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CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAFAYETTE

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2011

(With Auditors' Report Thereon)

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CITY OF LAFAYETTE

CITY OFFICIALS AS OF JUNE 30, 2011

MAYOR

Carl Anduri

Term Expires November 2012

CITY COUNCIL

Mike Anderson Term Expires November 2012	Carol Federighi, Vice Mayor Term Expires November 2012
Brandt Andersson Term Expires November 2014	Don Tatzin Term Expires November 2014

CITY MANAGER

Steven B. Falk – 21 years of service

ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 11 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 21 years of service

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Management's Discussion and Analysis

INTRODUCTION

As management of the City of Lafayette (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2011.

The management discussion and analysis is designed to:

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

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

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

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

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

     ✓ **Capital Projects Funds** include: Park Facilities (12), Streets & Signals (14), Public Facilities (16), Parkland & 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 Storm water Pollution (53), Police Services Special Fund (77).

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

   Together these funds, along with the Debt Service Fund (95) and the Redevelopment Funds (91, 92, and 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 $81,501,187 of which $20,971,717 is unrestricted.

- The City's net assets decreased by $797,837. The governmental net assets decreased by $879,621 and the business-type net assets (e.g. Parks & Recreation) increased by $81,784.

- The General Fund's fund balance increased by $1,147,805

- The City's total liabilities increased by $781,781 during this fiscal year.

  Total City's long term debt is $47,656,829

  - ✓ Redevelopment Tax Allocation Bonds of $ 25,700,000
  - ✓ General Obligation Bonds of $8,155,000
  - ✓ Loans from the Lafayette Library and Learning Center Foundation of $13,801,829 including interest.

  Following is a three year comparison of net assets:

	Fiscal Year Ending			
	2009	**2010**	**2011**	**Change from 2010 to 2011**
Assets				
Current assets	$ 38,016,007	$ 27,981,176	$ 23,264,321	-16,86%
Restricted assets	4,501,535	3,696,070	4,080,588	10.40%
Capital assets	91,677,870	102,558,555	106,874,836	4.21%
TOTAL	**$ 134,195,412**	**$ 134,235,801**	**$ 134,219,745**	-0.01%
Liabilities				
Current liabilities	$ 6,606,455	$ 4,764,689	$ 5,417,697	13.71%
Noncurrent liabilities	44,433,917	47,172,088	47,300,861	0.27%
TOTAL	**$ 51,040,372**	**$ 51,936,777**	**$ 52,718,558**	1.51%
Net Assets				
Invested in capital assets	$ 57,240,735	$ 68,757,999	$ 73,755,858	7.27%
Restricted	(443,761)	(7,125,956)	(13,226,388)	-85.61%
Unrestricted	20,326,534	20,666,981	20,971,717	1.47%
TOTAL	**$ 83,155,040**	**$ 82,299,024**	**$ 81,501,187**	-0.97%

Following is a three year comparison of revenues and expenses:

	Fiscal Year Ending			
	2009	2010	2011	Change from 2010 to 2011
Revenues				
Property Tax	$ 8,042,309	$ 7,843,392	$ 7,680,137	-2.08%
Sales Tax	2,748,962	2,598,675	2,558,987	-1.53%
Motor Vehicle Fine	2,036,467	2,089,830	2,149,290	2.85%
Franchise Fees	1,296,308	1,538,647	1,598,142	3.87%
Grants Federal/State	1,622,350	1,505,986	514,817	-65.82%
Fees for Service	1,063,476	1,058,489	1,205,647	13.90%
Recreation Programs	944,645	967,494	1,090,436	12.71%
Other	645,715	815,830	1,305,381	61.29%
Investment Income	1,222,093	698,747	660,086	-5.53%
Vehicle Fines	376,292	426,865	413,428	-3.15%
Transient Occupancy	493,812	413,796	451,157	9.03%
Gas Tax	404,980	401,734	578,865	44.09%
Parking Fees	214,306	198,424	296,088	49.22%
Transfer Tax	155,934	177,851	170,178	-4.31%
TOTAL	**$ 21,267,649**	**$ 20,735,760**	**$ 20,672,639**	-0.30%
Expenses				
Council & Commissions	$ 1,087,322	$ 1,055,156	$ 1,051,368	-0.36%
Police	3,880,430	3,850,434	3,879,299	0.75%
Public Works / Infrastructure	5,529,874	5,635,545	6,567,455	16.54%
Planning & Engineering	1,447,089	2,770,095	1,704,181	-38.48%
Administration	3,457,033	3,407,361	3,012,062	-11.60%
Debt Service	2,632,165	3,068,390	3,150,305	2.70%
Eden Loan	2,850,746	149,578	247,023	N/A
Other	389,918	705,426	875,131	24.06%
Recreation Programs	924,163	950,791	983,652	3.46%
TOTAL	**22,198,740**	**21,591,776**	**21,470,476**	-0.56%
Excess (Revenue – Expenses)	$ (931,091)	$ (856,016)	$ (797,837)	6.80%

The increase in Public Works/Infrastructure was primarily due to a $1,027,660 increase in depreciation expense reflecting recently capitalized fixed asset additions, including the Library.

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, 2011	Governmental Activities	Business Activities	Total
Beginning Net Assets	82,213,286	85,738	82,299,024
Increase/(Decrease)	(879,621)	81,784	(797,837)
Ending Net Assets	**$ 81,333,665**	**$ 167,522**	**$ 81,501,187**

The detailed *Statement of Net Assets* on page 2 of the financial report shows several significant things pointing to the overall health of the City:

1. Assets exceeded liabilities by $81,501,187 at year-end.

2. Total capital assets increased by $4,316,281 net of depreciation.

90.50 % of the City's net assets ($73,755,858) are invested in capital assets (i.e., land, buildings, utility plants, and machinery and equipment; net of related debt). However, since capital assets are used to provide services to citizens, they cannot be 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 3 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 $17,861,739 in general revenue and $2,810,900 in program revenue and incurred expenses of $21,470,476.

While the slowing economy has continued to take its toll with respect to sales and property taxes, the state also took away $229,715 in Redevelopment revenue as an ERAF (Education Revenue Augmentation Fund) shift as well as borrowed $470,898 in property taxes in 2009/2010 which has not been repaid yet.

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 $1,008,652 and revenue of $1,090,436 that program showed a gain of $81,784. 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	$16,228,025	$5,756,185	$(11,892,546)	$4,158,606
Ending Fund Balance	17,375,830	4,534,437	(15,798,148)	2,284,228
Net Change	**$ 1,147,805**	**($1,221,748)**	**($3,905,602)**	**($1,874,378)**

As of the fiscal year ended June 30, 2011, the City's governmental funds reported combined ending fund balances of $8,396,347 as compared to $14,250,270 in the prior year. The decrease of $5,853,923 (41%) is composed of the increase in the expenses over revenue detailed on page iii.

Following are three items of note:

1. General Fund balances increased by $1,147,805 to $17,375,830, from $16,228,025. This increase was mainly due to an increase in tax revenue.

2. The City's investment in capital assets as of June 30, 2011 totaled $106,874,836 (net of accumulated depreciation) which represents an increase of $4,316,281 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 statements.

3. The decrease in the combined fund balance of the Capital Projects Funds from $5,756,185 to $4,534,437, for a total of $1,221,748 was primarily due to a decrease of $889,195 in federal grant monies received in the current fiscal year.

   Major capital asset additions during the current fiscal year include:

   - Road and Drain Projects
   - 2011 PMP Surface Seal
   - Pleasant Hill Road Path
   - Michael Lane Road and Drain
   - Lafayette Library and Learning Center
   - Moraga Road Property

STRENGTHS & RISKS

General Funds

The general funds are the primary operating funds of the City. At June 30, 2011, the unrestricted general fund balance was $10,752,189. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end unrestricted general fund balance represents over 113% 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 experiencing for this class of employees. The City's defined contribution retirement system is fully funded and insulates Lafayette from potentially large contribution increases associated with the poor performance of PERS investments. The City has also reserved 100% of the actuarial estimate for retiree health care obligations as of June 30, 2011.

Over the last 11 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 06/30/11, assessed values in the City increased 0.97 % from $5,554,526,485 in fiscal year 2009/2010 to $5,608,573,569 in fiscal year 2010/2011. The City's total property tax and assessment revenue increased from $7,372,494 (not including the amount of $470,898 borrowed by the State) to $7,680,137 for a total of $307,643.

Sales Tax is the second largest revenue source for the City. Sales tax revenue decreased during the year, from $2,598,675 to $2,558,987, a decrease of $39,688.

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 $2,149,290 in 2010 – 2011 compared to $2,089,830 in 2009 – 2010, an increase of $59,460 in VLF revenues.

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.

Redevelopment

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

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
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Lafayette, CA 94549
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of and for the year June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lafayette's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of June 30, 2011, 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 19, 2011, on our consideration of the City of Lafayette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
October 19, 2011

BASIC FINANCIAL STATEMENTS

Statement 1

CITY OF LAFAYETTE
Statement of Net Assets
June 30, 2011

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (Note 3A)	$ 15,765,050	$ 402,930	$ 16,167,980
Investments (Note 3A)	4,056,621	-	4,056,621
Accounts receivable (Note 3C)	1,805,429	2,278	1,807,707
Notes receivable	444,981	-	444,981
Accrued interest receivable	15,110	34	15,144
Prepaid assets	741,223	15,813	757,036
Other assets	14,852	-	14,852
	22,843,266	421,055	23,264,321
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents (Note 3A)	4,079,877	-	4,079,877
Accrued interest (Note 3B)	711	-	711
	4,080,588	-	4,080,588
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	12,256,045	-	12,256,045
Land improvements	3,703,705	-	3,703,705
Buildings and improvements	40,579,602	-	40,579,602
Infrastructure	45,812,095	-	45,812,095
Furniture and Equipment	1,215,431	-	1,215,431
Books and artwork	1,526,089		1,526,089
Construction in progress	1,781,869	-	1,781,869
Total Capital Assets, net (Note 3D)	106,874,836	-	106,874,836
Total assets	$ 133,798,690	$ 421,055	$ 134,219,745
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,545,296	$ 13,475	$ 2,558,771
Accrued interest payable	759,399	-	759,399
Refundable deposits	962,664	18,831	981,495
Current portion of accrued compensated absences	106,008	-	106,008
Unearned revenue	10,797	221,227	232,024
Bonds payable-current (Note 3F)	780,000	-	780,000
Total current liabilities	5,164,164	253,533	5,417,697
Noncurrent Liabilities:			
Accrued compensated absences, net of current portion	424,032	-	424,032
Library loan agreement (Note 3E)	13,801,829	-	13,801,829
Bonds payable (Note 3F)	33,075,000	-	33,075,000
Total noncurrent liabilities	47,300,861	-	47,300,861
Total liabilities	52,465,025	253,533	52,718,558
NET ASSETS			
Invested in capital assets, net of related debt	73,755,858	-	73,755,858
Restricted for:			
Debt service	3,319,516	-	3,319,516
Low/moderate income housing	1,876,810	-	1,876,810
Redevelopment	(21,753,873)	-	(21,753,873)
Other	3,331,159	-	3,331,159
Unrestricted	20,804,195	167,522	20,971,717
Total net assets	81,333,665	167,522	81,501,187
Total liabilities and net assets	$ 133,798,690	$ 421,055	$ 134,219,745

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, 2011

		Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
City council, commissions & community support	$ 1,051,368	$ -	$ -	$ -	$ (1,051,368)	$ -	$ (1,051,368)
Administration	3,012,061	-	-	-	(3,012,061)	-	(3,012,061)
Police services	3,879,299	37,441	100,000	-	(3,741,858)	-	(3,741,858)
Public works	2,394,348	-	49,609	365,208	(1,979,531)	-	(1,979,531)
Infrastructure - depreciation	4,166,614	-	-	-	(4,166,614)	-	(4,166,614)
Planning & engineering	1,710,675	1,168,206	-	-	(542,469)	-	(542,469)
Interest & debt charges	3,150,305	-	-	-	(3,150,305)	-	(3,150,305)
Other	1,122,154	-	-	-	(1,122,154)	-	(1,122,154)
Total governmental activities	$ 20,486,824	1,205,647	149,609	365,208	(18,766,360)	-	(18,766,360)
Business Type Activities:							
Recreation programs	983,652	1,090,436	-	-	-	106,784	106,784
Total primary government	$ 21,470,476	$ 2,296,083	$ 149,609	$ 365,208	$ (18,766,360)	$ 106,784	$ (18,659,576)

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property tax and Assessments	7,680,137	-	7,680,137
Sales taxes	2,558,987	-	2,558,987
Franchise taxes	1,598,142	-	1,598,142
Transient occupancy tax	451,157	-	451,157
Vehicle code fines	413,428	-	413,428
Motor vehicle in lieu tax	2,149,290	-	2,149,290
Gas Tax	578,865	-	578,865
Transfer tax	170,178	-	170,178
Parking revenues	296,088	-	296,088
Investment income	660,086	-	660,086
Other	1,305,381	-	1,305,381
	17,861,739	-	17,861,739
Transfers from Enterprise Fund, net	25,000	(25,000)	-
	17,886,739	(25,000)	17,861,739
Change in net assets	(879,621)	81,784	(797,837)
Net assets at beginning of year	82,213,286	85,738	82,299,024
Net assets at end of year	$ 81,333,665	$ 167,522	$ 81,501,187

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2011

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	$ 9,010,286	$ 4,234,810	$ 1,126,391	$ -
Investments (Note 3A)	4,056,621	-	-	-
Accounts receivable (Note 3C)	1,406,870	-	-	-
Notes Receivable	-	444,981	-	-
Accrued interest receivable	10,576	3,646	652	-
Prepaid expenses	5,200	-	-	-
Interfund borrowings	5,576,710	-	-	-
Other assets	14,802	-	-	-
Restricted Assets:				
Cash deposits and investments (Note 3A)	-	-	2,616,430	1,463,447
Accrued interest receivable (Note 3B)	-	-	86	625
Total assets	$ 20,081,065	$ 4,683,437	$ 3,743,559	$ 1,464,072
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	$ 1,271,985	$ 148,688	$ 1,043,500	$ -
Other post-employment benefit obligaton	-	-	-	-
Loan payable	-	-	13,801,829	-
Refundable deposits	962,352	312	-	-
Unearned revenue	470,898	-	-	-
Interfund borrowings	-	-	6,160,450	-
Total liabilities	2,705,235	149,000	21,005,779	-
Fund Balance				
Restricted fund balance:				
Debt service	-	-	1,855,444	1,464,072
Low/moderate income housing	-	-	1,876,810	-
Redevelopment excess of debt over assets	-	-	(20,994,474)	-
Capital projects	-	1,419,607	-	-
Special Purpose sources	-	-	-	-
Committed fund balance:				
Assigned fund balance:				
Capital projects	-	3,114,830	-	-
Special purpose	-	-	-	-
General traffic control	150,638	-	-	-
Insurance	250,000	-	-	-
Vehicles	84,432	-	-	-
Redevelopment loan	5,576,710	-	-	-
Other	561,861	-	-	-
Unassigned fund balance:	10,752,189	-	-	-
Total fund balance	17,375,830	4,534,437	(17,262,220)	1,464,072
Total liabilities and fund balance	$ 20,081,065	$ 4,683,437	$ 3,743,559	$ 1,464,072

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

Other Governmental Funds	Total Governmental Funds
$ 1,393,563	$ 15,765,050
-	4,056,621
398,559	1,805,429
-	444,981
236	15,110
-	5,200
583,740	6,160,450
50	14,852
0	4,079,877
-	711
$ 2,376,148	$ 32,348,281
$ 81,123	$ 2,545,296
-	-
-	13,801,829
-	962,664
10,797	481,695
-	6,160,450
91,920	23,951,934
-	3,319,516
-	1,876,810
-	(20,994,474)
-	1,419,607
1,492,361	1,492,361
-	3,114,830
791,867	791,867
-	150,638
-	250,000
-	84,432
-	5,576,710
-	561,861
-	10,752,189
2,284,228	8,396,347
$ 2,376,148	$ 32,348,281

Total fund balances per Governmental Funds Balance Sheet		$ 8,396,347
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets less accumulated depreciation		106,874,836
Bond issuance costs, unamortized		736,023
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.)		(33,855,000)
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	$ 759,399	
Accrued compensated absences	530,040	(1,289,439)
Proposition 1A receivables were recognized as property tax revenue in the Statement of Activities for the fiscal year ended June 30, 2010. For governmental purposes this revenue was deferred since it didn't meet the availability criterion under modified accrual (not collectable within 60 days)		$ 470,898
Subtotal		72,937,318
Total assets per Statement of Net Assets		$ 81,333,665

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, 2011

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	$ 3,411,301	$ -	$ 2,888,790	$ 750,944
Sales and use tax (including Measure J)	2,218,200	-	-	-
Transient lodging tax	451,157	-	-	-
Franchise tax	1,598,142	-	-	-
Real property transfer tax	170,178	-	-	-
Vehicle code fines	95,477	-	-	-
Interest income	549,548	51,796	10,957	2,504
Motor vehicle in lieu tax	2,149,290	-	-	-
Grants - federal	-	414,817	-	-
Grants - state and local	-	-	-	-
Planning, permits and engineering	898,975	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	3,421	48,405	-	-
Park dedication fees	-	210,050	-	-
Walkway fees	1,147	6,208	-	-
Parking revenue and fees	-	-	-	-
Police	26,976	-	-	-
Abandoned vehicles	-	-	-	-
Library operation	516,037	-	-	-
Other	128,640	462,228	27,310	-
Total	12,218,489	1,193,504	2,927,057	753,448
Expenditures				
City council, commissions, and community support	1,051,368	-	-	-
Police services	3,837,772	-	-	-
Public works	1,583,107	-	-	-
Library operations	643,973	-	-	-
Planning and engineering	633,243	741,702	335,730	-
Administration	1,546,973	-	395,883	-
Improvements - capital projects	-	3,511,825	2,725,194	-
Debt service -				
Principal	-	-	335,000	375,000
Interest and charges	-	-	2,740,184	394,214
Eden Loan subsidy	-	-	247,023	-
Rent and other expenses	122,028	-	33,379	4,500
Insurance and claims	71,251	-	-	-
Total expenditures	9,489,715	4,253,527	6,812,393	773,714
Excess (deficiency) of revenues over expenditures	2,728,774	(3,060,023)	(3,885,336)	(20,266)
Other financing sources				
Operating transfers - in	378,240	1,853,659	3,588,908	-
Operating transfers - out	(1,959,209)	(15,384)	(3,588,908)	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	1,147,805	(1,221,748)	(3,885,336)	(20,266)
Beginning fund balance	16,228,025	5,756,185	(13,376,884)	1,484,338
Ending fund balance	$ 17,375,830	$ 4,534,437	$ (17,262,220)	$ 1,464,072

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

Statement 4

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2011

Other Governmental Funds	Total Governmental Funds
$ 629,102	$ 7,680,137
340,787	2,558,987
-	451,157
-	1,598,142
-	170,178
317,951	413,428
45,281	660,086
-	2,149,290
-	414,817
100,000	100,000
-	898,975
578,865	578,865
-	51,826
-	210,050
-	7,355
296,088	296,088
-	26,976
10,465	10,465
-	516,037
171,165	789,343
2,489,704	19,582,202
-	1,051,368
-	3,837,772
784,807	2,367,914
-	643,973
-	1,710,675
1,024,416	2,967,272
2,322,553	8,559,572
	710,000
-	3,134,398
-	247,023
-	159,907
-	71,251
4,131,776	25,461,125
(1,642,072)	(5,878,923)
425,476	6,246,283
(657,782)	(6,221,283)
(1,874,378)	(5,853,923)
4,158,606	14,250,270
$ 2,284,228	$ 8,396,347

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

Net change in fund balances - total governmental funds		$ (5,853,923)
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	$ 8,587,131	
Depreciation expense	(4,270,850)	
		4,316,281
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		710,000
Prepaid bond issuance costs, net of amortization		(28,421)
Increase in accrued compensated absences		(36,073)
Increase in accrued interest liability previously recognized as paid consitutes an expense		12,514
Subtotal		4,974,301
Total change in net assets per Statement of Activities		$ (879,622)

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

CITY OF LAFAYETTE
Statement of Net Assets
Business Fund Type
Recreation Programs
June 30, 2011

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 402,930
Accounts receivable	2,278
Accrued interest receivable	34
Prepaid expenses	15,813
Total assets	$ 421,055
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 13,475
Refundable deposits	18,831
Unearned revenue	221,227
Total liabilities	253,533
NET ASSETS	
Unrestricted (deficit)	167,522
Total net assets	167,522
Total liabilities and net assets	$ 421,055

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, 2011

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	$ 877,200	$ 941,522	$ 1,009,329	$ 67,807
Building rentals	68,000	68,000	80,971	12,971
Interest	-	-	136	136
Total	945,200	1,009,522	1,090,436	80,914
Operating expenses				
Personnel services	474,671	478,698	508,265	(29,567)
Maintenance	7,000	7,000	12,484	(5,484)
Contractual services	351,285	361,585	409,737	(48,152)
Printing and supplies	70,200	70,200	39,632	30,568
Utilities	3,430	3,430	4,609	(1,179)
Rental expense	7,000	7,800	7,800	-
Other	2,300	1,500	1,125	375
Total	915,886	930,213	983,652	(53,439)
Operating income	29,314	79,309	106,784	27,475
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	(25,000)	(25,000)
Net income and operating transfers	29,314	79,309	81,784	2,475
Beginning retained earnings	85,738	85,738	85,738	-
Ending retained earnings	$ 115,052	$ 165,047	$ 167,522	$ 2,475

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

Statement 7

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2011

Cash flows from operating activities	
Receipts from customers	$ 972,480
Receipts from Building rentals, net of expense	73,171
Receipts from Interest income	144
Other receipts and payments	(1,125)
Payments for contractual services	(397,090)
Payments for printing and supplies	(39,632)
Payments to employees	(508,265)
Payments for maintenance	(12,484)
Payments for utilities	(4,609)
Net cash provided by (used in) operating activities	82,590
Cash flows from noncapital financing activities	
Transfers to General Fund, net	(25,000)
Net increase in cash deposits and investments	57,590
Cash deposits and investments at beginning of year	345,340
Cash deposits and investments at end of year	$ 402,930

Operating income (before operating transfers)	$ 106,784
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	13,379
Prepaid expenses	8,535
Increase (decrease) in liabilities	
Accounts payable	4,112
Refundable deposits and deferred revenue	(50,220)
Net cash provided by (used in) operating activities	$ 82,590

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2011
Index

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. Financial Reporting Entity

The financial statements of the City of Lafayette (the "City") include all the City's financial activities over which the City Council exercises oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board (i.e., all funds and entities for which the City council is financially accountable). As a result, the basic financial statements include the financial activities of the City as well as the City's Redevelopment Agency (the "RDA"). However, the City and the RDA represent two separate legal entities; the City's General Fund is not liable for obligations of the RDA.

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

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

Blended Component Units

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

Discretely Presented Component Units

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

Blended component unit - Redevelopment Agency

The Redevelopment Agency (the "RDA") 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 RDA had a combined fund balance of $1,643,988 (see note 2.E.). Financing is provided by the following sources: (1) tax allocation bonds issued in 2002, 2005 and 2008 for a total of $26,865,000 with a remaining balance of $25,700,000; (2) loan from the General Fund of $5,576,710 at 8% interest (original principal of $2,579,695 plus accrued interest of $2,997,015); and (3) loan from the City Parking Fund at 8% interest with an original principal balance of $685,000 being repaid over a remaining period of 14 years with a remaining principal balance of $540,500, and accrued interest payable of $43,240.

On June 30, 2011, Governor Jerry Brown signed the fiscal 2012 state budget putting into effect two bills that dissolve redevelopment agencies, unless those agencies divert a specified annual amount of tax increment revenue to schools and local special districts. The legislation provides for the continued repayment of existing tax increment bonds, as scheduled, by successor agencies. Assembly Bills X1 26 and X1 27permit redevelopment agencies to continue to exist if, by November 1, 2011, the city or county enacts an ordinance to divert a specified amount of tax increment revenue to school and local special districts (Continuing Legislation). The RDA would not be able to issue additional debt unless, and until, the city or county enacts such an ordinance.

In August 2011, the California Supreme Court temporarily stayed the dissolution of the agencies as well as the payments to schools and local special districts, but agencies are still subject to portions of the Dissolution Legislation that prohibit them from issuing debt, entering into contracts, purchasing property, or transferring assets.

City officials indicate that the City expects to make the required annual payments to the state and permit the RDA to continue to exist.

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, 2011.

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 J - Return-to-source
- Supplemental law enforcement
- Assessment District-Street Lighting
- Assessment District-Core Area Maintenance
- Assessment District-Storm Water Pollution

1. C. Measurement Focus and Basis of Accounting

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

Measurement focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 'b' below.

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

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

b. The proprietary fund (business-type) utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. 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, 2011. 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
Books and artwork	N/A

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund (business-type) operations are accounted for the same as in the government-wide statements.

Restricted assets

Restricted assets include cash and investments of the debt service fund that are legally restricted as to their use, which is for the payment of long-term debt obligations. 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 Balance Reporting

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

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

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

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

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

1. E. Revenues, Expenditures, and Expenses

Property tax and assessments

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of $1.00 per $l00 of assessed value. Assessed value is calculated at l00% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the $l.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service.

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

Pursuant to the 1988 Trial Court Funding Bill and subsequent reallocations, the City is receiving a measure of relief from this funding deficiency. Beginning in 1989, Lafayette began receiving funds in lieu of property taxes and/or additional property tax allocations. The receipt of these funds has been phased in gradually, and by 1997/1998 the City of Lafayette received the equivalent of approximately 7% of the total property taxes that its property owners pay. This can be compared to the average 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 l	July 1
	50% on February 1	
Delinquent as of	December 10	August 31
	April 10	

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

Sales tax

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

Other taxes

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

Operating revenues and expenses

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

Expenditures / expenses

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

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

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

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

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

Interfund transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

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

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

2. B. Deposits and Investments Laws and Regulations

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

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

The City may waive collateral requirements for deposits, which are insured by federal depository insurance. The City had not waived such requirements as of June 30, 2011.

2. C. Revenue Restrictions

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

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

For the year ended June 30, 2011, 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, 2011, the City’s two general obligation bonds totaled $8,155,000 as follows:

	Original Issue	Total Outstanding	Due in Fiscal year June 30, 2012
2002 Issue	$ 4,320,000	$ 3,525,000	$ 125,000
2004 Issue	6,035,000	4,630,000	265,000
	$ 10,355,000	$ 8,155,000	$ 390,000

In order to provide sufficient funds for repayment of principal and interest when due on the General Obligation Bonds, the City is empowered and obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the City, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the City. Such taxes, when collected will be placed in the Interest and Sinking Fund for the bonds authorized in the March 1995 election. Refer to note 3.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 2010-11, the City's total secured and unsecured assessed valuation is $5,608,573,569.

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 $335,000 were scheduled and made on August 1, 2010. Principal payments of $390,000 were made on August 1, 2011.

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 $1,643,988. The Fund equity is calculated as follows:

Total Fund Balance (deficit) on a “Governmental Fund” basis	$ (17,262,220)
Add: fixed assets capitalized	44,452,604
Deduct: accrued interest on debt payable	(582,419)
Prepaid debt issuance costs, net of amortization	736,023
Debt Payable – long and short term	(25,700,000)
Net Assets - Redevelopment Fund	$ 1,643,988

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, 2011:

Cash and Cash Equivalents:		S&P Rating
Deposits in Banks	$ 1,891,130	N/A
Money Market Funds	1,577,466	N/A
Petty Cash	783	N/A
Local Agency Investment Fund - State of California	15,311,153	N/A
Total Cash and Cash Equivalents	18,780,532	
CAMP Pool (California JPA)	1,467,325	AAA
Investment in Federal Agency obligations, at market value	4,056,621	AAA
(See detailed listing on next page for maturities etc.)		
	5,523,946	
Total Cash and Investments	$ 24,304,478	

Reconciliation to financial statements:	
Unrestricted:	
Cash and cash equivalents – Statement 3	$ 15,765,050
Cash and cash equivalents – Statement 5	402,930
Investments in bonds and mutual funds – Statement 3	4,056,621
Unrestricted cash and investments	20,224,601
Restricted for debt service and low and moderate housing:	
Cash and investments	4,079,877
Total	$ 24,304,478

The City's investments with LAIF at June 30, 2011 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

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

As of June 30, 2011, the City had $15,311,153 invested in LAIF, which had invested 5.01% of the pool investment fund in structured notes and asset-backed securities.

Interest Rate and Credit Risk

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

Investment in Federal Agency Bonds and Obligations

Federal Agency	Par	Coupon Percentage	Maturity Dates	June 30, 2011 Market Value	S&P Rating
Federal Home Loan Banks	$ 980,000	1.625	9/26/2012	$ 995,171	AAA
Fannie Mae	1,000,000	1.75	2/22/2013	1,020,850	AAA
Federal Home Loan Banks	1,000,000	1.625	3/20/2013	1,019,950	AAA
Fed'l Home Loan Mtg Corp	1,000,000	1.625	4/15/2013	1,020,650	AAA
	$ 3,980,000			$ 4,056,621	

At June 30, 2011, the carrying amount of the City's deposits was $1,891,130. Bank balances before reconciling items were $2,303,369 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	$	6,793
Interest income (all investments)		653,293
Total investment income	$	660,086

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	$ 1,855,444	$ -	$ 1,855,444
Low/Moderate Income Housing	760,986	86	761,072
Total Redevelopment Fund	2,616,430	86	2,616,516
Debt Service Fund	1,463,447	625	1,464,072
Totals	$ 4,079,877	$ 711	$ 4,080,588

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 $2,278 at June 30, 2011. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2011. They include:

Property taxes (Prop 1A)	$ 470,898
Measure J	353,060
Sales tax (State)	286,000
Lafayette Foundation reimbursement	182,371
Transient occupancy tax	121,691
Franchise taxes	104,306
Motor vehicle fees	51,473
Lafayette School District – crossing guards	38,364
CalTrans	36,721
Parking (ETEC)	29,806
Transfer taxes	29,795
Surcharge fees (County)	27,219
Friends of Lafayette Library	18,139
Municipal Court fines/fees (County)	15,201
Others (under $10,000)	40,385
Total governmental receivables	$ 1,805,429

3. D. Capital Assets

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

Governmental Activities	Balance June 30, 2010	Additions	Capitalized Work in Progress	Balance June 30, 2011
Capital Assets:				
Land, easements, and right of way:				
City	$ 7,986,650	2,264,951	-	$ 10,251,601
RDA	2,004,444	-	-	2,004,444
Land improvements	4,860,580	57,602	398,171	5,316,353
Building and improvements				
City	1,232,292	-	-	1,232,292
RDA	-	-	40,634,129	40,634,129
Infrastructure	100,083,199	-	2,977,138	103,060,337
Furniture and equipment				
City	1,542,790	53,558	-	1,596,348
RDA	-	-	1,129,866	1,129,866
Books and artwork - RDA	-	1,526,089	-	1,526,089
Construction in progress				
City	1,671,352	3,485,826	(3,375,309)	1,781,869
RDA	40,564,890	1,199,105	(41,763,995)	-
Total capital assets at cost	159,946,197	8,587,131	-	168,533,328
Accumulated depreciation				
Land improvements	1,369,618	243,030	-	1,612,648
Building and improvements				
City	482,518	18,870	-	501,388
RDA	-	785,431	-	785,431
Infrastructure	54,211,451	3,036,791	-	57,248,242
Furniture and equipment				
City	1,324,055	130,235	-	1,454,290
RDA	-	56,493	-	56,493
Total accumulated depreciation	57,387,642	4,270,850	-	61,658,492
Total capital assets, net	$ 102,558,555	$ 4,316,281	$ -	$ 106,874,836

Current Depreciation

Administration	$ 8,717
Public Works	45,428
Police Services	76,090
Infrastructure and related improvements	3,298,691
RDA	841,924
Total depreciation	$ 4,270,850

3. E. Library Loan Agreement

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

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

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 RDA is obligated to repay the interest and principal as quickly as possible based on the agreement terms. At this point, it appears unlikely that the RDA will be able to issue these bonds by 2013 due to recent reductions in assessed values for the Redevelopment Area. Therefore, the original agreement may need to be renegotiated to terms that are acceptable to both parties. 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 balance including interest at June 30, 2011 was $13,801,829.

3. F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling $8,155,000 and Redevelopment tax allocation bonds of $25,700,000 to be repaid from governmental activities (see note 2.D.). Following is a summary of general long-term debt transactions for the year ended June 30, 2011 :

	Interest Rates	Balance June 30, 2010	Principal Increases (Decreases)	Balance June 30, 2011
Redevelopment:				
Tax allocation bonds				
Bonds issued fiscal 2003				
Matures to fiscal 2033	2.25– 5.3%	$ 5,030,000	$ (115,000)	$ 4,915,000
Bonds issued fiscal 2005				
Matures to fiscal 2030	3.0 – 4.7%	11,405,000	(220,000)	11,185,000
Bonds issued fiscal 2008				
Matures to fiscal 2038	3.75 - 6.5%	9,600,000	-	9,600,000
		26,035,000	(335,000)	25,700,000
General Obligation:				
Bonds Issued fiscal 2002				
Matures to fiscal 2026	3.5 – 5.0%	3,640,000	(115,000)	3,525,000
Bonds Issued fiscal 2004				
Matures to fiscal 2026	2.0 – 4.7%	4,890,000	(260,000)	4,630,000
		8,530,000	(375,000)	8,155,000
Totals		$ 34,565,000	$ (710,000)	$ 33,855,000
Bonds payable – current				$ 780,000
Bonds payable – noncurrent				33,075,000
				$ 33,855,000

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2011:

General obligation bonds - 2002 issue	$ 180,676
General obligation bonds - 2004 issue	213,538
Redevelopment tax allocation bonds-2003 issue	276,821
Redevelopment tax allocation bonds-2005 issue	529,086
Redevelopment tax allocation bonds-2008 issue	598,032
	$ 1,798,153

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:			
2012	$ 125,000	$ 174,676	$ 299,676
2013	130,000	168,301	298,301
2014	130,000	161,801	291,801
2015	140,000	155,051	295,051
2016	145,000	147,426	292,426
2017 – 2021	860,000	620,655	1,480,655
2022 – 2026	1,995,000	322,748	2,317,748
	$ 3,525,000	$ 1,751,158	$ 5,276,158

	General Obligation Bonds – Issued 2004		
	Principal	Interest	Total
Payments due in fiscal years ending June 30:			
2012	265,000	202,176	467,176
2013	280,000	189,015	469,015
2014	290,000	174,765	464,765
2015	310,000	160,540	485,540
2016	325,000	147,065	472,065
2017 – 2021	1,800,000	520,970	2,320,970
2022 – 2026	1,360,000	113,740	1,473,740
	$ 4,630,000	$ 1,508,271	$ 6,138,271

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		
	Principal	Interest	Total
Payments due in fiscal years ending June 30:			
2012	$ 125,000	$ 271,388	$ 396,388
2013	130,000	265,457	395,457
2014	135,000	259,129	394,129
2015	140,000	252,355	392,355
2016	150,000	245,030	395,030
2017-2021	860,000	1,094,117	1,954,117
2022-2026	1,140,000	812,751	1,952,751
2027-2031	1,505,000	435,419	1,940,419
2032-2033	730,000	42,550	772,550
	$ 4,915,000	$ 3,678,196	$ 8,593,196

	Redevelopment Tax Allocation Bonds - Issued 2005		
	Principal	Interest	Total
Payments due in fiscal years ending June 30:			
2012	$ 220,000	$ 521,661	$ 741,661
2013	230,000	513,643	743,643
2014	240,000	504,074	744,074
2015	255,000	492,299	747,299
2016	265,000	479,299	744,299
2017 - 2021	1,520,000	2,206,973	3,726,973
2022 - 2026	1,875,000	1,832,350	3,707,350
2027 - 2031	2,350,000	1,344,435	3,694,435
2032 - 2036	4,230,000	608,000	4,838,000
	$ 11,185,000	$ 8,502,734	$ 19,687,734

	Redevelopment Tax Allocation Bonds - Issued 2008		
	Principal	Interest	Total
Payments due in fiscal years ending June 30;			
2012	$ 45,000	$ 597,188	$ 642,188
2013	100,000	594,344	694,344
2014	105,000	590,086	695,086
2015	105,000	585,466	690,466
2016	110,000	580,464	690,464
2017-2021	655,000	2,808,703	3,463,703
2022-2026	865,000	2,593,224	3,458,224
2027-2031	1,160,000	2,283,493	3,443,493
2032-2036	1,575,000	1,853,229	3,428,229
2037-2039	4,880,000	489,125	5,369,125
	$ 9,600,000	$ 12,975,322	$ 22,575 322

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	$ 378,240	$ 1,959,209
Capital project funds	1,853,659	15,384
Redevelopment agency	3,588,908	3,588,908
Other governmental funds	425,476	657,782
Subtotal	6,246,283	6,221,283
Proprietary fund	-	25,000
	$ 6,246,283	$ 6,246,283

Balances

The Redevelopment Agency has borrowed $5,576,710 (original principal- $2,579,695, and accrued interest - $2,997,015) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund has borrowed $583,740 (original principal - $540,500, and accrued interest – $43,040) 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 $6,160,450.

NOTE 4. OTHER NOTES

4. A. Employee Benefit Plans

Employee Retirement Contribution

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

Salary-Based Contribution System

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

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

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

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

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

Deferred Compensation Plan

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

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

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

<u>Other Post Employment Benefits (OPEB)</u>

Plan Description

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

Funding Policy

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

Annual OPEB Cost

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

Fiscal Year	Annual OPEB Cost (AOC)	Annual Employer Contribution	Percentage of AOC Contributed	Current Year AOC Obligation (Asset)	Net OPEB Obligation (Asset)
6/30/2011	$ 28,000	$ 28,960	103%	$ (960)	$ (960)
6/30/2010	$ 27,100	$ 53,460	197%	$ (26,360)	$ (1,048)
6/30/2009	$ 26,200	$ 888	3%	$ 25,312	$ 25,312

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

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

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

4. B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA). The following is a summary of coverage as of June 30, 2011:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	$ 1,000,000,000	$ 5,000
Boiler and machinery	$ 100,000,000	$ 5,000
Liability	$ 29,000,000	$ 5,000
Auto-physical damage	$ 250,000	$ 2,000
Workers' compensation	$ 50,000,000	$ 0

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

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

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

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

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 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 the current fiscal year.

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

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

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). This Statement will need to be reviewed in detail as the Redevelopment Agency presentation is reported as a blended component unit in the City's financial statements.

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

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

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

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

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

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

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is required to implement the provisions of this Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

4. E. SERAF Assessment

Pursuant to a determination by the Director of the Department of Finance of the State of California, $229,715 was remitted to the County Auditor of the County of Contra Costa for deposit in the County's Supplemental Educational Revenue Augmentation Fund (SERAF) in regard to Health and Safety Code Section 33690 for the fiscal year ended June 30, 2011. In the absence of other funds, as authorized, the City advanced such amount from the Special Revenue Fund for Low/Moderate Income Housing to the Redevelopment Program Fund which made the disbursement (presumably non-refundable) to the County. Such amount is considered a receivable by the Special Revenue Fund from the Redevelopment Program Fund.

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

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 19, 2011, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 1

CITY OF LAFAYETTE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2011

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	$ 3,368,257	$ 3,395,000	$ 3,411,301	$ 16,301
Sales and use tax	2,025,245	2,068,317	2,218,200	149,883
Transient lodging tax	425,000	415,000	451,157	36,157
Franchise tax	1,546,000	1,547,000	1,598,142	51,142
Real property transfer tax	179,728	180,518	170,178	(10,340)
Vehicle code fines	150,000	150,000	95,477	(54,523)
Interest income	465,361	500,000	549,548	49,548
Motor vehicle in lieu tax	2,138,754	2,142,076	2,149,290	7,214
Planning, permits and fees	756,000	761,000	898,975	137,975
Police services	40,000	40,000	26,976	(13,024)
Other	124,500	129,500	649,245	519,745
	11,218,845	11,328,411	12,218,489	890,078
Expenditures				
City council, commissions and community support				
City council	147,556	147,556	124,716	22,840
Commissions and committees	979,916	997,591	926,652	70,939
Police services	4,119,529	4,103,053	3,837,772	265,281
Public works				
Street maintenance	855,256	856,083	813,824	42,259
Traffic maintenance	346,034	348,368	295,137	53,231
Parks and walkway maintenance	314,996	315,753	294,410	21,343
Facilities maintenance	174,079	192,181	179,736	12,445
Emergency response	100,000	100,000	-	100,000
Library Operations	766,882	766,882	643,973	122,908
Planning and engineering				
Planning department	412,550	406,055	396,962	9,093
Engineering department	251,920	240,964	236,281	4,683
Administration				
City management	438,232	453,703	404,703	49,000
Legal services	302,000	302,000	245,721	56,279
City clerk	144,919	154,603	126,222	28,381
Finance and personnel	632,765	640,151	618,275	21,876
Technology services	169,436	195,220	152,052	43,168
Other post-employment benefits	-	-	-	-
Business registration fees	-	-	-	-
Rent and other expenses	159,836	132,336	122,028	10,308
Insurance - premiums and claims	88,814	88,814	71,251	17,563
	10,404,720	10,441,313	9,489,715	951,598
Excess of revenues over expenditures	814,125	887,098	2,728,774	1,841,676
Other financing sources				
Operating transfers - in	-	450,000	378,240	(71,760)
Operating transfers - out	(3,812,011)	(3,812,011)	(1,959,209)	1,852,802
Excess (deficiency)of revenues over expenditures and other financing sources	(2,997,886)	(2,474,913)	1,147,805	3,622,718
Beginning fund balance	16,228,025	16,228,025	16,228,025	-
Ending fund balance	$ 13,230,139	$ 13,753,112	$ 17,375,830	$ 3,622,718

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Balance Sheet
For the Year Ended June 30, 2011

Exhibit 2

	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	$ 783,712	$ 342,679	$ 1,126,391	$ -	$ -	$ 1,126,391
Investments	-	-	-	-	-	-
Redevelopment Interfund Balances	(266,591)	(849,166)	(1,115,757)	-	1,115,757	-
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	652	-	652	-	-	652
Other assets	-	-	-	-	-	-
Restricted assets for:						
Cash and investments	-	-	-	1,855,444	760,986	2,616,430
Accrued interest receivable	-	-	-	-	86	86
Total assets	$ 517,773	$ (506,487)	$ 11,286	$ 1,855,444	$ 1,876,829	$ 3,743,559
LIABILITIES AND FUND BALANCE						
Accounts payable and accrued liabilitie	$ 38	$ 1,043,443	$ 1,043,481	$ -	$ 19	$ 1,043,500
Loan payable - Lafayette Library and Learning Center Foundation	-	13,801,829	13,801,829	-	-	13,801,829
Advances from general fund	3,340,869	2,235,841	5,576,710	-	-	5,576,710
Advances from parking fund	43,240	-	43,240	-	-	43,240
Loan payable parking fund	540,500	-	540,500	-	-	540,500
Total liabilities and other credits	3,924,647	17,081,113	21,005,760	-	19	21,005,779
Fund balances						
Restricted for:						
Debt service	-	-	-	1,855,444	-	1,855,444
Low/moderate income housing	-	-	-	-	1,876,810	1,876,810
Other	(3,406,874)	(17,587,600)	(20,994,474)	-	-	(20,994,474)
Unrestricted	-	-	-	-	-	-
Fund balance	(3,406,874)	(17,587,600)	(20,994,474)	1,855,444	1,876,810	(17,262,220)
Total liabilities and fund balance	$ 517,773	$ (506,487)	$ 11,286	$ 1,855,444	$ 1,876,829	$ 3,743,559

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2011

Exhibit 3

	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	$ 2,084,636	$ -	$ 2,084,636	$ -	$ 804,154	$ 2,888,790
Investment income	7,316	-	7,316	3,298	343	10,957
Other revenue	25,256	1,951	27,207	-	103	27,310
Total revenues	2,117,208	1,951	2,119,159	3,298	804,600	2,927,057
Expenditures						
Administrative costs	174,091	156,029	330,120	-	65,763	395,883
Asessment District bond principal	-	-	-	335,000	-	335,000
Improvement costs	-	2,725,194	2,725,194	-	-	2,725,194
Interest expense	290,712	1,045,533	1,336,245	1,403,939	-	2,740,184
Professional services	282,069	-	282,069	-	53,661	335,730
Community promotion	-	-	-	-	-	-
Low income subsidy	-	-	-	-	-	-
Eden Loan subsidy	-	-	-	-	247,023	247,023
Other expenses	-	33,379	33,379	-	-	33,379
Total expenditures	746,872	3,960,135	4,707,007	1,738,939	366,447	6,812,393
Excess (deficiency) of revenues over expenditures	1,370,336	(3,958,184)	(2,587,848)	(1,735,641)	438,153	(3,885,336)
Other financing sources (uses):						
Proceeds from bonds	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Operating transfers - in	-	1,850,000	1,850,000	1,738,908	-	3,588,908
Operating transfers - out	(3,588,908)	-	(3,588,908)	-	-	(3,588,908)
Total other financing sources (uses)	(3,588,908)	1,850,000	(1,738,908)	1,738,908	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(2,218,572)	(2,108,184)	(4,326,756)	3,267	438,153	(3,885,336)
Beginning fund balance	(1,188,302)	(15,479,416)	(16,667,718)	1,852,177	1,438,657	(13,376,884)
Ending fund balance	$(3,406,874)	$(17,587,600)	$(20,994,474)	$ 1,855,444	$ 1,876,810	$ (17,262,220)

CITY OF LAFAYETTE
Capital Projects
Combining Funds Balance Sheet
June 30, 2011

Exhibit 4

ASSETS	Park Facilities	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Cash and investments	$ 180,131	$ 1,386,456	$ 60,974	$ 454,599	$ 2,151,718	$ 932	$ 4,234,810
Accounts receivable	-	-	-	-	-	-	-
Accrued interest receivable	-	1,087	67	224	2,267	1	3,646
Prepaid expenses	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	444,981	-	444,981
Total assets	$ 180,131	$ 1,387,543	$ 61,041	$ 454,823	$ 2,598,966	$ 933	$ 4,683,437
LIABILITIES AND FUND BALANCE						.	
Accounts payable and accrued liabilities	$ 3,170	$ 145,518	$ -	$ -	$ -	$ -	$ 148,688
Project deposits	-	312	-	-	-	-	312
Total liabilities	3,170	145,830	-	-	-	-	149,000
Fund Balance							
Restricted by source	176,961	1,241,713	-		-	933	1,419,607
Designated	-	-	61,041	454,823	2,598,966	-	3,114,830
Total fund balance	176,961	1,241,713	61,041	454,823	2,598,966	933	4,534,437
Total liabilities and net assets	$ 180,131	$ 1,387,543	$ 61,041	$ 454,823	$ 2,598,966	$ 933	$ 4,683,437

CITY OF LAFAYETTE
Capital Projects
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit 5

	Park Facilities	Streets and Signals	Public Facilities	Parkland and Open Space	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues							
Interest income	$ 292	$ 4,775	$ 296	$ 898	$ 45,531	$ 4	$ 51,796
Grants - federal	414,817	-	-	-	-	-	414,817
Grants - state and local	-	-	-	-	-	-	-
Drainage Impact fees	-	48,405	-	-	-	-	48,405
Walkways fees	-	6,208	-	-	-	-	6,208
Park dedication fees	106,025	-	-	104,025	-	-	210,050
Measure J	-	-	-	-	-	-	-
Other revenues and donations	19,899	442,329	-	-	-	-	462,228
Total revenues	541,033	501,717	296	104,923	45,531	4	1,193,504
Expenditures							
Capital projects	549,960	2,935,865	26,000	-	-	-	3,511,825
Administration	110,191	625,018	-	6,493	-	-	741,702
Total expenditures	660,151	3,560,883	26,000	6,493	-	-	4,253,527
Excess (deficiency) of revenues over expenditures	(119,118)	(3,059,166)	(25,704)	98,430	45,531	4	(3,060,023)
Other financing sources:							
General obligations bonds issued	-	-	-		-	-	-
Operating transfers - in	53,339	1,780,820	15,000	4,500	-	-	1,853,659
Operating transfers - out	-	-	(15,384)	-	-	-	(15,384)
Excess (deficiency) of revenues over expenditures, net of other financing source:	(65,779)	(1,278,346)	(26,088)	102,930	45,531	4	(1,221,748)
Beginning fund balance	242,740	2,520,059	87,129	351,893	2,553,435	929	5,756,185
Ending net fund balance	$ 176,961	$ 1,241,713	$ 61,041	$ 454,823	$ 2,598,966	$ 933	$ 4,534,437

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2011

Exhibit 6

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure J Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
ASSETS											
Cash deposits and investments	$ 127,315	$ 13,104	$ 13,408	$ 38,614	$ 685,736	$ (324,236)	$ (2,090)	$ 126,965	$ 310,840	$ 403,907	$ 1,393,563
Accounts receivable	32,902	-	1,281	-	-	353,060	11,316	-	-	-	398,559
Advances receivable	43,240	-	-	-	-	-	-	-	-	-	43,240
Note receivable	540,500	-	-	-	-	-	-	-	-	-	540,500
Deposits and prepaids	-	-	-	-	-	-	-	-	-	50	50
Accrued interest receivable	64	-	-	-	-	-	-	3	160	9	236
Total assets	$ 744,021	$ 13,104	$ 14,689	$ 38,614	$ 685,736	$ 28,824	$ 9,226	$ 126,968	$ 311,000	$ 403,966	$ 2,376,148
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	$ 6,970	$ 3	$ 791	$ -	$ -	$ 20,072	$ -	$ -	$ 37,981	$ 15,306	$ 81,123
Unearned revenue	-	-	-	10,797	-	-	-	-	-	-	10,797
Total liabilities	6,970	3	791	10,797	-	20,072	-	-	37,981	15,306	91,920
Fund Balance											
Restricted	-	-	-	-	685,736	8,752	9,226	126,968	273,019	388,660	1,492,361
Designated	737,051	13,101	13,898	27,817	-	-	-	-	-	-	791,867
Total fund balance	737,051	13,101	13,898	27,817	685,736	8,752	9,226	126,968	273,019	388,660	2,284,228
Total liabilities and fund balance	$ 744,021	$ 13,104	$ 14,689	$ 38,614	$ 685,736	$ 28,824	$ 9,226	$ 126,968	$ 311,000	$ 403,966	$ 2,376,148

CITY OF LAFAYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2011

Exhibit 7

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure J Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
Revenues											
Parking revenue	$ 296,088	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 296,088
Vehicle code fines	317,951	-	-	-	-	-	-	-	-	-	317,951
Property tax and assessments	-	-	-	-	-	-	-	19,191	239,326	370,585	629,102
Interest income	44,447	2	-	14	1	-	-	12	769	36	45,281
Gas tax	-	-	-	-	578,865	-	-	-	-	-	578,865
Sales tax - Measure C/Measure J	-	-	-	-	-	340,787	-	-	-	-	340,787
Abandoned vehicles	-	10,465	-	-	-	-	-	-	-	-	10,465
Grants - state	-	-	-	-	-	-	100,000	-	-	-	100,000
Other revenue	478	-	54,190	-	-	51	-	-	-	116,446	171,165
Total revenues	658,964	10,467	54,190	14	578,866	340,838	100,000	19,203	240,095	487,067	2,489,704
Expenditures											
Public works	-	-	7,111	-	-	-	-	12,560	329,161	435,975	784,807
Capital Projects	2,322,553	-	-	-	-	-	-	-	-	-	2,322,553
Administration	436,866	5,724	79,950	-	-	101,401	400,475	-	-	-	1,024,416
Total expenditures	2,759,419	5,724	87,061	-	-	101,401	400,475	12,560	329,161	435,975	4,131,776
Excess (deficiency) of revenues over expenditures	(2,100,455)	4,743	(32,871)	14	578,866	239,437	(300,475)	6,643	(89,066)	51,092	(1,642,072)
Other financing sources											
Operating transfers - in	-	-	25,000	-	-	-	300,476	-	100,000	-	425,476
Operating transfers - out	(100,000)	-	-	-	(307,782)	(250,000)	-	-	-	-	(657,782)
Excess (deficiency) of revenues over expenditures, net of other financing sources	(2,200,455)	4,743	(7,871)	14	271,084	(10,563)	1	6,643	10,934	51,092	(1,874,378)
Beginning 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
Ending fund balance	$ 737,051	$ 13,101	$ 13,898	$ 27,817	$ 685,736	$ 8,752	$ 9,226	$ 126,968	$ 273,019	$ 388,660	$ 2,284,228

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