

CITY OF LAFAYETTE
ANNUAL FINANCIAL STATEMENT REPORT
YEAR ENDED JUNE 30, 2007
(With Auditors' Report Thereon)

CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2007

MAYOR

Carol Federighi

Term Expires November 2008

CITY COUNCIL

Mike Anderson, Vice Mayor
Term Expires November 2008

Don Tatzin
Term Expires November 2010

Carl Anduri
Term Expires November 2008

Brandt Andersson
Term Expires November 2010

CITY MANAGER

Steven B. Falk – 17 years of service

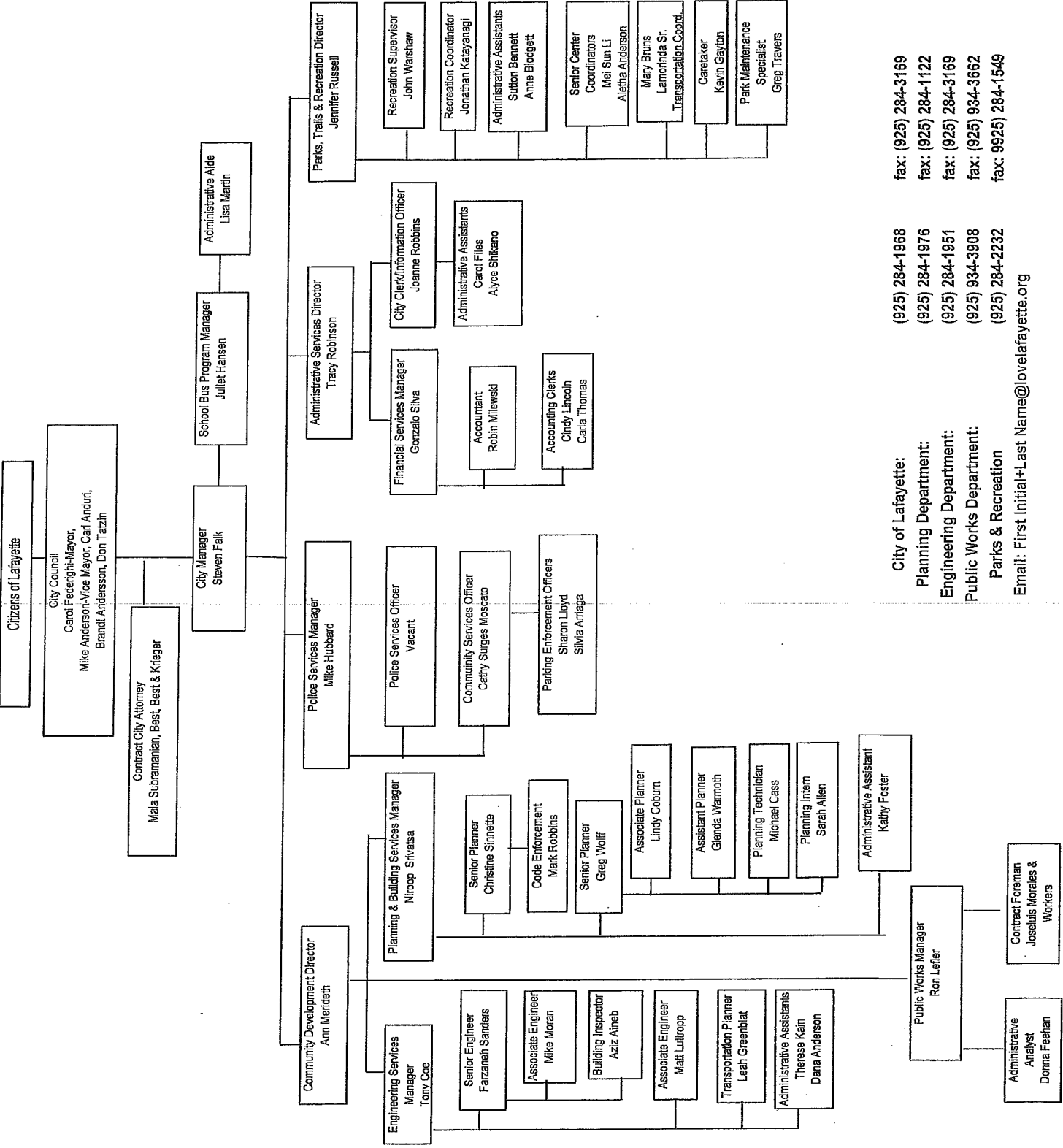
ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 7 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 17 years of service

City of Lafayette Organization Chart



City of Lafayette: (925) 284-1968 fax: (925) 284-3169
 Planning Department: (925) 284-1976 fax: (925) 284-1122
 Engineering Department: (925) 284-1951 fax: (925) 284-3169
 Public Works Department: (925) 934-3908 fax: (925) 934-3662
 Parks & Recreation: (925) 284-2232 fax: 9925) 284-1549
 Email: First Initial+Last Name@lovelafayette.org

Public Works Manager
Ron Lefler

Contract Foreman
Jose Luis Morales & Workers

Administrative Analyst
Donna Feehan

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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, 2007.

The management discussion and analysis is designed to

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

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$3,516,335. The governmental net assets increased by \$3,456,668 and the business-type net assets (e.g. Parks & Recreation) increased by \$59,667.
- The City's governmental funds reported combined ending fund balances of \$82,097,488, of which \$16,847,828 is unrestricted.
- The unreserved fund balance for the General Fund was \$9,070,731, an increase of \$1,995,001 (28%) compared with the prior year.
- The City's total debt decreased by \$420,000 during the current fiscal year. The total debt balance at year-end was \$26,595,000.
- The following is the year over year comparison of revenues and expenses:

	2005	2006	2007	Change
Revenues				
Property Tax	5,346,924	5,823,685	7,297,461	25.31%
Sales Tax	2,802,614	2,886,865	3,014,825	4.43%
Franchise Fees	885,008	981,538	1,093,899	11.45%
Motor Vehicle Fee	1,693,729	2,229,873	1,879,161	-15.73%
Transient Occupancy	525,729	581,080	628,571	8.17%
Investment Income	612,516	1,119,668	1,656,880	47.98%
Vehicle Fines	406,147	395,683	296,768	-25.00%
Grants Federal/State	1,620,232	18,631,379	667,145	-96.42%
Fees for Service	1,097,534	1,235,462	1,628,418	31.81%
Parking Fees	123,521	138,715	146,410	5.55%
Gas Tax	463,392	452,469	451,046	-0.31%
Transfer Tax	233,319	279,879	284,441	1.63%
Other	254,756	292,885	729,239	148.98%
Recreation Programs	1,138,857	1,134,841	1,102,279	-2.87%
TOTAL	17,204,278	36,184,022	20,876,543	-42.3%
Expenses				
Council & Commissions	904,728	1,012,155	974,170	-3.75%
Police	2,710,671	3,195,198	3,424,615	7.18%
Public Works / Infrastructure	4,076,233	4,764,981	5,755,309	20.78%
Planning & Engineering	1,092,620	1,405,650	1,385,661	-1.42%
Administration/Redev	2,433,513	2,514,499	3,183,659	26.61%
Debt Service	1,068,010	1,113,408	1,287,148	15.60%
Vet's Building	-	7,610,441	-	0.00%
Other	301,709	471,428	327,034	-30.63%
Recreation Programs	1,074,536	1,051,031	1,022,612	-2.70%
TOTAL	\$ 13,662,020	23,138,791	17,360,208	-24.97%
Excess of Revenue over Expen	\$ 3,542,258	\$ 13,045,231	\$ 3,516,335	-73.05%

THE CITY AS A WHOLE

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

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

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

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

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

STATEMENT OF NET ASSETS

Year Ended June 30, 2007	Governmental Activities	Business Activities	Total
Beginning Net Assets	\$78,565,183	15,970	\$78,581,153
Increase/Decrease	3,456,668	59,667	3,516,335
Ending Net Assets	\$82,021,851	\$75,637	\$82,097,488

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

1. The City’s net assets increased by 4.47 % from the prior year.
2. Assets exceeded liabilities by \$82,097,488 at year-end.

79 % of the City’s net assets (\$38,383,583) are invested in capital assets (i.e., land, buildings, utility plants, machinery and equipment) and are reported net of related debt. However, since capital assets are used to provide services to citizens, they cannot be used to liquidate liabilities. It should therefore be noted that the money needed to repay debt must be provided from other sources.

STATEMENT OF ACTIVITIES

Governmental Activities

The *Statement of Activities* can be found on page 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. Since total expenses minus revenues show a negative \$13,962,366 the remainder must be funded out of general revenue. This year, the City received \$17,478,701 in general revenue.

Business-Type Activities

The City reports only one program, Parks & Recreation, 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 \$1,042,662 and revenue of \$1,102,279 that program showed a gain of \$59,667. Therefore, the City’s net assets increased by an equal amount. This is the third year that this enterprise fund has shown a profit in the last five years.

SIGNIFICANT FUNDS

Fund Financial Statements

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

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

FINANCIAL ANALYSIS

Governmental Funds

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

As of the fiscal year ended June 30, 2007, the City's governmental funds reported combined ending fund balances of \$44,539,775, a decrease of \$987,387 in comparison to the prior year.

Approximately 79.63 % of these funds are considered reserved (i.e. restricted or designated), which means that they have already been committed to specific programs. The remaining funds are undesignated, which means that they are available for spending at the council's discretion.

Capital Assets

The City's investment in capital assets as of June 30, 2007 totaled \$ 64,606,984 (net of accumulated depreciation of \$47,813,558), which represents an increase of \$4,085,854 over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and bridges. The fixed assets summary can be found on page 27 of the financial statement.

Major capital asset additions during the current fiscal year include:

- Pleasant Hill Road Multi-Purpose Path
- 2007 Pavement Management Resurfacing
- 2006 Pavement Management Project - Burton Valley

Long Term Debt

At the end of the current fiscal year, the City had \$26,947,590 in debt obligations, which includes \$352,590 in accrued vacations and leave, \$17,040,000 in Redevelopment bonds and \$9,555,000 in General Obligation bonds.

STRENGTHS & RISKS

General Fund

The general fund is the primary operating fund of the City. At June 30, 2007, the undesignated fund balance was \$ 9,070,731 an increase of \$1,994,270 over the prior year. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end general fund balance represents almost 100 % of general fund expenditures, suggesting that the City is in a very strong position and could cover an entire year of expenses without revenue.

Expenses

As a limited service City, Lafayette strives to keep its operating expenses relatively low and permanent employees at a minimum. The major expenses for the City are Police Services -- which are contracted through the County and account for more than 1/3 of the General Fund Expenses -- and Capital Improvements.

Over the last 10 years, the City has significantly improved the condition of most of the City's major thoroughfares and arterials. In order to maintain this investment, the City's General Fund contributes approximately \$1 million each year to the Pavement Management Program (PMP). However, the Capital Improvement Program for roads and drains still has a backlog of \$23 million. Without an additional source of revenue, many of the City's residential streets will not be repaired if not maintained. Furthermore, those streets that are currently in good condition may deteriorate. The Council placed measures on both the November 2004 and June 2007 ballots asking the residents to approve the sale of bonds sufficient to fund the gap. Unfortunately, though the measures each garnered over 50% of the vote, the ultimately did not meet the required 2/3 threshold. Staff is currently working with a citizen task force to recommend alternatives.

Another potential risk is Core Area Maintenance. The City has spent a significant amount of money over the last several years improving the downtown area by replacing streetlights and installing medians and landscaping. Although the current Core Area Assessment District pays for a portion of these expenses, there has been a deficit of over \$200,000 in this fund for each of the last four years and this deficit will increase over time as expenses multiply while revenue remains flat. A measure to increase the assessment was defeated by property owners. However, recognizing that the overall health of the downtown core contributes positively to both property and sales taxes, the Council elected not to cut funding at this time. They did, however, direct staff to prepare a 10-year expense budget and investigate additional revenue sources to fund core area maintenance.

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 less than other cities collect. Currently the City receives approximately 6.18% of the property taxes paid by its residents, compared to an average of 9.08% for other cities in Contra Costa.

Despite the comparatively low share received by the City, the property tax base remains very healthy and growing, due in large part to increases in California home values and low interest rates. Assessed values in the City increased 9.05% from \$4,321,524,487 in fiscal year 2005/2006 to \$4,712,484,211 in fiscal year 2006/2007, thus increasing property tax revenue from \$5,823,685 to \$7,297,461. Because assessed values do not typically decline rapidly and the fact that the housing prices in Lafayette remain strong, this revenue source is considered relatively stable. It does not appear that Lafayette will be adversely affected by the current credit and foreclosure issues that currently threaten other California cities.

Sales Tax is the second largest revenue source for the City. Sales tax revenue increased by 4.43% during the year, from \$2,886,865 to \$3,014,825.

Vehicle License Fees (VLF) are 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 \$1,879,161 in 2006-2007 compared to \$2,229,873 in 2005-2006, a decrease of \$350,712 in VLF revenues which was due primarily to the end of the State's repayment of the "backfill gap". VLF fees will be replaced with a portion of the property taxes (known as the "triple flip"). This will likely benefit Lafayette since the City's property values have traditionally grown faster than the VLF.

Other opportunities for increasing revenue are limited. While the City may increase its fees for service to more closely match the expenses, any additional 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 not only for Lafayette but for all California cities.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for addition financial information should be directed to:

**City of Lafayette
Finance Department
3675 Mt Diablo Blvd
Lafayette, Ca 94549**

Cropper Accountancy Corporation

Certified Public Accountants

2977 Ygnacio Valley Road, #460
Walnut Creek, California 94598
Tel: (925) 932-3860
Fax: (925) 932-3862

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of and for the year June 30, 2007, 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 and the standards applicable to financial audits contained in "Governmental Auditing Standards", issued by the Controller General of the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis and budgetary comparison information on pages i-vii and page 37 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

October 29, 2007

CITY OF LAFAYETTE
Statement of Net Assets
June 30, 2007

Statement 1

<u>ASSETS</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 14,733,485	\$ 350,965	\$ 15,084,450
Investment in bonds	17,524,986	-	17,524,986
Accounts receivable	11,194,768	5,200	11,199,968
Notes receivable	458,525	-	458,525
Accrued interest receivable	214,215	711	214,926
Prepaid assets	433,859	22,636	456,495
Other assets	18,506	2,500	21,006
	<u>44,578,344</u>	<u>382,012</u>	<u>44,960,356</u>
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents	4,774,589	-	4,774,589
Accrued interest	23,702	-	23,702
	<u>4,798,291</u>	<u>-</u>	<u>4,798,291</u>
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	9,991,094	-	9,991,094
Land improvements	2,811,172	-	2,811,172
Buildings and improvements	806,386	-	806,386
Infrastructure	41,816,361	-	41,816,361
Equipment and Furniture	424,935	-	424,935
Construction in progress	8,757,036	-	8,757,036
	<u>64,606,984</u>	<u>-</u>	<u>64,606,984</u>
Total assets	<u>\$ 113,983,619</u>	<u>\$ 382,012</u>	<u>\$ 114,365,631</u>
 <u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 2,860,006	\$ 5,385	\$ 2,865,391
Accrued interest payable	548,917	-	548,917
Refundable deposits	1,564,060	11,796	1,575,856
Deferred revenue	41,195	289,194	330,389
Bonds payable-current	435,000	-	435,000
Total current liabilities	<u>5,449,178</u>	<u>306,375</u>	<u>5,755,553</u>
Noncurrent Liabilities:			
Accrued compensated absences	352,590	-	352,590
Bonds payable	26,160,000	-	26,160,000
Total noncurrent liabilities	<u>26,512,590</u>	<u>-</u>	<u>26,512,590</u>
Total liabilities	<u>31,961,768</u>	<u>306,375</u>	<u>32,268,143</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	38,383,583	-	38,383,583
Restricted for:			
Debt service	2,436,298	-	2,436,298
Low/moderate income housing	2,332,568	-	2,332,568
Redevelopment	15,099,647	-	15,099,647
Other	6,997,564	-	6,997,564
Unrestricted	16,772,191	75,637	16,847,828
Total net assets	<u>82,021,851</u>	<u>75,637</u>	<u>82,097,488</u>
Total liabilities and net assets	<u>\$ 113,983,619</u>	<u>\$ 382,012</u>	<u>\$ 114,365,631</u>

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, 2007

Statement 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
<i>Governmental Activities:</i>							
City council, commissions & community support	\$ 974,170	\$ -	\$ -	\$ -	\$ (974,170)	\$ -	\$ (974,170)
Administration	3,183,659	-	-	-	(3,183,659)	-	(3,183,659)
Police services	3,424,615	55,968	100,000	-	(3,268,647)	-	(3,268,647)
Public works	3,125,884	-	-	567,145	(2,558,739)	-	(2,558,739)
Infrastructure - depreciation	2,629,425	-	-	-	(2,629,425)	-	(2,629,425)
Planning & engineering	1,385,661	1,572,450	-	-	186,789	-	186,789
Interest & debt charges	1,287,148	-	-	-	(1,287,148)	-	(1,287,148)
Other	327,034	-	-	-	(327,034)	-	(327,034)
Total governmental activities	\$ 16,337,596	1,628,418	100,000	567,145	(14,042,033)	-	(14,042,033)
<i>Business Type Activities:</i>							
Recreation programs	1,022,612	1,102,279	-	-	-	79,667	79,667
Total primary government	\$ 17,360,208	\$ 2,730,697	\$ 100,000	\$ 567,145	\$ (14,042,033)	\$ 79,667	\$ (13,962,366)
General revenues:							
Property tax and Assessments					7,297,461	-	7,297,461
Sales taxes					3,014,825	-	3,014,825
Franchise taxes					1,093,899	-	1,093,899
Transient occupancy tax					628,571	-	628,571
Vehicle code fines					296,768	-	296,768
Motor vehicle in lieu tax					1,879,161	-	1,879,161
Gas Tax					451,046	-	451,046
Transfer tax					284,441	-	284,441
Parking revenues					146,410	-	146,410
Investment income					1,656,880	-	1,656,880
Other					729,239	-	729,239
					17,478,701	-	17,478,701
Transfers from Enterprise Fund, net					20,000	(20,000)	-
					17,498,701	(20,000)	17,478,701
Change in net assets					3,456,668	59,667	3,516,335
Net assets at beginning of year					78,565,183	15,970	78,581,153
Net assets at end of year					\$ 82,021,851	\$ 75,637	\$ 82,097,488

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2007

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	\$ (259,359)	\$ 6,927,862	\$ 4,754,554	\$ -
Investments	11,507,882	-	6,017,104	-
Accounts receivable	723,823	1,825	10,075,696	-
Notes Receivable	-	458,525	-	-
Accrued interest receivable	95,026	48,872	51,911	-
Prepaid expenses	60,985	-	1,275	-
Due from other funds	4,547,698	-	-	-
Other assets	17,268	-	1,238	-
Restricted Assets:				
Cash deposits and investments	-	-	3,906,239	868,350
Accrued interest receivable	-	-	23,521	181
Total assets	<u>\$ 16,693,323</u>	<u>\$ 7,437,084</u>	<u>\$ 24,831,538</u>	<u>\$ 868,531</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 925,656	\$ 1,031,133	\$ 678,556	\$ -
Claims payable	16,327	-	-	-
Loan payable	-	-	-	-
Refundable deposits	1,563,748	312	-	-
Deferred revenue	-	25,000	-	-
Due to other funds	-	-	5,153,000	-
Total liabilities	<u>2,505,731</u>	<u>1,056,445</u>	<u>5,831,556</u>	<u>-</u>
 <u>Fund Balance</u>				
Invested in capital assets				
Restricted for:				
Debt service	-	-	1,567,767	868,531
Low/moderate income housing	-	-	2,332,568	-
Redevelopment	-	-	15,099,647	-
Capital projects	-	3,710,331	-	-
Special Purpose sources	-	-	-	-
Designated for:				
Capital projects	-	2,670,308	-	-
Special purpose	-	-	-	-
General traffic control	226,500	-	-	-
Insurance	250,000	-	-	-
Vehicles	160,750	-	-	-
Redevelopment loan	4,547,698	-	-	-
Other	145,000	-	-	-
Undesignated	<u>8,857,644</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>14,187,592</u>	<u>6,380,639</u>	<u>18,999,982</u>	<u>868,531</u>
Total liabilities and fund balance	<u>\$ 16,693,323</u>	<u>\$ 7,437,084</u>	<u>\$ 24,831,538</u>	<u>\$ 868,531</u>

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2007

Statement 3

Other Governmental Funds	Total Governmental Funds
\$ 3,310,428	\$ 14,733,485
-	17,524,986
393,424	11,194,768
-	458,525
18,406	214,215
-	62,260
605,302	5,153,000
-	18,506
-	4,774,589
-	23,702
<u>\$ 4,327,560</u>	<u>\$ 54,158,036</u>
-	2,436,298
-	2,332,568
-	15,099,647
-	3,710,331
1,164,060	1,164,060
-	-
-	2,670,308
2,725,884	2,725,884
-	226,500
-	250,000
-	160,750
-	4,547,698
-	145,000
213,087	9,070,731
<u>4,103,031</u>	<u>44,539,775</u>
<u>\$ 4,327,560</u>	<u>\$ 54,158,036</u>

Total fund balances per Governmental Funds Balance Sheet		<u>\$ 44,539,775</u>
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets less accumulated depreciation		64,606,984
Bond issuance costs, unamortized		371,599
Bonds Payable are reflected in the Statement of Net Assets as liabilities, while being recognized as proceeds for governmental purposes. That is financing revenue in the year received for "governmental fund" purposes.		(26,595,000)
Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Assets. For governmental purposes interest is recorded when due, not when incurred.		
Accrued interest payable	\$ 548,917	
Accrued compensated absences	<u>352,590</u>	<u>(901,507)</u>
Subtotal		<u>37,482,076</u>
Total assets per Statement of Net Assets		<u>\$ 82,021,851</u>

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2007

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	\$ 3,209,079	\$ -	\$ 2,448,324	\$ 1,012,269
Sales and use tax (including Measure C)	2,621,785	-	-	-
Transient lodging tax	628,571	-	-	-
Franchise tax	1,093,899	-	-	-
Real property transfer tax	284,441	-	-	-
Vehicle code fines	135,538	-	-	-
Interest income	1,138,909	80,959	612,449	755
Motor vehicle in lieu tax	1,879,161	-	-	-
Grants - federal	-	358,755	-	-
Grants - state and local	-	180,681	-	-
Planning, permits and engineering	1,173,389	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	-	18,573	-	-
Park dedication fees	-	379,638	-	-
Walkway fees	-	850	-	-
Parking revenue and fees	-	-	-	-
Police	43,982	-	-	-
Abandoned vehicles	-	-	-	-
Other	515,624	198,117	1,148	-
Total	<u>12,724,378</u>	<u>1,217,573</u>	<u>3,061,921</u>	<u>1,013,024</u>
Expenditures				
City council, commissions, and community support	974,170	-	-	-
Police services	3,459,558	-	-	-
Public works	1,701,529	-	-	-
Planning and engineering	631,195	437,522	309,996	-
Administration	1,696,719	-	510,321	-
Capital projects/Depreciation	-	4,369,390	2,802,798	-
Debt service -				
Principal	-	-	100,000	320,000
Interest and charges	-	-	1,134,771	444,214
Rent and other expenses	221,019	-	-	1,874
Insurance and claims	103,492	-	-	-
Total expenditures	<u>8,787,682</u>	<u>4,806,912</u>	<u>4,857,886</u>	<u>766,088</u>
Excess (deficiency) of revenues over expenditures	3,936,696	(3,589,339)	(1,795,965)	246,936
Other financing sources				
Proceeds from bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Operating transfers - in	220,000	3,479,652	57,645	-
Operating transfers - out	<u>(2,125,466)</u>	<u>(1,572,988)</u>	<u>(57,645)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures, net of other financing sourc	2,031,230	(1,682,675)	(1,795,965)	246,936
Beginning fund balance	<u>12,156,362</u>	<u>8,063,314</u>	<u>20,795,947</u>	<u>621,595</u>
Ending fund balance	<u>\$ 14,187,592</u>	<u>\$ 6,380,639</u>	<u>\$ 18,999,982</u>	<u>\$ 868,531</u>

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2006

Statement 4

Other Governmental Funds	Total Governmental Funds																																																																																																																		
<table border="0" style="width: 100%;"> <tr><td style="width: 15%;">\$ 627,789</td><td style="width: 15%;">\$ 7,297,461</td></tr> <tr><td>393,040</td><td>3,014,825</td></tr> <tr><td>-</td><td>628,571</td></tr> <tr><td>-</td><td>1,093,899</td></tr> <tr><td>-</td><td>284,441</td></tr> <tr><td>161,230</td><td>296,768</td></tr> <tr><td>123,027</td><td>1,956,099</td></tr> <tr><td>-</td><td>1,879,161</td></tr> <tr><td>-</td><td>358,755</td></tr> <tr><td>127,709</td><td>308,390</td></tr> <tr><td>-</td><td>1,173,389</td></tr> <tr><td>451,046</td><td>451,046</td></tr> <tr><td>-</td><td>18,573</td></tr> <tr><td>-</td><td>379,638</td></tr> <tr><td>-</td><td>850</td></tr> <tr><td>146,410</td><td>146,410</td></tr> <tr><td>-</td><td>43,982</td></tr> <tr><td>11,986</td><td>11,986</td></tr> <tr><td>14,349</td><td>729,238</td></tr> <tr><td><u>2,056,586</u></td><td><u>20,073,482</u></td></tr> </table>	\$ 627,789	\$ 7,297,461	393,040	3,014,825	-	628,571	-	1,093,899	-	284,441	161,230	296,768	123,027	1,956,099	-	1,879,161	-	358,755	127,709	308,390	-	1,173,389	451,046	451,046	-	18,573	-	379,638	-	850	146,410	146,410	-	43,982	11,986	11,986	14,349	729,238	<u>2,056,586</u>	<u>20,073,482</u>	<table border="0" style="width: 100%;"> <tr><td style="width: 15%;">-</td><td style="width: 15%;">974,170</td></tr> <tr><td>-</td><td>3,459,558</td></tr> <tr><td>902,753</td><td>2,604,282</td></tr> <tr><td>-</td><td>1,378,713</td></tr> <tr><td>959,548</td><td>3,166,588</td></tr> <tr><td>-</td><td>7,172,188</td></tr> <tr><td>-</td><td>420,000</td></tr> <tr><td>-</td><td>1,578,985</td></tr> <tr><td>-</td><td>222,893</td></tr> <tr><td>-</td><td>103,492</td></tr> <tr><td><u>1,862,301</u></td><td><u>21,080,869</u></td></tr> </table>	-	974,170	-	3,459,558	902,753	2,604,282	-	1,378,713	959,548	3,166,588	-	7,172,188	-	420,000	-	1,578,985	-	222,893	-	103,492	<u>1,862,301</u>	<u>21,080,869</u>	<p>Amounts reported to governmental activities in the Statement of Activities are different because:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Net change in fund balances - total governmental funds</td> <td style="width: 10%;"></td> <td style="width: 30%; text-align: right;">\$ <u>(987,387)</u></td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>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:</td> <td></td> <td></td> </tr> <tr> <td>Cost of capital assets</td> <td style="text-align: right;">\$ 6,880,825</td> <td></td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;"><u>(2,795,371)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">4,085,454</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>The issuance of long-term debt provides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:</td> <td></td> <td></td> </tr> <tr> <td>Principal reduction applied to liability</td> <td></td> <td style="text-align: right;">406,961</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>Increase in accrued compensated absences previously classified in long-term debt fund constitutes an expense</td> <td></td> <td style="text-align: right;">(54,018)</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>Decrease in accrued interest liability previously recognized as paid constitutes an expense</td> <td></td> <td style="text-align: right;"><u>5,658</u></td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td style="text-align: right;">Subtotal</td> <td></td> <td style="text-align: right;"><u>4,444,055</u></td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td>Total change in net assets per Statement of Activities</td> <td></td> <td style="text-align: right;"><u>\$ 3,456,668</u></td> </tr> </table>	Net change in fund balances - total governmental funds		\$ <u>(987,387)</u>				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	\$ 6,880,825		Depreciation expense	<u>(2,795,371)</u>				4,085,454				The issuance of long-term debt provides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:			Principal reduction applied to liability		406,961				Increase in accrued compensated absences previously classified in long-term debt fund constitutes an expense		(54,018)				Decrease in accrued interest liability previously recognized as paid constitutes an expense		<u>5,658</u>				Subtotal		<u>4,444,055</u>				Total change in net assets per Statement of Activities		<u>\$ 3,456,668</u>
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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, 2007

Statement 5

ASSETS

Current Assets:

Cash and cash equivalents	\$ 350,965
Accounts receivable	5,200
Accrued interest receivable	711
Security deposits	2,500
Prepaid expenses	<u>22,636</u>
Total assets	<u>\$ 382,012</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 5,385
Refundable deposits	11,796
Deferred revenue	<u>289,194</u>
Total liabilities	<u>306,375</u>

NET ASSETS

Unrestricted (deficit)	<u>75,637</u>
Total net assets	<u>75,637</u>
Total liabilities and net assets	<u>\$ 382,012</u>

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Business Fund Type-Recreation Programs
Budget and Actual
For the Year Ended June 30, 2007

Statement 6

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	\$ 1,057,862	\$ 1,035,700	\$ 1,019,819	\$ (15,881)
Building rentals	35,000	44,000	59,082	15,082
Interest	3,000	3,000	1,597	(1,403)
Moraga reimbursement	16,000	16,000	18,057	2,057
Other	1,500	2,700	3,724	1,024
Total	<u>1,113,362</u>	<u>1,101,400</u>	<u>1,102,279</u>	<u>879</u>
Operating expenses				
Personnel services	486,121	485,006	459,631	25,375
Maintenance	17,660	19,000	14,418	4,582
Contractual services	420,000	380,000	462,719	(82,719)
Printing and supplies	104,300	104,300	60,559	43,741
Utilities	4,800	5,200	4,053	1,147
Rental expense	18,000	18,000	18,994	(994)
Other	4,250	4,632	2,238	2,394
Total	<u>1,055,131</u>	<u>1,016,138</u>	<u>1,022,612</u>	<u>(6,474)</u>
Operating income	58,231	85,262	79,667	(5,595)
Operating transfers - in	-	5,000	5,000	-
Operating transfers - out	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net income and operating transfers	58,231	65,262	59,667	(5,595)
Beginning retained earnings (deficit)	<u>15,970</u>	<u>15,970</u>	<u>15,970</u>	<u>-</u>
Ending retained earnings	<u>\$ 74,201</u>	<u>\$ 81,232</u>	<u>\$ 75,637</u>	<u>\$ (5,595)</u>

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

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2007

Statement 7

Cash flows from operating activities

Receipts from customers	\$ 986,166
Receipts from Building rentals, net of expense	71,582
Receipts from Interest income	922
Other receipts and payments	3,724
Payments for contractual services	(462,719)
Payments for printing and supplies	(54,438)
Payments to employees	(459,631)
Payments for maintenance	(14,418)
Payments for utilities	(4,053)
Net cash provided by operating activities	<u>67,135</u>

Cash flows from noncapital financing activities

Net transfers to General Fund, net	<u>(20,000)</u>
Net increase in cash deposits and investments	47,135
Cash deposits and investments at beginning of year	<u>303,830</u>
Cash deposits and investments at end of year	<u>\$ 350,965</u>

Operating income (before operating transfers)	\$ 79,667
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	(3,584)
Security deposit	12,500
Prepaid expenses	24,824
Increase (decrease) in liabilities	
Accounts payable	2,529
Refundable deposits and deferred revenue	<u>(48,801)</u>
Net cash provided by operating activities	<u>\$ 67,135</u>

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2007
Index

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Fund Accounting Requirements
- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
- D. Debt Restrictions and Covenants
- E. Fund Equity (Deficit)

NOTE 3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

- A. Cash and Investments
- B. Restricted Assets
- C. Accounts Receivable
- D. Capital Assets
- E. Accounts Payable
- F. Long-term Debt
- G. Interfund Transactions and Balances
- H. Fund Equity

NOTE 4. OTHER NOTES

- A. Employee Benefit Plans
- B. Risk Management
- C. Commitments and Contingencies
- D. Subsequent Events
- E. New Accounting Pronouncements

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. Financial Reporting Entity

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

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

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

Blended Component Units

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

Discretely Presented Component Units

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

Blended component unit - Redevelopment Agency

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

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

The Redevelopment Fund includes separate accounting funds for low-income housing, library project and Veteran's Hall and a debt service fund to track bond obligations. The Redevelopment Agency had a combined fund balance of \$8,787,720 (see note 2.E.). Financing is accomplished by means of interfund loans from the General Fund of \$4,547,698 (at 8% interest), a loan with an outstanding balance of \$605,302 from another fund of the City being paid over a remaining period of 17 years with interest at 8%, and tax allocation bonds outstanding of \$17,040,000. The fund balance will increase and the debt service will decrease in future periods from Redevelopment incremental tax allocation revenues. Pursuant to an agreement dated April 2006, the Agency transferred title of the Veteran's Building to Contra Costa County.

1. B. Basis of Presentation

Government-wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary (business type), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

- 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 principle 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."

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Notes to Financial Statements
June 30, 2007

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, 2007.

Major and non-major funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund	Primary operating Fund of the City
Capital Project Fund	Accounts for specific capital projects
Debt Service Fund	Accounts for resources for payment of interest and principal of long-term debt.
Redevelopment Agency Funds	Accounts for the Redevelopment Agency funding and projects
Non-major:	
All Special Revenue Funds:	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows:
	<ul style="list-style-type: none">• Parking programs• Vehicle abatement• Senior transportation• Police services special fund• Gasoline tax• Measure C - Return-to-source• Supplemental law enforcement• Assessment District-Street Lighting• Assessment District-Core Area Maintenance• Assessment District-Storm Water Pollution

1. C. Measurement Focus and Basis of Accounting

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

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Measurement focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund (business-type) utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds (when applicable) are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

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1. D. Assets, Liabilities, and Equity

Cash and investments

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

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

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. In addition, there is a 20 year note (16 remaining) payable from the Redevelopment Agency to another governmental fund in the amount of \$605,302 at June 30, 2007. 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.

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Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

Restricted assets

Restricted assets include cash and investments of the debt service fund that are legally restricted as to their use, which is for the payment of long-term debt obligations. In addition, certain redevelopment assets are restricted for low/moderate income housing expenditures (see Note 3.H.). Certain capital project funds and special revenue funds are restricted by the sources for specific purposes such as gas tax, measure C (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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

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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 is recorded as non-current debt in the government-wide statements.

Equity classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

1. E. Revenues, Expenditures, and Expenses

Property tax and assessments

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the \$1.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service.

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

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

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

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

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

Sales tax

The State presently levies an 8.25% 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 8.25% sales tax also includes some "Measure C" funds which is allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA).

Other taxes

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

Operating revenues and expenses

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

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Notes to Financial Statements
June 30, 2007

Expenditures / expenses

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

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

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

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

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

Interfund transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

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

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

CITY OF LAFAYETTE
Notes to Financial Statements
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2. B. Deposits and Investments Laws and Regulations

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits. The first \$100,000 of each institution's deposits are covered by FDIC insurance.

The City may waive collateral requirements for deposits, which are insured by federal depository insurance. The City had not waived such requirements as of June 30, 2007.

2. C. Revenue Restrictions

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

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

For the year ended June 30, 2007, the City complied, in all material respects, with these revenue restrictions.

2. D. Debt Restrictions and Covenants

General obligation debt

- Authority of Issuance

The General Obligation Bonds (G.O. Bonds) were issued to finance the repair and reconstruction of the City's roads and drains. The Bonds constitute a portion of the total authorized amount of \$13,000,000 of general obligation bonds of the City duly authorized by at least two-thirds of the qualified voters of the City voting at an election on March 7, 1995. The City had previously issued \$10,320,000 of bonds under this authorization. In the fiscal year ended June 30, 2004, the City issued an additional \$6,035,000 of General Obligation Bonds of which \$4,791,110 were placed in trust for the retirement of previously issued G.O. Bonds. The Bonds are issued pursuant to the provisions of Article 1 of Chapter 4 (commencing with Section 43600) of Division 4 of Title 4 of the Government Code of the State of California and other applicable laws, and pursuant to the Paying Agent Agreement dated as of February 1, 2002, by and between the City and Wells Fargo Bank, acting as paying agent, as authorized by the City Council by a resolution adopted on January 28, 2002. On July 15, 2005, \$5,170,000, the remaining balance of the 1995 G.O. Bond issue was retired in full with interest due thereon of \$152,293 and a call premium of \$100,800.

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The liability for the two issues of general obligation bonds was as follows at June 30, 2007:

	<u>Original Issue</u>	<u>Total Outstanding</u>	<u>Due in Fiscal year June 30, 2007</u>
2002 Issue	\$ 4,320,000	\$ 3,960,000	\$ 100,000
2004 Issue	6,035,000	5,595,000	230,000
	<u>\$ 10,355,000</u>	<u>\$ 9,555,000</u>	<u>\$ 330,000</u>

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

- Assessed Valuation of Property Within the City

As required by State law, the City utilizes the services of the County for the assessment and collection of taxes for City purposes. City taxes are collected at the same time and on the same tax rolls as are County, school district, and other special district taxes. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code.

For Fiscal Year 2006-07, the City's total secured and unsecured assessed valuation is \$4,712,484,211 (full cash value).

Other long-term debt- Redevelopment Fund debt

To help finance Redevelopment projects, on August 6, 2002 and on November 9, 2005, the Redevelopment Agency issued bonded indebtedness, which will be repaid using redevelopment tax increment. A principal payment of \$75,000 was scheduled and made on August 1, 2005. A principal payment of \$100,000 was made on August 1, 2006. Refer to note 3.F. on long term debt.

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 \$8,787,720. The Fund equity is calculated as follows:

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Notes to Financial Statements
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Total Fund Balance (deficit) on a "Governmental Fund" basis	\$ 18,999,982
Add fixed assets capitalized	6,803,578
Deduct accrued interest on debt payable	(347,439)
Record prepaid debt issuance costs, net of amortization	371,599
Debt Payable – long and short term	<u>(17,040,000)</u>
Net Assets - Redevelopment Fund	<u>\$ 8,787,720</u>

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3. A. Cash and Investments

The City had the following cash and investments at June 30, 2006:

Cash and Cash Equivalents:

		<u>Moody Rating</u>
Deposits in Banks	\$ 3,282,939	N/A
Petty Cash	1,799	N/A
Local Agency Investment Fund - State of California	<u>15,456,781</u>	N/A
Total Cash and Cash Equivalents	<u>18,741,519</u>	
Investment in mutual funds	6,834,774	AAA
Investment in U.S. Treasury and Federal Agency Bonds, at market value, Maturing July 2007 to March 2009, Par \$ 11,976,864 (see listing which follows)	<u>11,807,732</u>	AAA
	<u>18,642,506</u>	
Total Cash and Investments	<u>\$ 37,384,025</u>	

Reconciliation to financial statements:

Unrestricted:

Cash and cash equivalents	\$ 15,084,450
Investments in bonds and mutual funds	<u>17,524,986</u>
Unrestricted cash and investments	<u>32,609,436</u>

Restricted for debt service and low and moderate housing:

Cash and equivalents	4,474,739
Investment in bonds	<u>299,850</u>
	<u>4,774,589</u>

Total	<u>\$ 37,384,025</u>
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CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

3. A. Cash and Investments (continued)

The City's investments with LAIF at June 30, 2007 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, 2007, the City had \$15,456,781 invested in LAIF, which had invested 4.26% of the pool investment fund in structured notes and asset-backed securities.

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

	<u>PAR</u>	<u>Percentage</u>	<u>Dates</u>	<u>Market Value</u>	<u>Rating</u>
<u>Federal Agency</u>					
FHLMC Global Ref Notes	\$ 2,900,000	4.375-4.625	11/16/07-12/19/08	\$ 2,884,125	AAA
FHLB TAP Notes	1,000,000	5.25	3/13/2009	1,000,630	AAA
FNMA Notes	2,000,000	4.20-5.125	7/13/07-8/8/08	1,998,130	AAA
FHLMC Discount Note	2,000,000	discount	4/18/2008	1,919,000	AAA
FNMA Discount Note	2,055,000	discount	12/7/2007	2,009,173	AAA
First America Government	696,864	4.92	10/16/2007	696,864	AAA
General Electric Capt Cor	1,025,000	com. paper	12/14/2007	999,960	A-1 +
Total PFM Asset Management	<u>11,676,864</u>			<u>11,507,882</u>	
Federal National Mortgage Assn	<u>300,000</u>			<u>299,850</u>	
	<u>\$ 11,976,864</u>			<u>\$ 11,807,732</u>	

At June 30, 2007, the carrying amount of the City's deposits was \$3,282,939. Bank balances before reconciling items were \$3,812,672 (before deducting outstanding checks) at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

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

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According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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

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

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

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

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

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

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

Unrealized gain/(loss) in changes in fair value of investments	\$ 104,248
Interest income (all investments)	1,851,851
Total investment income	\$ <u>1,956,099</u>

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

CITY OF LAFAYETTE
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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 (see note 3.H.):

	Debt Service	Low/moderate Housing Income	Total
Cash and equivalents	\$ 2,430,239	\$ 2,344,350	\$ 4,774,589
Accrued interest	6,059	17,643	23,702
Total restricted assets	\$ 2,436,298	\$ 2,361,993	\$ 4,798,291

3. C. Accounts Receivable

The amount of accounts receivable for the business-type activities was \$5,200 at June 30, 2007. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2007. They include:

California State library grant (RDA)	\$ 10,075,696
Department of Transportation (Federal/State)	374,969
Sales tax	355,500
Transient occupancy tax	157,523
Franchise taxes	97,146
Transfer tax	32,207
Vehicle code fines	38,867
Other	62,860
	\$ 11,194,768

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3. D. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

Governmental Activities	Balance June 30, 2006	Additions	Capitalized Work in Progress	Transfer to Contra Costa County	Balance June 30, 2007
<i>Capital Assets:</i>					
Land, easements, and right of way:					
City	7,986,650	-	-	-	7,986,650
RDA	2,004,444	-	-	-	2,004,444
Land improvements	3,443,611	-	75,179	-	3,518,790
Building/improvements	1,232,292	-	-	-	1,232,292
Infrastructure	84,188,975	-	3,430,165	-	87,619,140
Equipment and furniture	1,059,672	242,518	-	-	1,302,190
Construction in progress					-
City	3,094,066	4,369,180	(3,505,344)	-	3,957,902
RDA	2,530,007	2,269,127	-	-	4,799,134
Total capital assets at cost	<u>105,539,717</u>	<u>6,880,825</u>	<u>-</u>	<u>-</u>	<u>112,420,542</u>
<i>Accumulated depreciation:</i>					
Land improvements	535,437	172,181	-	-	707,618
Building/improvements	407,035	18,871	-	-	425,906
Infrastructure	43,364,406	2,438,373	-	-	45,802,779
Equipment and furniture	711,309	165,946	-	-	877,255
Total accum. Depreciation	<u>45,018,187</u>	<u>2,795,371</u>	<u>-</u>	<u>-</u>	<u>47,813,558</u>
Total capital assets, net	<u>60,521,530</u>	<u>4,085,454</u>	<u>-</u>	<u>-</u>	<u>64,606,984</u>

Current Depreciation

Administration	\$ 6,633
Public Works	47,913
Infrastructure and related improvements	2,629,425
Police services	103,803
Planning & engineering	6,948
Rentals	<u>649</u>
Total depreciation	<u>\$ 2,795,371</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

3. E. Accounts Payable

Payables in the governmental funds and enterprise fund are composed of payables to various vendors.

3. F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling \$9,555,000 and Redevelopment tax allocation bonds of \$17,040,000 to be repaid from governmental activities (see note 2.D.).

A summary of fiscal year ended June 30, 2007 general long-term debt transactions as follows:

	<u>Interest Rates</u>	<u>Balance June 30, 2006</u>	<u>Principal Retirement</u>	<u>Balance June 30, 2007</u>
<i>Redevelopment:</i>				
Tax allocation bonds				
Bonds issued FY 2003				
Matures to FY 2033	2.25 - 5.3%	\$ 5,460,000	\$ 100,000	\$ 5,360,000
Bonds issued FY 2005				
Matures to FY 2030	3.0 -4.7%	11,680,000	-	11,680,000
<i>General Obligation:</i>				
Bonds Issued FY 2002				
Matures to FY 2026	3.5 to 5%	4,055,000	95,000	3,960,000
Bonds Issued FY 2004				
Matures to FY 2026	2.0 to 4.7%	<u>5,820,000</u>	<u>225,000</u>	<u>5,595,000</u>
Totals		<u>\$ 27,015,000</u>	<u>\$ 420,000</u>	<u>\$ 26,595,000</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

The following is the debt service obligations to general obligation bonds issued in fiscal year 2003:

	General Obligation Bonds - Issued 2002		
	Principal	Interest	Total
Payments due in fiscal years ending June 30;			
2008	\$ 100,000	\$ 197,051	\$ 297,051
2009	110,000	191,801	301,801
2010	110,000	186,301	296,301
2011	115,000	180,676	295,676
2012	125,000	174,676	299,676
2013-2017	700,000	773,576	1,473,576
2018-2022	905,000	577,278	1,482,278
2023-2026	1,795,000	225,628	2,020,628
	\$ 3,960,000	\$ 2,506,987	\$ 6,466,987

The following are the debt service obligation related to general obligation bonds issued in fiscal year 2004:

	General Obligation Bonds - Issued 2004		
	Principal	Interest	Total
Payments due in fiscal years ending June 30;			
2008	\$ 230,000	\$ 237,162	\$ 467,162
2009	230,000	231,413	461,413
2010	245,000	223,638	468,638
2011	260,000	213,538	473,538
2012	265,000	202,176	467,176
2013-2017	1,535,000	805,268	2,340,268
2018-2022	1,880,000	441,372	2,321,372
2023-2026	950,000	59,456	1,009,456
	\$ 5,595,000	\$ 2,414,023	\$ 8,009,023

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

<u>Redevelopment Tax Allocation Bonds - Issued 2003</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2008	\$ 105,000	\$ 290,610	\$ 395,610
2009	110,000	286,468	396,468
2010	115,000	281,824	396,824
2011	115,000	276,821	391,821
2012	125,000	271,388	396,388
2013-2017	710,000	1,259,146	1,969,146
2018-2022	910,000	1,044,740	1,954,740
2023-2027	1,205,000	745,703	1,950,703
2028-2032	1,590,000	346,438	1,936,438
2033	375,000	10,781	385,781
	<u>\$ 5,360,000</u>	<u>\$ 4,813,919</u>	<u>\$ 10,173,919</u>

<u>Redevelopment Tax Allocation Bonds - Issued 2005</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payments due in fiscal years ending June 30;			
2008	\$ -	\$ 541,301	\$ 541,301
2009	80,000	540,101	620,101
2010	195,000	535,781	730,781
2011	220,000	529,086	749,086
2012	220,000	521,661	741,661
2013-2017	1,270,000	2,456,109	3,726,109
2018-2022	1,580,000	2,139,854	3,719,854
2023-2027	1,960,000	1,744,638	3,704,638
2028-2032	2,465,000	1,230,473	3,695,473
2033-2036	3,690,000	390,000	4,080,000
	<u>\$ 11,680,000</u>	<u>\$ 10,629,004</u>	<u>\$ 22,309,004</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2007:

	Paid	Incurred
General obligation bonds - 2002 issue	201,926	199,749
General obligation bonds - 2004 issue	242,287	240,224
Redevelopment tax allocation bonds-2003 issue	294,252	292,836
Redevelopment tax allocation bonds-2005 issue	541,301	541,300
	\$ 1,279,766	1,274,109

3. G. Interfund Transactions and Balances

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

Fund	Transfers In	Transfers Out
General Fund	\$ 220,000	2,125,466
Capital project funds	3,479,652	1,572,988
Redevelopment agency	57,645	57,645
Other governmental funds	628,613	609,811
Subtotal	4,385,910	4,365,910
Proprietary fund	-	20,000
	\$ 4,385,910	4,385,910

The Redevelopment Agency has borrowed \$4,547,698 (at 8% per annum) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund has borrowed \$605,302 from another City fund to be repaid over a 20 year period at 8% (17 years remaining), also to be paid out of future ad valorem revenues.

3. H. Fund Equity

Restricted fund equity / net assets (see note 3.B.):

Debt Service Fund	\$ 2,436,298
Low/moderate income housing fund, net of accounts Payable	2,332,568
Total restricted for debt service	\$ 4,768,866

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

NOTE 4. OTHER NOTES

4. A. Employee Benefit Plans

Employees' retirement plan

The City has established defined contribution retirement plans (Plans) for all permanent full-time and part-time (working 20 or more hours per week) employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes between \$215 and \$515 per month for full-time employees, depending on the individual employee's length of service. Contributions for part-time employees are based on a pro rata share of the full-time contribution based on hours worked. Employees are under no obligation to contribute to the Plans. Employees are fully vested in the City's contributions (and interest allocated to the employee's account) after five years' continuous service by the employee. City contributions and interest forfeited by employees who leave employment before five-year service are used to reduce the City's current-period contribution requirement.

The City's total payroll in fiscal year 2007 was approximately \$2,890,000. Contributions to the plans totaled \$415,666 including employer and employee.

The following summarizes transactions in the Plan for the year ended June 30, 2007:

Defined contribution retirement plan:	
Balance June 30, 2006	\$ 2,705,960
Contributions	415,666
Loan issuances	(39,262)
Loan repayments	470
Disbursements, net	(83,778)
Earnings	441,402
Balance June 30, 2007	\$ <u>3,440,458</u>

Employee Retirement Contribution

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

Tenure-Based Contribution System

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

Salary -Based Contribution System

The City shall make monthly contribution toward a retirement fund for each regular employee. The contribution shall equal 9% of the employee's base salary. In addition, for every \$1.00 contributed by the

employee to his/her retirement fund up to 4% of base salary, the City will contribute 50 cents. Employees may choose to be placed on the Salary-Based Contribution System at any time. However, once this option has been exercised, the employee may not revert back to the Tenure-Based Contribution System.

Employees are not required to make voluntary contributions to this 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.

Deferred compensation plan

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

The following summarizes transactions in the Plan for the year ended June 30, 2007:

Deferred compensation plan:	
Balance June 30, 2006	\$ 3,609,902
Contributions	289,619
Disbursements	(22,032)
Earnings	621,568
Balance June 30, 2007	\$ <u>4,499,057</u>

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

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, 2007:

	Participating Cities' Total <u>Coverage</u>	Deductible <u>(City Portion)</u>
All risk fire and property	\$ 700,000,000	\$ 5,000
Boiler and machinery	\$ 100,000,000	\$ 5,000
Liability	\$ 19,000,000	\$ 5,000
Auto-physical damage	\$ 250,000	\$ 2,000
Workers' compensation	\$ 150,000,000	\$ 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 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

4. D. Subsequent Events – Redevelopment Agency of the City of Lafayette

Lafayette City Library

The Redevelopment Agency (the “Agency”) is in the process of developing the former Veteran’s Memorial Hall property in Lafayette into a new library. As of June 30, 2007, \$6,803,578 has been expended and capitalized for the new library.

4. E. New Accounting Pronouncements

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

Current financial reporting practices for OPEB are generally based on pay-as-you-go financing approaches. Current financial reporting practices fail to measure or recognize the cost of OPEB during the periods when employees render the services, or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The City will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009 (effective for “fiscal years beginning after December 31, 2007”).

The City is in the process of determining the impact the implementation of the Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASBS No. 46, Net Assets Restricted by Enabling Legislation. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions. This statement does not have a material effect on the City.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2007

In September of 2006, GASB issued GASBS No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The District is required to implement the provisions of this statement for the fiscal year ending June 30, 2008 (effective for periods beginning after December 15, 2006). We do not expect this statement to have a material effect on the financial statements of the City

In November of 2006, GASB issued GASBS No. 49, *Accounting and Financial Reporting Pollution Remediation Obligations*. The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for “periods beginning after December 15, 2007”). This standard addresses current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as a landfill closure. This statement may have a material effect on the financial statements of the City

In May of 2007, GASB issued GASBS No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2008 (effective for periods beginning after June 15, 2007). This Statement aligns more closely the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

CITY OF LAFAYETTE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2007

Exhibit 1

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	\$ 2,711,625	\$ 2,742,058	\$ 3,209,079	\$ 467,021
Sales and use tax	2,671,476	2,614,419	2,621,785	7,366
Transient lodging tax	550,000	550,000	628,571	78,571
Franchise tax	950,000	950,000	1,093,899	143,899
Real property transfer tax	268,566	293,873	284,441	(9,432)
Vehicle code fines	200,000	200,000	135,538	(64,462)
Interest income	450,000	450,000	1,138,909	688,909
Motor vehicle in lieu tax	1,494,775	1,720,500	1,879,161	158,661
Planning, permits and fees	870,000	885,000	1,173,389	288,389
Police services	50,000	50,000	43,982	(6,018)
Other	86,350	92,800	515,624	422,824
	<u>10,302,792</u>	<u>10,548,650</u>	<u>12,724,378</u>	<u>2,175,728</u>
Expenditures				
City council, commissions and community support				
City council	282,556	359,056	201,661	157,395
Commissions and committees	874,241	843,605	772,509	71,096
Police services	3,742,432	3,742,132	3,459,558	282,574
Public works				
Street maintenance	835,617	840,995	793,923	47,072
Traffic maintenance	341,175	348,722	279,277	69,445
Parks and walkway maintenance	458,377	491,412	367,276	124,136
Facilities maintenance	197,218	225,105	216,423	8,682
Emergency response	432,538	432,538	44,630	387,908
Planning and engineering				
Planning department	440,686	465,888	445,639	20,249
Engineering department	196,432	199,973	185,556	14,417
Administration				
City management	367,512	396,438	383,383	13,055
Legal services	292,000	572,000	561,938	10,062
City clerk	147,868	142,051	132,701	9,350
Finance and personnel	546,130	566,539	504,143	62,396
Technology services	125,077	146,044	114,554	31,490
Business registration fees	-	-	-	-
Rent and other expenses	117,108	225,437	221,019	4,418
Insurance - premiums and claims	135,417	126,105	103,492	22,613
	<u>9,532,384</u>	<u>10,124,040</u>	<u>8,787,682</u>	<u>1,336,358</u>
Excess of revenues over expenditures	770,408	424,610	3,936,696	3,512,086
Other financing sources				
Operating transfers - in	-	450,000	220,000	(230,000)
Operating transfers - out	-	(3,179,237)	(2,125,466)	1,053,771
Excess (deficiency)of revenues over expenditures and other financing sources	770,408	(2,304,627)	2,031,230	4,335,857
Beginning fund balance	<u>12,156,362</u>	<u>12,156,362</u>	<u>12,156,362</u>	<u>-</u>
Ending fund balance	<u>\$ 12,926,770</u>	<u>\$ 9,851,735</u>	<u>\$ 14,187,592</u>	<u>\$ 4,335,857</u>

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

CITY OF LAFAYETTE
 Redevelopment Agency
 Combining Fund Balance Sheet
 For the Year Ended June 30, 2007

Exhibit 2

<u>ASSETS</u>	Capital Projects Funds				Total	
	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Cash	\$ 111,361	2,275,597	\$ 2,386,958	-	-	\$ 2,386,958
Investments	-	6,017,104	6,017,104	-	-	6,017,104
Redevelopment Interfund Balances	849,166	(849,166)	-	-	-	-
Local Agency Investment Fund	2,366,240	1,356	2,367,596	-	-	2,367,596
Accounts receivable	-	10,075,696	10,075,696	-	-	10,075,696
Accrued interest receivable	32,678	19,233	51,911	-	-	51,911
Other assets	-	2,513	2,513	-	-	2,513
Restricted assets for:						
Cash and investments	-	-	-	1,561,889	2,344,350	3,906,239
Accrued interest receivable	-	-	-	5,878	17,643	23,521
Total assets	\$ 3,359,445	\$ 17,542,333	\$ 20,901,778	\$ 1,567,767	\$ 2,361,993	\$ 24,831,538

LIABILITIES AND FUND BALANCE

Accounts payable and accrued liabilities	\$	\$ 649,131	-	-	-	\$ 678,556
Advances from general fund	2,904,288	1,643,410	4,547,698	-	-	4,547,698
Loan payable interfund	605,302	-	605,302	-	-	605,302
Total liabilities and other credits	3,648,400	2,153,731	5,802,131	-	29,425	5,831,556
Fund balances						
Restricted for:						
Debt service	-	-	-	1,567,767	-	1,567,767
Low/moderate income housing	-	-	-	-	2,332,568	2,332,568
Other	(288,955)	15,388,602	15,099,647	-	-	15,099,647
Unrestricted	-	-	-	-	-	-
Fund balance	(288,955)	15,388,602	15,099,647	1,567,767	2,332,568	18,999,982
Total liabilities and fund balance	\$ 3,359,445	\$ 17,542,333	\$ 20,901,778	\$ 1,567,767	\$ 2,361,993	\$ 24,831,538

CITY OF LAFAYETTE
 Redevelopment Agency
 Combining Fund Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For the Year Ended June 30, 2007

	Capital Projects Funds		Total Capital Projects	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
	General Projects	Library Project				
Revenues						
Tax increment revenue	\$ 1,457,284	\$ -	\$ 1,457,284	\$ 394,252	\$ 596,788	\$ 2,448,324
Investment income	58,120	462,103	520,223	49,855	42,371	612,449
Other revenue	197	951	1,148	-	-	1,148
Total revenues	<u>1,515,601</u>	<u>463,054</u>	<u>1,978,655</u>	<u>444,107</u>	<u>639,159</u>	<u>3,061,921</u>
Expenditures						
Administrative costs	104,328	262,219	366,547	-	44,474	411,021
Assessment District bond principal	-	-	-	100,000	-	100,000
Planning and design	107,133	322	107,455	-	-	107,455
Improvement costs	-	2,281,628	2,281,628	-	-	2,281,628
Interest expense	177,485	121,734	299,219	835,553	-	1,134,772
Professional services	140,873	-	140,873	-	56,627	197,500
Community promotion	132	4,909	5,041	-	-	5,041
Subsidies	-	-	-	-	-	-
Loss on Veterans Hall	521,170	-	521,170	-	-	521,170
Other expenses	8,926	68,396	77,322	-	21,977	99,299
Total expenditures	<u>1,060,047</u>	<u>2,739,208</u>	<u>3,799,255</u>	<u>935,553</u>	<u>123,078</u>	<u>4,857,886</u>
Excess (deficiency) of revenues over expenditures	<u>455,554</u>	<u>(2,276,154)</u>	<u>(1,820,600)</u>	<u>(491,446)</u>	<u>516,081</u>	<u>(1,795,965)</u>
Other financing sources (uses):						
Proceeds from Bonds	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Operating transfers - in	-	-	-	57,645	-	57,645
Operating transfers - out	(57,645)	-	(57,645)	-	-	(57,645)
Total other financing sources (uses)	<u>(57,645)</u>	<u>-</u>	<u>(57,645)</u>	<u>57,645</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures, net of other financing sources	397,909	(2,276,154)	(1,878,245)	(433,801)	516,081	(1,795,965)
Beginning fund balance	(686,864)	17,664,756	16,977,892	2,001,568	1,816,487	20,795,947
Ending fund balance	<u>\$ (288,955)</u>	<u>\$ 15,388,602</u>	<u>\$ 15,099,647</u>	<u>\$ 1,567,767</u>	<u>\$ 2,332,568</u>	<u>\$ 18,999,982</u>

THE CITY OF LAFAYETTE
 Capital Projects
 Combining Funds Balance Sheet
 June 30, 2007

Exhibit 4

ASSETS	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Cash and investments	\$ 1,325,333	\$ 193,079	\$ 1,645,446	\$ 123,437	\$ 248,852	\$ 1,939,037	\$ 1,452,678	\$ 6,927,862
Accounts receivable	-	-	1,825	-	-	-	-	1,825
Accrued interest receivable	6,675	52	678	28	62	23,832	17,545	48,872
Notes receivable	-	-	-	-	-	458,525	-	458,525
Total assets	\$ 1,332,008	\$ 193,131	\$ 1,647,949	\$ 123,465	\$ 248,914	\$ 2,421,394	\$ 1,470,223	\$ 7,437,084
LIABILITIES AND FUND BALANCE								
Accounts payable and accrued liabilities	\$ 370,128	-	\$ 661,005	\$ -	-	\$ -	\$ -	\$ 1,031,133
Deferred Revenue	-	-	25,000	-	-	-	-	25,000
Project deposits	-	-	312	-	-	-	-	312
Total liabilities	370,128	-	686,317	-	-	-	-	1,056,445
Fund Balance								
Restricted by source	961,880	193,131	961,632	123,465	-	-	1,470,223	3,710,331
Designated	-	-	-	-	248,914	2,421,394	-	2,670,308
Total fund balance	961,880	193,131	961,632	123,465	248,914	2,421,394	1,470,223	6,380,639
Total liabilities and net assets	\$ 1,332,008	\$ 193,131	\$ 1,647,949	\$ 123,465	\$ 248,914	\$ 2,421,394	\$ 1,470,223	\$ 7,437,084

THE CITY OF LAFAYETTE
Capital Projects
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2007

Exhibit 5

	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues								
Interest income	\$ 14,343	\$ 216	\$ 1,259	\$ 116	\$ 258	\$ 25,449	\$ 39,318	\$ 80,959
Grants - federal	-	-	-	-	-	-	-	-
Grants - state and local	-	-	539,436	-	-	-	-	539,436
Drainage Impact fees	-	60	-	18,513	-	-	-	18,573
Walkways fees	-	850	-	-	-	-	-	850
Park dedication fees	379,638	-	-	-	-	-	-	379,638
Other revenues and donations	74,614	-	123,503	-	-	-	-	198,117
Total revenues	<u>468,595</u>	<u>1,126</u>	<u>664,198</u>	<u>18,629</u>	<u>258</u>	<u>25,449</u>	<u>39,318</u>	<u>1,217,573</u>
Expenditures								
Capital projects	526,887	-	3,842,293	-	210	-	-	4,369,390
Administration	32,890	-	404,634	-	-	-	-	437,524
Total expenditures	<u>559,777</u>	<u>-</u>	<u>4,246,927</u>	<u>-</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>4,806,914</u>
Excess (deficiency) of revenues over expenditures	<u>(91,182)</u>	<u>1,126</u>	<u>(3,582,729)</u>	<u>18,629</u>	<u>48</u>	<u>25,449</u>	<u>39,318</u>	<u>(3,589,341)</u>
Other financing sources:								
General obligations bonds issued	-	-	-	-	-	-	-	-
Operating transfers - in	73,423	-	3,391,229	-	15,000	-	(1,572,988)	3,479,652
Operating transfers - out	-	-	-	-	-	-	-	(1,572,988)
Excess (deficiency) of revenues over expenditures, net of other financing sources	<u>(17,759)</u>	<u>1,126</u>	<u>(191,500)</u>	<u>18,629</u>	<u>15,048</u>	<u>25,449</u>	<u>(1,533,670)</u>	<u>(1,682,677)</u>
Beginning fund balance	979,639	192,005	1,153,132	104,836	233,866	2,395,945	3,003,893	8,063,316
Ending net fund balance	<u>\$ 961,880</u>	<u>\$ 193,131</u>	<u>\$ 961,632</u>	<u>\$ 123,465</u>	<u>\$ 248,914</u>	<u>\$ 2,421,394</u>	<u>\$ 1,470,223</u>	<u>\$ 6,380,639</u>

CITY OF LAFAYETTE
 Other Governmental
 Combining Funds Balance Sheet
 As of June 30, 2007

Exhibit 6

ASSETS	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return to Source	Supplemental Law Enforcement	Street Lighting	Assessment Districts		Total Other Governmental Funds
									Core Area Maintenance	Stormwater Pollution	
Cash deposits and investments	\$ 2,139,623	\$ 3,425	\$ 37,917	43,876	\$ 477,775	\$ (303,330)	\$ 4,163	\$ 105,708	\$ 378,751	\$ 422,520	\$ 3,310,428
Accounts receivable	14,657	2,817	-	-	-	374,969	-	-	-	981	393,424
Note receivable	605,302	-	-	-	-	-	-	-	-	-	605,302
Accrued interest receivable	16,205	5	-	-	1,961	6	30	29	84	86	18,406
Total assets	\$ 2,775,787	6,247	37,917	43,876	479,736	71,645	4,193	105,737	378,835	423,587	4,327,560
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	\$ 59,581	\$ 1,506	\$ 4,179	\$ -	\$ -	21,812	\$ -	\$ 1,017	\$ 71,329	\$ 48,910	\$ 208,334
Deferred Revenue	-	-	-	16,195	-	-	-	-	-	-	16,195
Total liabilities	59,581	1,506	4,179	16,195	-	21,812	-	1,017	71,329	48,910	224,529
Fund Balance											
Restricted Designated	-	4,741	33,738	-	479,736	49,833	4,193	104,720	307,506	374,677	1,320,665
Total fund balance	2,716,206	4,741	33,738	27,681	479,736	49,833	4,193	104,720	307,506	374,677	2,782,366
Total liabilities and fund balance	\$ 2,775,787	\$ 6,247	\$ 37,917	\$ 43,876	\$ 479,736	\$ 71,645	\$ 4,193	\$ 105,737	\$ 378,835	\$ 423,587	\$ 4,327,560

CITY OF LAFAYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2007

Exhibit 7

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return To Source	Supplemental Law Enforcement	Assessment Districts			Total Other Governmental Funds
								Street Lighting	Core Area Maintenance	Stormwater Pollution	
Revenues											
Parking revenue	\$ 139,966	\$ -	\$ -	\$ 6,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,410
Vehicle code fines	161,230	-	-	-	-	-	-	-	-	-	161,230
Property tax and assessments	-	-	-	-	-	-	-	-	-	-	627,789
Interest income	117,403	22	-	77	4,583	18	95	120	349	360	123,027
Gas tax	-	-	-	0	451,046	-	-	-	-	-	451,046
Sales tax - Measure C	-	-	-	-	-	393,040	-	-	-	-	393,040
Abandoned vehicles	-	11,986	-	-	-	-	-	-	-	-	11,986
Grants - state	-	-	-	27,709	-	-	100,000	-	-	-	127,709
Other revenue	-	-	12,638	730	-	-	-	-	-	981	14,349
Total revenues	418,599	12,008	12,638	34,960	455,629	393,058	100,095	18,558	241,198	369,843	2,056,586
Expenditures											
Public works	-	-	-	-	-	-	-	-	-	-	902,753
Administration	372,460	42,481	57,003	7,279	-	84,211	396,114	13,215	466,969	422,569	959,548
Total expenditures	372,460	42,481	57,003	7,279	-	84,211	396,114	13,215	466,969	422,569	1,862,301
Excess (deficiency) of revenues over expenditures	46,139	(30,473)	(44,365)	27,681	455,629	308,847	(296,019)	5,343	(225,771)	(52,726)	194,285
Other financing sources											
Operating transfers - in	-	32,500	25,000	-	-	-	296,113	-	275,000	-	628,613
Operating transfers - out	-	-	-	-	(329,961)	(279,850)	-	-	-	-	(609,811)
Excess (deficiency) of revenues over expenditures, net of other financing sources	46,139	2,027	(19,365)	27,681	125,668	28,997	94	5,343	49,229	(52,726)	213,087
Beginning fund balance	2,670,067	2,714	53,103	-	354,068	20,836	4,099	99,377	258,277	427,403	3,889,944
Ending fund balance	\$ 2,716,206	\$ 4,741	\$ 33,738	\$ 27,681	\$ 479,736	\$ 49,833	\$ 4,193	\$ 104,720	\$ 307,506	\$ 374,677	\$ 4,103,031