3. G. Interfund Transfers and Balances

Transfers

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

Fund	Transfers In	Transfers Out
General Fund	$ 340,645	$ 1,679,494
Capital project funds	2,357,817	6
Redevelopment agency	1,563,418	1,563,418
Other governmental funds	417,038	1,416,000
Subtotal	4,678,918	4,658,918
Proprietary fund	5,000	25,000
	$ 4,683,918	$ 4,683,918

Balances

The Redevelopment Agency has borrowed $7,163,621 (original principal- $2,579,695; accrued interest - $2,591,491; and Insurance Fund borrowing LOC - $1,992,435) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund has borrowed $540,500 from the City Parking Fund to be repaid over a 20 year period at 8% (14 years remaining), also to be paid out of future ad valorem revenues. The total borrowings are $7,704,121.

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 2010 was approximately $4,150,823. Contributions to the plans totaled $513,897 by the City and $166,618 by individuals during the year.

The following summarizes transactions in the Plan for the year ended June 30, 2010:

Defined contribution retirement plan:	
Balance June 30, 2009	$ 3,454,612
Contributions : Employer	513,897
Employee	166,618
Other	(905)
Disbursements, net	(228,459)
Earnings	435,281
Balance June 30, 2010	$ 4,341,044

Deferred Compensation Plan

All employees of the City are eligible to participate in a City sponsored deferred compensation plan (the "Plan"). The Plan provides for the deferral of a portion of the employees' compensation until retirement, termination, or certain other covered events. The funds are invested by the City on behalf of the employees through an administrator in various instruments including money market funds, bonds and others. The assets of the Plan are held in trust for the exclusive benefit of plan participants.

The following summarizes transactions in the Plan for the year ended June 30, 2010:

Deferred compensation plan:		
Balance June 30, 2009	$	3,562,270
Contributions		344,810
Disbursements		(183,906)
Earnings		459,841
Balance June 30, 2010	$	4,183,015

Other Post Employment Benefits (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost

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

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

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

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

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

4. B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA). The following is a summary of coverage as of June 30, 2010:

	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	$ 29,000,000	$ 5,000
Auto-physical damage	$ 250,000	$ 2,000
Workers' compensation	$ 50,000,000	$ 0

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

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

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

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

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 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 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.

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 December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The City is required to implement the provisions of the Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice because the City does not use the alternative measurement method.

In December of 2009, GASB issued GASBS No. 58, *Accounting and Reporting for Chapter 9 Bankruptcies*. This Statement will improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. In addition, these requirements will provide financial statement users with better information regarding the effects of bankruptcy upon governments that file for Chapter 9 protection. The City is required to implement the provisions of the Statement for current fiscal year (effective for periods beginning after June 15, 2009). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In June of 2010, GASB issued GASBS No. 59, *Financial Instruments Omnibus.* This Statement provides for the following amendments, to be effective in the current fiscal year (effective for periods beginning after June 15, 2009):

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,* is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* regarding certain financial guarantees.

- Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

- Statement No. 40, *Deposit and Investment Risk Disclosures,* is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.

- Statement 53 is amended to:

  - Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
  - Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit.
  - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
  - Provide that one of the "leveraged yield" criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

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. SERAF Assessment

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

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

4. F. Proposition 1A Borrowing by the State of California

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

4. G. Subsequent Events

Management has evaluated subsequent events through October 22, 2010, the date on which the financial statements were available to be issued.

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, 2010

Exhibit 1

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	$ 3,403,228	$ 3,403,228	$ 2,875,673	$ (527,555)
Sales and use tax	2,603,309	2,603,309	2,261,525	(341,784)
Transient lodging tax	550,000	550,000	413,796	(136,204)
Franchise tax	1,114,832	1,145,461	1,538,647	393,186
Real property transfer tax	220,706	219,859	177,851	(42,008)
Vehicle code fines	150,000	150,000	145,320	(4,680)
Interest income	470,000	470,000	569,365	99,365
Motor vehicle in lieu tax	1,900,000	1,900,000	2,089,830	189,830
Planning, permits and fees	952,000	952,000	776,878	(175,122)
Police services	50,000	50,000	36,820	(13,180)
Other	95,000	95,000	571,700	476,700
	11,509,075	11,538,857	11,457,405	(81,452)
Expenditures				
City council, commissions and community support				
City council	109,556	115,656	110,746	4,910
Commissions and committees	997,815	990,553	944,410	46,143
Police services	4,124,613	4,112,270	3,825,308	286,962
Public works				
Street maintenance	913,783	861,031	734,470	126,561
Traffic maintenance	366,145	345,229	308,176	37,053
Parks and walkway maintenance	314,617	301,390	289,039	12,351
Facilities maintenance	182,850	199,898	199,813	85
Emergency response	100,000	100,000	-	100,000
Library Operations	1,392,458	905,313	418,626	486,687
Planning and engineering				
Planning department	501,667	435,783	424,398	11,385
Engineering department	193,930	191,914	184,130	7,784
Administration				
City management	468,034	457,197	408,364	48,833
Legal services	317,000	317,000	300,973	16,027
City clerk	161,148	150,793	128,458	22,335
Finance and personnel	648,486	631,726	615,225	16,501
Technology services	111,032	105,279	92,465	12,814
Other post-employment benefits	-	-	-	-
Business registration fees	-	-	-	-
Rent and other expenses	114,590	172,840	142,132	30,708
Insurance - premiums and claims	190,267	190,267	103,672	86,595
	11,207,991	10,584,139	9,230,405	1,353,734
Excess of revenues over expenditures	301,084	954,718	2,227,000	1,272,282
Other financing sources				
Operating transfers - in	-	450,000	340,645	(109,355)
Operating transfers - out	(3,812,011)	(3,812,011)	(1,679,494)	2,132,517
Excess (deficiency)of revenues over expenditures and other financing sources	(3,510,927)	(2,407,293)	888,151	3,295,444
Beginning fund balance	15,339,874	15,339,874	15,339,874	-
Ending fund balance	$ 11,828,947	$ 12,932,581	$ 16,228,025	$ 3,295,444

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

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OTHER SUPPLEMENTARY INFORMATION

hibit 2

CITY OF AYETTE
Redevelopment Agency
Combining Fund Balance Sheet
For the Year Ended June 30, 2010

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	
ASSETS	Redevelopment Program	Library Project	Total Capital Projects	Debt Service	Low/moderate Income Housing	Total Governmental Funds
Cash and equivalents	$ 2,746,035	$ 1,172,629	$ 3,918,664	$ -	$ -	$ 3,918,664
Investments	-	-	-	-	-	-
Redevelopment Interfund Balances	(266,591)	(849,166)	(1,115,757)	-	1,115,757	-
Accounts receivable	-	1,216,038	1,216,038	-	-	1,216,038
Accrued interest receivable	3,157	-	3,157	-	-	3,157
Other assets	-	-	-	-	-	-
Restricted assets for:						
Cash and investments	-	-	-	1,852,177	359,183	2,211,360
Accrued interest receivable	-	-	-	-	372	372
Total assets	$ 2,482,601	$ 1,539,501	$ 4,022,102	$ 1,852,177	$ 1,475,312	$ 7,349,591
LIABILITIES AND FUND BALANCE						
Accounts payable and accrued liabilitie	$ 37,005	$ 26,780	$ 63,785	$ -	$ 36,655	$ 100,440
Loan payable - Lafayette Library and Learning Center Foundation	-	12,921,914	12,921,914	-	-	12,921,914
Advances from general fund	3,093,398	4,070,223	7,163,621	-	-	7,163,621
Loan payable parking fund	540,500	-	540,500	-	-	540,500
Total liabilities and other credits	3,670,903	17,018,917	20,689,820	-	36,655	20,726,475
Fund balances						
Restricted for:						
Debt service	-	-	-	1,852,177	-	1,852,177
Low/moderate income housing	-	-	-	-	1,438,657	1,438,657
Other	(1,188,302)	(15,479,416)	(16,667,718)	-	-	(16,667,718)
Unrestricted	-	-	-	-	-	-
Fund balance	(1,188,302)	(15,479,416)	(16,667,718)	1,852,177	1,438,657	(13,376,884)
Total liabilities and fund balance	$ 2,482,601	$ 1,539,501	$ 4,022,102	$ 1,852,177	$ 1,475,312	$ 7,349,591

Exhibit 3

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2010

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	
	General Projects	Library Project	Total Capital Projects	Debt Service	Low/Moderate Income Housing	Total Governmental Funds
Revenues						
Tax increment revenue	$ 2,247,282	$ -	$ 2,247,282	$ -	$ 874,995	$ 3,122,277
Investment income	13,429	13,091	26,520	4,240	3,901	34,661
Other revenue	145,000	37,662	182,662	-	-	182,662
Total revenues	2,405,711	50,753	2,456,464	4,240	878,896	3,339,600
Expenditures						
Administrative costs	185,274	591,048	776,322	-	70,956	847,278
Asessment District bond principal	-	-	-	310,000	-	310,000
Improvement costs	-	9,790,931	9,790,931	-	-	9,790,931
Interest expense	285,110	939,932	1,225,042	1,415,636	-	2,640,678
Professional services	1,566,372	-	1,566,372	-	24,540	1,590,912
Community promotion	-	-	-	-	-	-
Low income subsidy	-	-	-	-	29,667	29,667
Eden Loan subsidy	-	-	-	-	149,578	149,578
Other expenses	2,495	7,835	10,330	-	-	10,330
Total expenditures	2,039,251	11,329,746	13,368,997	1,725,636	274,741	15,369,374
Excess (deficiency) of revenues over expenditures	366,460	(11,278,993)	(10,912,533)	(1,721,396)	604,155	(12,029,774)
Other financing sources (uses):						
Proceeds from bonds	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Operating transfers - in	-	-	-	1,563,418	-	1,563,418
Operating transfers - out	(1,563,418)	-	(1,563,418)	-	-	(1,563,418)
Total other financing sources (uses)	(1,563,418)	-	(1,563,418)	1,563,418	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(1,196,958)	(11,278,993)	(12,475,951)	(157,978)	604,155	(12,029,774)
Beginning fund balance	8,656	(4,200,423)	(4,191,767)	2,010,155	834,502	(1,347,110)
Ending fund balance	$ (1,188,302)	$ (15,479,416)	$ (16,667,718)	$ 1,852,177	$ 1,438,657	$ (13,376,884)

xhibit 4

CITY OF AYETTE
Capital Projects
Combining Funds Balance Sheet
June 30, 2010

	Park Facilities	Walkways and Bikeways	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
ASSETS								
Cash and investments	$ 302,901	$ -	$ 3,095,767	$ 87,008	$ 351,614	$ 2,089,080	$ 928	$ 5,927,298
Accounts receivable	-	-	60,983	-	-	-	-	60,983
Accrued interest receivable	457	-	1,880	121	279	5,830	1	8,568
Prepaid expenses	55	-	-	-	-	-	-	55
Notes receivable	-	-	-	-	-	458,525	-	458,525
Total assets	$ 303,413	$ -	$ 3,158,630	$ 87,129	$ 351,893	$ 2,553,435	$ 929	$ 6,455,429
LIABILITIES AND FUND BALANCE								
Accounts payable and accrued liabilities	$ 60,673	-	$ 638,259	$ -	$ -	$ -	$ -	$ 698,932
Project deposits	-	-	312	-	-	-	-	312
Total liabilities	60,673	-	638,571	-	-	-	-	699,244
Fund Balance								
Restricted by source	242,740	-	2,520,059	-		-	929	2,763,728
Designated	-	-	-	87,129	351,893	2,553,435	-	2,992,457
Total fund balance	242,740	-	2,520,059	87,129	351,893	2,553,435	929	5,756,185
Total liabilities and net assets	$ 303,413	$ -	$ 3,158,630	$ 87,129	$ 351,893	$ 2,553,435	$ 929	$ 6,455,429

CITY OF L... YETTE
Capital Projects
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2010

	Park Facilities	Walkways and Bikeways	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues								
Interest income	$ 2,568	$ -	$ 10,320	$ 655	$ 1,337	$ 16,520	$ 7	$ 31,407
Grants - federal	-	-	-	-	-	-	-	-
Grants - state and local	-	-	1,304,012	-	-	-	-	1,304,012
Drainage Impact fees	-	-	30,765	-	-	-	-	30,765
Walkways fees	-	-	3,073	-	-	-	-	3,073
Park dedication fees	98,197	-	-	-	99,831	-	-	198,028
Measure J	-	-	10,084	-	-	-	-	10,084
Other revenues and donations	3,372	-	107,624	-	-	-	-	110,996
Total revenues	104,137	-	1,465,878	655	101,168	16,520	7	1,688,365
Expenditures								
Capital projects	305,884	-	3,944,849	188,636	30,668	-	-	4,470,037
Administration	101,828	-	468,827	-	-	-	-	570,655
Total expenditures	407,712	-	4,413,676	188,636	30,668	-	-	5,040,692
Excess (deficiency) of revenues over expenditures	(303,575)	-	(2,947,798)	(187,981)	70,500	16,520	7	(3,352,327)
Other financing sources:								
General obligations bonds issued	-	-	-	-		-	-	-
Operating transfers - in	54,000	-	2,257,994	15,000	30,823	-	-	2,357,817
Operating transfers - out	-	(6)	-	-	-	-	-	(6)
Excess (deficiency) of revenues over expenditures, net of other financing sources	(249,575)	(6)	(689,804)	(172,981)	101,323	16,520	7	(994,516)
Beginning fund balance	492,315	6	3,209,863	260,110	250,570	2,536,915	922	6,750,701
Ending net fund balance	$ 242,740	$ -	$ 2,520,059	$ 87,129	$ 351,893	$ 2,553,435	$ 929	$ 5,756,185

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2010

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
ASSETS											
Cash deposits and investments	$ 2,356,396	$ 8,361	$ (241)	$ 43,998	$ 414,652	$ (277,994)	$ (4,806)	$ 121,330	$ 300,891	$ 347,997	$ 3,310,584
Accounts receivable	25,015	-	22,856	-	-	349,423	13,974	-	-	5,585	416,853
Note receivable	540,500	-	-	-	-	-	-	-	-	-	540,500
Deposits	25,000	-	-	-	-	-	-	-	-	-	25,000
Accrued interest receivable	2,182	1	11	-	-	-	57	4	384	11	2,650
Total assets	$ 2,949,093	$ 8,362	$ 22,626	$ 43,998	$ 414,652	$ 71,429	$ 9,225	$ 121,334	$ 301,275	$ 353,593	$ 4,295,587
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	$ 11,587	$ 4	$ 857	$ -	$ -	$ 52,114	$ -	$ 1,009	$ 39,190	$ 16,025	$ 120,786
Unearned revenue	-	-	-	16,195	-	-	-	-	-	-	16,195
Total liabilities	11,587	4	857	16,195	-	52,114	-	1,009	39,190	16,025	136,981
Fund Balance											
Restricted	-	-	-	-	414,652	19,315	9,225	120,325	262,085	337,568	1,163,170
Designated	2,937,506	8,358	21,769	27,803	-	-	-	-	-	-	2,995,436
Total fund balance	2,937,506	8,358	21,769	27,803	414,652	19,315	9,225	120,325	262,085	337,568	4,158,606
Total liabilities and fund balance	$ 2,949,093	$ 8,362	$ 22,626	$ 43,998	$ 414,652	$ 71,429	$ 9,225	$ 121,334	$ 301,275	$ 353,593	$ 4,295,587

Exhibit 7

CITY OF L[illegible]AYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2010

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
Revenues											
Parking revenue	$ 198,424	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 198,424
Vehicle code fines	281,545	-	-	-	-	-	-	-	-	-	281,545
Property tax and assessments	-	-	-	-	-	-	-	18,489	235,273	370,752	624,514
Interest income	55,546	4	108	14	602	-	439	18	2,800	54	59,585
Gas tax	-	-	-	-	401,734	-	-	-	-	-	401,734
Sales tax - Measure C/Measure J	-	-	-	-	-	337,150	-	-	-	-	337,150
Abandoned vehicles	-	10,434	-	-	-	-	-	-	-	-	10,434
Grants - state	-	-	-	-	-	-	100,000	-	-	-	100,000
Other revenue	-	-	44,854	-	-	-	-	-	-	-	44,854
Total revenues	535,515	10,438	44,962	14	402,336	337,150	100,439	18,507	238,073	370,806	2,058,240
Expenditures											
Public works	-	-	-	-	-	-	-	14,034	358,849	384,724	757,607
Administration	394,653	7,716	85,278	-	-	99,397	392,039	-	-	-	979,083
Total expenditures	394,653	7,716	85,278	-	-	99,397	392,039	14,034	358,849	384,724	1,736,690
Excess (deficiency) of revenues over expenditures	140,862	2,722	(40,316)	14	402,336	237,753	(291,600)	4,473	(120,776)	(13,918)	321,550
Other financing sources											
Operating transfers - in	-	-	25,000	-	-	-	292,038	-	100,000	-	417,038
Operating transfers - out	(100,000)	-	-	-	(766,000)	(200,000)	-	-	(350,000)	-	(1,416,000)
Excess (deficiency) of revenues over expenditures, net of other financing sources	40,862	2,722	(15,316)	14	(363,664)	37,753	438	4,473	(370,776)	(13,918)	(677,412)
Beginning 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
Ending fund balance	$ 2,937,506	$ 8,358	$ 21,769	$ 27,803	$ 414,652	$ 19,315	$ 9,225	$ 120,325	$ 262,085	$ 337,568	$ 4,158,606