CITY OF LAFAYETTE

REDEVELOPMENT AGENCY

COMPONENT UNIT FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008

(With Auditors' Report Thereon)

Cropper Accountancy Corporation

Certified Public Accountants

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2009

TABLE OF CONTENTS

		Page No.
INTRODUCTORY SECTION:		
	List of Principal Officials	
FINANCIAL SECTION:		
	MANAGEMENT'S DISCUSSION AND ANALYSIS	i-vi
	INDEPENDENT AUDITOR'S REPORT	1
	BASIC FINANCIAL STATEMENTS:	
Statement		
	Government-wide Financial Statements:	
1	Statement of Net Assets	2
2	Statement of Activities	3
	Fund Financial Statements:	
3	Balance Sheet—Governmental Funds	4 - 5
4	Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	6
	Notes to Basic Financial Statements	7 - 26
	REQUIRED SUPPLEMENTARY INFORMATION:	
Exhibit		
1	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Budget and Actual	27
2	Independent Auditors' Report on Compliance with State Guidelines	28

CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2009

MAYOR

Don Tatzin

Term Expires November 2010

CITY COUNCIL

Brandt Andersson, Vice Mayor
Term Expires November 2010

Carl Anduri
Term Expires November 2012

Carol Federighi
Term Expires November 2012

Mike Anderson
Term Expires November 2012

CITY MANAGER

Steven B. Falk - 19 years of service

ADMINISTRATIVE SERVICE DIRECTOR

Tracy Robinson - 9 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva - 19 years of service

Management's Discussion and Analysis

Our discussion and analysis of the Lafayette Redevelopment Agency's financial performance for the fiscal year ended June 30, 2009 provides an overview of year ending results based on the government – wide statements and analysis on the Agency's overall financial position and results of operations to assist users in evaluating the Agency's financial position.

Profile of the Agency

The agency was established pursuant to the Redevelopment Law and is charged with the authority and responsibility of redeveloping and improving blighted areas of the City.

The agency was created by the City Council Ordinance No. 126 adopted on May 1, 1974. The Agency was established pursuant to the Community Redevelopment Law of California. The Redevelopment Plan was adopted by the Agency on December 27, 1994. The project Area occupies approximately 290 acres located in the downtown area and constitutes approximately 3% of the land area of the City. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

Agency Powers and Duties

All powers of the Agency are vested in five members who are also members of the City Council. The Agency exercises all the governmental functions as authorized under the Redevelopment Law and has among others powers the authority to acquire, administer, develop, lease or sell property, including the right of eminent domain. The Agency can clear buildings and other improvements and can develop as a building site any real property owned or acquired in connection with such development.

Organization

The City Council serves as the Board of Directors of the Agency. The City of Lafayette was incorporated as a general law city in 1968. The City operates under a council-manager form of government. The five Council Members are elected at large for staggered four-year term.

The Executive Director/City Manager is appointed by the Agency/Council and serves at the Board's/Council pleasure as the administrative head of the Agency and the City. The Executive Director/City Manager is responsible for appointment of all Agency and City employees except the Agency/City Attorney, who is appointed directly by the Board/Council.

Members of the Board and City Council as of June 30, 2009, and their term of office are shown below:

Member	Position	Term Expires
Don Tatzin	Agency Chair and Mayor	November 2010
Brandt Andersson	Board Member	November 2010
Mike Anderson	Board Member	November 2012
Carol Federighi	Board Member	November 2012
Carl Anduri	Board Member	November 2012

Agency and City Staff

Steven B. Falk, Executive Director and City Manager
Tracy Robinson, Administrative Services Director
Gonzalo L. Silva, Financial Services Manager
Best, Best and Krieger LLP, Agency Counsel and City Attorney.

The agency's primary source of revenue is incremental property taxes. Property taxes allocated to the Agency are computed in the following manner:

a. The assessed valuation of all property within the Project Area was frozen on the date of adoption of the Redevelopment Plan.
b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency.

LAFAYETTE REDEVELOPMENT AREA PROJECT AREA
Incremental Assessed Value 2006/2007 to 2008/2009

	2006/2007	2007/2008	2008/2009
Secure Value	557,828,158	611,251,526	656,609,210
Unsecured Value	41,670,759	35,173,302	37,717,816
Total Assessed Value	599,498,917	646,424,828	694,327,026
Less: Base Year Value	(332,248,715)	(332,248,715)	(332,248,715)
Increment Assessed Value	$267,250,202	$314,176,113	$362,078,311

LAFAYETTE REDEVELOPMENT AREA PROJECT AREA
Historical Valuations

Fiscal Year	Total Valuation	% Change	Base Year
1995-1996	332,213,008	0.10%	331,871,939
1996-1997	337,914,432	1.72%	331,871,939
1997-1998	337,228,385	-0.20%	331,871,939
1998-1999	353,792,684	4.91%	331,871,939
1999-2000	373,561,119	5.59%	331,871,939
2000-2001	403,685,530	8.06%	331,871,939
2001-2002	430,188,978	6.57%	331,871,939
2002-2003	457,217,163	6.28%	331,871,939
2003-2004	479,829,071	4.95%	332,248,715
2004-2005	501,646,923	4.55%	332,248,715
2005-2006	538,670,763	7.38%	332,248,715
2006-2007	599,498,917	11.30%	332,248,715
2007-2008	646,424,828	7.41%	332,248,715
2008-2009	694,327,026	7.40%	332,248,715

* Note: For fiscal years 2003-2004 and thereafter, The County Auditor/Controller increased the Agency's base year value from $ 331,781,939 to $ 332,248,715

LAFAYETTE REDEVELOPMENT PROJECT AREA
PROJECTED GROSS TAX INCREMENT REVENUE AND TAX REVENUES

Fiscal Year	Estimated Assessed Value (1)	Projected Incremental Value	Projected Gross Tax Incremental Revenue (2)	Projected Gross Tax Revenue to Agency (3)
2009-2010	$ 716,213,567	$ 383,964,852	$ 3,839,649	$ 2,620,280
2010-2011	730,537,838	398,289,123	3,982,891	3,022,571
2011-2012	745,148,595	412,899,880	4,128,999	3,135,332
2012-2013	782,406,024	450,157,309	4,501,573	3,250,348
2013-2014	821,526,326	489,277,611	4,892,776	3,543,638

(1) Assuming 2% growth in assess value through 2012 and 5% thereafter. Also includes $8 million in assessed value which will be coming onto the tax rolls in FY 2009-2010 from the completion of the Lafayette Mercantile
(2) Revenues based on 1% tax rate
(3) Less Housing Set Aside, County Administration and ERAF transfers

LAFAYETTE REDEVELOPMENT PROJECT AREA
Largest 2008-09 Local Secured Taxpayers

	Property Owner	Land Use	2008-09 Assessed Valuation	% of Total[1]
1.	Bascom Lafayette Highlands LLC	Apartments	$ 30,745,292	4.68%
2.	Lafayette Park Hotel Associates	Hotel	19,318,220	2.94
3.	Cortese Properties LLC / Cortese Real Property LP	Commercial	19,045,729	2.90
4.	Realty Associates Fund VI LP	Office Building	17,151,133	2.61
5.	Bay Glen LP	Apartments	15,871,957	2.42
6.	Desco Plaza I LLC & Investment LLC	Office Building	12,650,000	1.93
7.	KMF Contra Costa LLC	Apartments	12,265,348	1.87
8.	Gray Horse Investors	Office Building	11,576,806	1.76
9.	Lafayette Terrace LLC	Office Building	11,067,866	1.69
10.	Standford & Jeanette White	Industrial	9,599,545	1.46
11.	Constantine Christopoulos	Commercial	9,254,593	1.41
12.	Lemana	Office Building	9,100,271	1.39
13.	Joan E. Bruzzone	Shopping Center	8,395,493	1.28
14.	Oak Hill West Realty LLC	Office Building	8,354,956	1.27
15.	Hegenberger Land Inc.	Office Building	8,323,200	1.27
16.	Mt. Diablo Palo Verde LLC	Apartments	7,783,497	1.19
17.	Merrill Gardens at Lafayette	Commercial	7,690,542	1.17
18.	WSA Village Green LLC	Office Building	7,498,019	1.14
19.	3483 Golden Gate Way LLC	Office Building	7,492,778	1.14
20.	D Diablo LLC	Commercial	7,328,698	1.12
			$240,513,943	36.63%

STATEMENT OF NET ASSETS
Year ended June 30, 2009

	Total
Beginning Net Assets	$ 8,261,134
Increase/Decrease	$ (2,974,143)
Ending Net Assets	$ 5,286,991

The agency's net assets as of June 30, 2009 decreased by $ 2,974,143 this decrease in net assets is reflected in the Statement of Activities. The Agency's Net Assets are discussed below:

- Total assets for the Agency were $ 49,232,689 versus $ 41,274,041 an increase of $ 7,958,648 from prior year.
- Total liabilities for the Agency were $ 43,945,698 versus $ 33,012,907 from prior year, an increase of $ 10,932,791
- The net assets were $ 5,286,991 versus $ 8,261,134 a decrease of $ 2,974,149 from prior year.

ANALYSES OF MAJOR FUNDS

Capital Project Funds

The Capital Projects Funds are used to account for the acquisition or construction of capital projects.

The Fund's net revenues were $ 2,450,667 versus $ 2,142,497 from prior year, an increase of $ 308,170

Fund expenditures were $ 16,399,062 versus $ 14,180,951 from prior year, an increase of $ 2,218,111. Of the total fund expenditures, $ 14,246,171 was spent in the construction of the Library.

Low and Moderate Income Housing Fund

Of the gross tax increment received by the Agency in any year, 20% must be deposited in this fund and used for the purpose of "increasing, improving, and preserving the community's supply of low-and moderate income housing available at affordable housing cost to persons and families of low or moderate income"

The Fund's revenues were $ 877,048 versus $ 714,654 from prior year an increase of $ 162,394.

Fund expenditures were $ 2,952,929 versus $ 136,839 from prior year, an increase of $ 2,816,090. A large percentage of the expenditure was for the EDEN loan subsidy.

Debt Service Fund

This Fund accounts for the activities related to the Agency's Tax Allocation Bonds. In fiscal year 2002/2003, the Redevelopment Agency issued $ 5,585,000 bonds that bear interest at 2.25% to 5.75% and are due in 2032. The proceeds of these bonds were used to construct the Veteran's Hall. As of June 30, 2009, the principal outstanding of the tax allocation bonds is $ 5,145,000. In addition, the Redevelopment Agency acquired in 2004 a property for $ 683,461. The purchase was financed by a loan from the City of Lafayette Parking Fund. At June 30, 2009 the outstanding amount of this loan is $ 563,783. In October 2005, special revenue bonds were issued for the amount of $ 11,680,000 to complete the library project. As of June 30, 2009, the principal outstanding of this revenue bond was $ 11,600,000. In May 12, 2008 the Redevelopment Agency entered into a loan agreement with the Lafayette Library and Learning Center Foundation and borrowed the amount of $ 9,000,000 at an interest rate of 6.25% for a period of 26 years. As of June 30, 2009 the balance of this loan is $ 9,635,332. In October 2008 the Redevelopment Agency issued Tax Allocation Bonds for the amount of $ 9,600,000 due in 2038.

Summary

During Fiscal Year 2008-2009, the Lafayette Redevelopment Agency continued to focus on completing the new Lafayette Library and Learning Center project. Construction on the project began in March 2007, and the opening was November 2009. The Agency entered into Funding and Use Agreements with the Lafayette Library and Learning Center Foundation. Tenant lease agreements were entered into with the Foundation, Lafayette Historical Society, and Friends of Lafayette Library.

The Agency continued the planning process to develop a Downtown Lafayette Specific Plan. The planning area generally shares the same boundaries as the Redevelopment Project Area. Numerous public meetings were held to develop Draft Specific Plan in January 2009. Review and comment on this Draft continued at additional public meetings.

The Agency continued its participation in mixed use projects and multi-family residential projects. The Agency continued its negotiations with the owner of Town Center regarding a project with affordable housing and public parking. Finally, the Agency approved the development of a 46-unit affordable housing project for seniors within the Redevelopment Project Area by Eden Housing. Redevelopment funds were approved to facilitate this project.

Request for Information

This financial report is designed to provide a general overview of the City of Lafayette Redevelopment Agency'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, Suite 210
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 ON FINANCIAL STATEMENTS

The Honorable Mayor,
And Members of the Governing Board of the
City of Lafayette Redevelopment Agency
Lafayette, California

We have audited the accompanying component unit financial statements of the City of Lafayette Redevelopment Agency (the "Agency"), a component unit of the City of Lafayette, California, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the City of Lafayette Redevelopment Agency, as of June 30, 2009 and 2008, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Required Supplementary Information, such as management's discussion and analysis and budgetary information for the City as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

November 4, 2009

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2009 and 2008

	Governmental Activities	
	2009	2008
ASSETS		
Cash and cash equivalents	$ 3,095,587	$ 8,954,020
Investments	7,603,122	3,194,250
Accrued interest receivable	7,326	62,183
Accounts receivable	1,949,132	5,921,641
Prepaid assets	794,102	359,798
Total current assets	13,449,269	18,491,892
Restricted assets:		
Debt service:		
Cash deposits and investments	2,010,155	1,273,744
Low/Moderate Income Housing:		
Cash deposits and investments	992,354	2,758,745
Accrued interest receivable	2,508	15,023
Eden loan receivable, net of allowance	-	202,405
Total restricted assets	3,005,017	4,249,917
Capital Assets (Library):		
Land	2,004,444	2,004,444
Improvements in process	30,773,959	16,527,788
Total capital assets	32,778,403	18,532,232
Total assets	$ 49,232,689	$ 41,274,041
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 1,893,701	$ 1,399,028
Accrued interest payable	592,167	345,820
Note payable to parking fund - current	23,282	21,558
Current portion - tax allocation bonds	310,000	190,000
Total current liabilities	2,819,150	1,956,406
Noncurrent liabilities:		
Loan Payable -- Library and Learning Center Foundation	9,635,332	9,068,547
Advances from general fund	4,915,715	4,679,171
Note payable to parking fund	540,501	563,783
Tax allocation bonds payable	26,035,000	16,745,000
Total noncurrent liabilities	41,126,548	31,056,501
Total liabilities	43,945,698	33,012,907
NET ASSETS		
Invested in capital assets, net of related debt		
Restricted for:		
Debt service	2,010,155	1,273,744
Low/moderate income housing	834,502	2,910,383
Unrestricted:		
Designated for Redevelopment (deficit)	2,442,334	4,077,007
Undesignated	-	-
Net assets	5,286,991	8,261,134
Total liablilities and net assets	$ 49,232,689	$ 41,274,041

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Activities
For the Year Ended June 30, 2009
with Comparative Amounts for 2008

Statement 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions: Operating	Program Revenues: Grants and Contributions: Capital	Net Revenues (Expenses): 2009	Net Revenues (Expenses): 2008
Primary Government						
Redevelopment Activities						
Expenses:						
Administration	$ 925,505	$ -	$ -	$ -	$ (925,505)	$ (758,225)
Professional services	274,968	-	-	-	(274,968)	(461,271)
Interest expense	2,192,095	-	-	-	(2,192,095)	(1,345,070)
Subsidy - Eden Loan	2,850,746	-	-	-	(2,850,746)	-
Subsidy to Cortese Properties, LLC	-	-	-	-	-	(600,000)
Other expenses	88,670	-	-	-	(88,670)	(267,900)
Total Redevelopment Agency expenses	$ 6,331,984	$ -	$ -	$ -	$ (6,331,984)	$ (3,432,466)
General revenues:						
Tax incremental revenue					$ 3,035,665	$ 2,467,112
Investment income					300,048	429,978
Other revenue					22,128	8,790
					3,357,841	2,905,880
Change in net assets					(2,974,143)	(526,586)
Net assets at beginning of year					8,261,134	8,787,720
Net assets at end of year					$ 5,286,991	$ 8,261,134

Reconciliation from Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds to Statement of Activities (above):

	2009	2008
Excess of revenues over expenditures and other sources (uses) (From page 6)	$ (7,998,272)	$ (12,348,820)
Current year Capitial assets capitalized	14,246,171	11,728,654
(Increase) Decrease in accrued interest payable	(246,347)	1,619
Reduction Bond indebtedness - current year principal payment	190,000	105,000
Current year amortization of bond issuance costs	(22,014)	(13,039)
Bonds issued	(9,600,000)	-
Bond issuance costs	456,319	-
Change in net assets	$ (2,974,143)	$ (526,586)

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2009 and 2008

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund
ASSETS	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund
Cash and equivalents	$ 2,780,777	$ 314,810	$ 3,095,587	$ -	$ -
Investments	-	7,603,122	7,603,122	-	-
Redevelopment Interfund Balances	849,166	(849,166)	-	-	-
Accounts receivable	-	1,949,132	1,949,132	-	-
Accrued interest receivable	7,326	-	7,326	-	-
Other assets	-	1,237	1,237	-	-
Restricted assets for:					
Cash and investments	-	-	-	2,010,155	992,354
Accrued interest receivable	-	-	-	-	2,508
Eden loan receivable, net of allowance of $2,896,511	-	-	-	-	-
Total assets	$ 3,637,269	$ 9,019,135	$ 12,656,404	$ 2,010,155	$ 994,862
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	$ 65,988	$ 1,667,353	$ 1,733,341	$ -	$ 160,360
Loan payable–Lafayette Library and Learning Center Foundation	-	9,635,332	9,635,332	-	-
Advances from general fund	2,998,842	1,916,873	4,915,715	-	-
Loan payable to parking fund	563,783	-	563,783	-	-
Total liabilities and other credits	3,628,613	13,219,558	16,848,171	-	160,360
Fund balances					
Restricted for:					
Debt service	-	-	-	2,010,155	-
Low/moderate income housing	-	-	-	-	834,502
Other	8,656	(4,200,423)	(4,191,767)	-	-
Unrestricted	-	-	-	-	-
Net assets	8,656	(4,200,423)	(4,191,767)	2,010,155	834,502
Total liabilities and net assets	$ 3,637,269	$ 9,019,135	$ 12,656,404	$ 2,010,155	$ 994,862

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2009 and 2008

Total Governmental Funds

2009	2008
$ 3,095,587	$ 8,954,020
7,603,122	3,194,250
-	-
1,949,132	5,921,641
7,326	62,183
1,237	1,238
3,002,509	4,032,489
2,508	15,023
-	202,405
$15,661,421	$ 22,383,249
$ 1,893,701	$ 1,399,028
9,635,332	9,068,547
4,915,715	4,679,171
563,783	585,341
17,008,531	15,732,087
2,010,155	1,273,744
834,502	2,910,383
(4,191,767)	2,467,035
-	-
(1,347,110)	6,651,162
$15,661,421	$ 22,383,249

Total Fund Balance - Governmental Fund Balance Sheet (Statement 3)	$ (1,347,110)
Adjustments:	
To record capital assets, previously expensed	32,778,403
To record accrued interest payable on debt, previously recognized on a "when due" basis	(592,167)
To record tax allocation bonds payable, previously recognized as revenue	(26,345,000)
To record prepaid bond issuance costs	792,865
Total adjustments	6,634,101
Net assets on Statement of Net Assets (Statement 1)	$ 5,286,991

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2009 and 2008

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	Total Governmental Funds	
	General Projects	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund	2009	2008
Revenues							
Tax increment revenue	$ 2,186,913	$ -	$ 2,186,913	$ -	$ 848,752	$ 3,035,665	$ 2,467,112
Investment income	63,954	177,743	241,697	30,126	28,225	300,048	429,978
Other revenue	21,561	496	22,057	-	71	22,128	8,790
Total revenues	2,272,428	178,239	2,450,667	30,126	877,048	3,357,841	2,905,880
Expenditures							
Administrative costs	171,869	693,906	865,775	-	59,730	925,505	758,225
Assessment District bond - Principal	-	-	-	190,000	-	190,000	105,000
Planning and design	-	-	-	-	-	-	70,199
Improvement costs	-	14,246,171	14,246,171	-	-	14,246,171	11,752,332
Interest expense	279,170	708,775	987,945	957,803	-	1,945,748	1,333,650
Professional services	252,645	-	252,645	-	22,323	274,968	473,713
Community promotion	-	-	-	-	-	-	985
Low income subsidy	-	-	-	-	20,130	20,130	600,000
Eden Loan Subsidy	-	-	-	-	2,850,746	2,850,746	-
Other expenses	46,200	326	46,526	-	-	46,526	160,596
Total expenditures	749,884	15,649,178	16,399,062	1,147,803	2,952,929	20,499,794	15,254,700
Excess (deficiency) of revenues over expenditures	1,522,544	(15,470,939)	(13,948,395)	(1,117,677)	(2,075,881)	(17,141,953)	(12,348,820)
Other financing sources (uses):							
Proceeds from bonds	-	8,762,481	8,762,481	837,519	-	9,600,000	-
Bond issuance costs	-	(456,319)	(456,319)	-	-	(456,319)	-
Operating transfers - in	-	-	-	1,016,569	-	1,016,569	594,158
Operating transfers - out	(1,016,569)	-	(1,016,569)	-	-	(1,016,569)	(594,158)
Total other financing sources (uses)	(1,016,569)	8,306,162	7,289,593	1,854,088	-	9,143,681	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	505,975	(7,164,777)	(6,658,802)	736,411	(2,075,881)	(7,998,272)	(12,348,820)
Beginning fund balances	(497,319)	2,964,354	2,467,035	1,273,744	2,910,383	6,651,162	18,999,982
Ending fund balances	$ 8,656	$ (4,200,423)	$ (4,191,767)	$ 2,010,155	$ 834,502	$ (1,347,110)	$ 6,651,162

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

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

NOTE 3. **DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

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

NOTE 4. **DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

A. Employee Benefit Plans
B. Risk Management
C. Commitments and Contingencies

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lafayette Redevelopment Agency 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, 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. 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 City of Lafayette Redevelopment Agency (the "Agency") is a Component Unit of the City of Lafayette (the "City") which carries out the Redevelopment Plan of the City.

The Redevelopment Plan sets forth a legal framework and a broad policy framework for the activities of the City of Lafayette Redevelopment Agency in connection with the Lafayette Redevelopment Project. The Redevelopment Plan contains provisions to comply with the Lafayette Redevelopment Plan, and further includes purposes and objectives of the Agency. A basic principle of the Agency in connection with the Redevelopment Plan is that activities to implement the Redevelopment Plan shall be consistent with and further the implementation of the General Plan of the City of Lafayette.

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 of Lafayette. This 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 Agency proposes to:

1. Encourage the redevelopment of the Project Area subject to and consistent with the City's General Plan and/or Specific Plans as may be adopted from time to time through the cooperation of private enterprise and public agencies.

2. Enhance the long term economic well-being of the community.

3. Provide for the rehabilitation of commercial structures and residential dwelling units.

4. Promote the goals and policies of those sections of the General Plan emphasizing: central area, transportation, and population and housing.

5. Provide public infrastructure improvements and community facilities, such as the installation, construction, and/or reconstruction of streets, utilities, public buildings, and facilities (such as facilities for pedestrian circulation, bikeways, and parking facilities), storm drains, utility under grounding, or structures, street lighting, landscaping and other improvements which are necessary for the effective redevelopment of the project area.

6. Promote the enhancement of the Mt. Diablo Boulevard corridor to achieve the concepts envisioned by the General Plan.

7. Provide for participation in the redevelopment of property in the project area by owners who agree to so participate in conformity with the Redevelopment Plan.

8. Encourage joint efforts and cooperative efforts among property owners, businesses, and public agencies to satisfy off-street parking requirements.

9. Increase, improve, and preserve the community's supply of affordable housing.

10. Provide a procedural and financial mechanism by which the Agency can assist, complement, and coordinate public and private development, redevelopment, revitalization, and enhancement of the community.

Description of fund accounts

All transactions are recorded in separate governmental funds of the City of Lafayette. The funds are classified and described under Governmental Funds.

Basis of accounting

The Agency follows the modified accrual basis of accounting, under which expenditures, other than interest on indebtedness, are recorded when the liability is incurred, and revenues are recorded when received in cash unless susceptible to accrual (i.e. measurable and available to finance the Agency's current operations).

1.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Agency as a whole. They include all Agency funds of the Governmental Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. 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. All funds of the Agency are classified as governmental. An emphasis is placed on major funds within the Agency. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type or are considered major by the City (in this case all Governmental funds are considered major).

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

The funds of the financial reporting entity are described below:

Governmental 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 which for the Redevelopment Agency is the "Low/Moderate Income Housing Fund" which includes 20% of gross tax increment revenue.

Capital Project Funds

Capital Project Funds are used to account for the acquisition or construction of capital projects or items. They include the Library Fund which is in the process of funding a new library for the City of Lafayette.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of interest and principle on the debt of the Redevelopment Agency which consists of debt issuance with outstanding principle balances of $26,345,000 as of June 30, 2009 which is to be repaid out of future tax increment revenues and is secured by property within the Lafayette City limits.

The funds are further classified as major as follows:

Fund	**Brief Description**
Capital Project Funds	Account and provide for specific capital projects.
Debt Service Fund	Accounts for resources for payment of interest and Principal of long-term debt issued by the Agency.
Special Revenue Fund:	
Low/Moderate Income Housing Fund	Accounts for monies restricted to low to moderate income housing expenditures.

1.C. Measurement Focus and Basis of Accounting

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

Measurement focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities (of which there are none) are presented using the economic resources measurement focus as defined as follows:

> The governmental-wide statements use 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 non-current) associated with their activities are reported. Fund equity is classified as net assets.

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

> 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.

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental 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 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.

1.D. Assets, Liabilities, And Equity

Cash and investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, certificates of deposits of the Agency, and the investment in the State of California fund called the "Local Agency Investment Fund (LAIF)" which is available for immediate withdrawal.

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 "loans payable or advances" from other funds. In addition, there is a note payable with payments scheduled for the next 15 years from the Redevelopment Agency to another governmental fund in the amount of $563,783 at June 30, 2009. Interfund receivables and payables between the Agency's funds within governmental activities (if any) are eliminated in the Statement of Net Assets. The Redevelopment Agency has also been advanced $4,915,715 from the General Fund of the City bearing interest at 8% per annum.

Receivables

In the government-wide statements, receivables consist of all revenues earned or contributed at year-end and not yet received. The balance at June 30, 2009 consists of $1,949,132 for the remaining balance of a state library grant (at June 30, 2008, $5,921,641).

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.

Depreciation of all exhaustible fixed assets would be recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation would be provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is currently recorded on the land and improvements in process.

The range of estimated useful lives by type of asset will be as follows (no assets are currently subject to depreciation):

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. They are capitalized in the "government-wide financial statements". (see note 3.C. for Capital Assets).

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. They also include assets held by the "Low/Moderate Income Housing Fund" which are restricted for expenditures.

Long-term debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, debt incurred as a result of long-term advances from other City of Lafayette funds and a loan from the Library and Learning Center Foundation.

Bonds payable for governmental funds are 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 in the year received and incurred. The accounting in the government-wide statements is that principal payments are reflected as reductions in the liability and interest as expenses.

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. The capital assets on the Statement of Net Assets were financed 100% by debt.

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 "invested in capital assets, net of related debt" or "restricted for debt or other purposes" are categorized as "unrestricted" which are further categorized as "designated" or "undesignated". All redevelopment unrestricted net assets are categorized as "designated for redevelopment".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unrestricted, with unrestricted further split between designated and undesignated. 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.

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.

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

Incremental property taxes assessed on property within the Lafayette Redevelopment area will be used to fund Redevelopment expenditures and debt service.

Expenditures / expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities (the Redevelopment Agency does not have 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

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. Fund Accounting Requirements

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

Fund	Required By
Low/Moderate Income Housing	State Law
Debt Service Fund	Bond Indenture

2.B. Deposits and Investments Laws and Regulations

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

The Agency may waive collateral requirements for deposits, which are insured by federal depository insurance. The Agency had not waived such requirements as of June 30, 2009.

2.C. Revenue Restrictions

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

Revenue Source	Legal Restrictions of Use
20% of Ad Valorem Taxes	Low/Moderate Income Housing

For the year ended June 30, 2009, the Agency complied, in all material respects, with these revenue restrictions.

2.D. Debt Restrictions and Covenants

Ad valorem tax

- Authority of Issuance

The bonds authorized by resolutions of the Agency and the City were issued pursuant to the indentures and in accordance with the Redevelopment Law and the other applicable laws of the State of California. (see note 3.E. Long-Term Debt).

- Repayment Funding

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, and other debt of the Agency, the Agency 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. A portion of said taxes, when collected will be placed in the Debt Service Fund of the Agency for the bonds.

- Assessed Valuation of Property Within the City – Ad Valorem

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

For Fiscal Year 2008-09, the City's total secured and unsecured assessed valuation was $5,374,447,394 (full cash value).

Other long-term debt

At June 30, 2009, the Agency was committed to meet debt service of $563,783 (at 8% interest) to the City of Lafayette relating to a note payable to the City. In addition, the Agency has borrowed $4,915,715 from the General Fund of the City which bears interest at 8% with no defined maturity date.

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

At June 30, 2009, the carrying amount of the Agency's cash deposits (through the City) was $1,408,640. The total amount was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

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

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

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 and certain investments. 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.

The combined Agency's proportion of the City's cash and investments at June 30, 2009 are categorized as follows:

			S&P Rating
Cash:			
Deposits in Bank - pooled account, net of outstanding checks	$	1,408,440	N/A
Deposit in bank - not pooled			N/A
Local Agency Investment Fund - State of California		2,713,882	N/A
Total Cash and Cash Equivalents		4,122,322	
Investments:			
CAMP Pool (California JPA)		9,169,562	AAAm
U.S. Treasury – Money Market		409,334	AAA
Total Investments		9,578,896	
Total Cash and Investments	$	13,701,218	
Reconciliation to financial statements:			
Unrestricted:			
Cash and cash equivalents	$	3,095,587	
Investments		7,603,122	
Unrestricted cash and investments		10,698,709	
Restricted Assets:			
Debt-service		2,010,155	
Low/Moderate Income Housing		992,354	
		3,002,509	
Total	$	13,701,218	

The Agency's investments with LAIF (through the City) at June 30, 2009 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

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

As of June 30, 2009, the RDA had $2,713,882 invested in LAIF, which had invested 14.71% of the pool investment fund in structured notes and asset-backed securities.

3.B. Restricted Assets

The amounts reported as restricted assets are held for debt service payments and Low/Moderate Income Housing. The restricted assets are as follows (see note 3.H.):

	Debt Service		Low/moderate Housing Income	
Cash	$	34,382	$	300,369
Local Agency Investment Fund		-		691,985
Liquid Mutual Funds		1,975,773		-
Accrued interest		-		2,508
Total Assets	$	2,010,155	$	994,862
Related Accounts Payable		-		(160,360)
Net Restricted Assets	$	2,010,155	$	834,502

3.C. Capital Assets

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

Governmental Activities		Balance June 30, 2008		Additions		Balance June 30, 2009
Capital Assets:						
Land	$	2,004,444	$	-	$	2,004,444
Land and building improvements in process		16,527,788		14,246,171		30,773,959
Total	$	18,532,232	$	14,246,171	$	32,778,403

No depreciation expense has been incurred because construction of the Lafayette library is in process.

3.D. Accounts Payable

Payables in the governmental funds and enterprise fund are composed of payables to various vendors, which are paid in the normal course of events in one or two months.

3.E. Long-Term Debt

The Agency's long-term debt is as follows:

	Long-Term	Due Within One Year	Total
*Advances from General Fund	$ 4,915,715	$ -	$ 4,915,715
Loan Payable- Parking Fund	540,501	23,282	563,783
Tax Allocation Bonds - 2003 issue	5,030,000	115,000	5,145,000
Tax Allocation Bonds - 2005 issue	11,405,000	195,000	11,600,000
Tax Allocation Bonds – 2008 issue	9,600,000	-	9,600,000
Loan Payable – Library and Learning Center Foundation	9,635,332	-	9,635,332
	$ 41,126,548	$ 333,282	$ 41,459,830

*Advances from General Funds are broken down as follows:

Library	$ 1,916,873
Veteran's Hall	1,181,936
Redevelopment Program	1,816,906
	$ 4,915,715

The liability for Lafayette Redevelopment Project Tax Allocation Bonds was as follows at June 30, 2009.

	Original Issue	Interest Rates	Balance June 30, 2008	Principal Additions (Retirements)	Balance June 30, 2009
2002 Issue Issued fiscal year 2003, matures to 2033	$ 5,585,000	2.25 – 5.3%	$ 5,255,000	$ (110,000)	$ 5,145,000
2005 Issue Issued fiscal year 2006, matures to 2036	$11,680,000	3.0 – 4.7%	11,680,000	(80,000)	$ 11,600,000
2008 Issue Issued fiscal year 2009, matures to 2038	$ 9,600,000	3.75 – 6.5%	-	9,600,000	$ 9,600,000
			$ 16,935,000	$ 9,410,000	$ 26,345,000

2002 Issue	Redevelopment Principal	Tax Allocation Interest	Bonds - Issued 2003 Total
Payments due in fiscal years ending June 30;			
2010	$ 115,000	$ 281,824	$ 396,824
2011	115,000	276,821	391,821
2012	125,000	271,388	396,388
2013	130,000	265,458	395,458
2014	135,000	259,129	394,129
2015 – 2019	780,000	1,182,888	1,962,888
2020 – 2024	1,015,000	935,507	1,950,507
2025 – 2029	1,350,000	599,377	1,949,377
2030 – 2033	1,380,000	164,450	1,544,450
	$ 5,145,000	$ 4,236,842	$ 9,381,842

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

2008 Issue	Redevelopment Principal	Tax Allocation Interest	Bonds - Issued 2003 Total
Payments due in fiscal years ending June 30;			
2010	$ -	$ 598,031	$ 598,031
2011	-	598,031	598,031
2012	45,000	597,188	642,188
2013	100,000	594,344	694,344
2014	105,000	590,086	695,086
2015 – 2019	585,000	2,872,339	3,457,339
2020 – 2024	775,000	2,689,569	3,464,569
2025 – 2029	1,030,000	2,419,988	3,449,988
2030 – 2034	1,390,000	2,042,784	3,432,784
2035 – 2039	5,570,000	1,169,024	6,739,024
	$ 9,600,000	$ 14,171,384	$ 23,771,384

The following is a debt retirement schedule on the Loan from the City of Lafayette – Parking Fund:

Due Year-end June 30,	Annual Payments Due at June 30, Interest (8%)	Principal	Total	Principal Balance Remaining
2009	$ -	$ -	$ -	$ 563,783
2010	45,103	23,282	68,385	540,501
2011	43,240	25,145	68,385	515,356
2012	41,229	27,156	68,385	488,200
2013	39,056	29,329	68,385	458,871
2014	36,710	31,675	68,385	427,196
2015	34,176	34,209	68,385	392,987
2016	31,439	36,946	68,385	356,041
2017	28,483	39,902	68,385	316,139
2018	25,291	43,094	68,385	273,045
2019	21,844	46,541	68,385	226,504
2020	18,120	50,265	68,385	176,239
2021	14,099	54,286	68,385	121,953
2022	9,756	58,629	68,385	63,324
2023	5,061	63,324	68,385	-
	$ 393,607	$ 563,783	$ 957,390	

3.F. Interfund Transactions and Balances

As discussed in notes 1.D, 2.D., and 3.E., the Redevelopment Agency has borrowed $4,915,715 (at 8% per annum) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund had borrowed $671,415 (balance of $563,783 at June 30, 2009) from another City fund to be repaid over a 21 (14 remaining payments of $68,385) year period at 8%, also to be paid out of future ad valorem revenues.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

3.G. Fund Equity

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

The following "net asset balances" are restricted:

Debt Service Fund	$	2,010,155
Low/moderate income housing fund		834,502
Total	$	2,844,657

NOTE 4. OTHER NOTES

4A. Employee Benefit Plans

City employees working for the Redevelopment Agency participate in the City's Employee Benefit Plans.

Employees' retirement plan

The City's total payroll in fiscal year 2009 was approximately $3,911,241. Contributions to the plans totaled $482,069 by the City and $157,196 by individuals during the year.

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 prorate share of the full-time contributions based on hours worked. This option is only available to employees hired before July 1, 2004.

Salary -Based Contribution System

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

Employees are fully vested in the City's contributions (and the interested 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 full 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.

Other Post Employment Retirement Plan

Plan Description

The City's defined benefit post employment healthcare plan, provides medical benefits to eligible retired City employees and beneficiaries. Since the Redevelopment Agency and its employees are part of the City, post employment benefit costs are eligible to be allocated to the Projects within the RDA.

Funding Policy

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

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

Annual OPEB Cost

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

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

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

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

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

4.B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA).

The following is a summary of coverage as of June 30, 2009:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	$ 1,000,000,000	$ 5,000
Boiler and machinery	$ 25,000,000	$ 5,000
Liability	$ 24,000,000	$ 5,000
Auto-physical damage	$ 250,000	$ 2,000
Workers' compensation	$ 250,000,000	$ 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 or the Agency, if any, not covered by insurance resulting from litigation are adequately provided for in the General Fund of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds - Budget Actual
June 30, 2009

Exhibit 1

	Capital Projects Funds			Debt Service Fund			Low/Moderate Income Housing Fund		
	Budget			Budget			Budget		
	Original	Revised	Actual	Original	Revised	Actual	Original	Revised	Actual
Revenues									
Tax increment revenue	$ 2,348,498	$ 1,652,263	$ 2,186,913	$ -	$ -	$ -	$ 578,737	$ 680,643	$ 848,752
Investment income	188,233	180,000	241,697	100,000	50,000	30,126	15,000	15,000	28,225
Grant revenue	1,000,000	-	-	-	-	-	-	-	-
Other revenue	-	-	22,057	-	-	-	-	-	71
Total revenues	3,536,731	1,832,263	2,450,667	100,000	50,000	30,126	593,737	695,643	877,048
Expenditures									
Bond principal and interest	-	-	-	1,016,569	1,016,569	1,147,803	-	-	-
Administrative costs	795,153	808,302	865,775	-	-	-	58,077	58,077	59,730
Improvement costs	24,714,835	22,436,902	14,246,171	-	-	-	1,700,000	1,700,000	-
Interest expense	-	987,945	987,945	-	-	-	-	-	-
Professional services	816,550	816,550	252,645	-	-	-	60,000	60,000	22,323
Eden Loan subsidy	-	-	-	-	-	-	-	-	2,850,746
Low income subsidies	-	-	-	-	-	-	-	-	20,130
Other expenses	-	-	46,526	-	-	-	-	-	-
Total expenditures	26,326,538	25,049,699	16,399,062	1,016,569	1,016,569	1,147,803	1,818,077	1,818,077	2,952,929
Excess (deficiency) of revenues over expenditures	(22,789,807)	(23,217,436)	(13,948,395)	(916,569)	(966,569)	(1,117,677)	(1,224,340)	(1,122,434)	(2,075,881)
Other financing sources (uses):									
Operating transfers in (out)	-	(1,016,569)	(1,016,569)	-	-	1,016,569	-	-	-
Proceeds from bonds	11,300,000	8,306,000	8,762,481	-	-	837,519	-	-	-
Bond issuance costs	(279,170)	-	(456,319)	-	-	-	-	-	-
Total other financing	11,020,830	7,289,431	7,289,593	-	-	1,854,088	-	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(11,768,977)	(15,928,005)	(6,658,802)	(916,569)	(966,569)	736,411	(1,224,340)	(1,122,434)	(2,075,881)
Beginning fund balances	2,467,035	2,467,035	2,467,035	1,273,744	1,273,744	1,273,744	2,910,383	2,910,383	2,910,383
Ending fund balances (deficit)	$ (9,301,942)	$ (13,460,970)	$ (4,191,767)	$ 357,175	$ 307,175	$ 2,010,155	$ 1,686,043	$ 1,787,949	$ 834,502

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

Cropper Accountancy Corporation

Certified Public Accountants

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

Exhibit 2

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE GUIDELINES

The Honorable Mayor,
And Members of the Governing Board of the
City of Lafayette Redevelopment Agency
Lafayette, California

We have audited the financial statements of the Lafayette Redevelopment Agency (the "Agency") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the City of Lafayette Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lafayette Redevelopment Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the Agency, and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Cropper Accountancy Corporation
CROPPER ACCOUNTANCY CORPORATION

November 4, 2009