

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
COMPONENT UNIT FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(With Auditors' Report Thereon)

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
List of Principal Officials	
FINANCIAL SECTION:	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-v
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS:	
<u>Statement</u>	
<u>Government-wide Financial Statements:</u>	
1 Statement of Net Assets	2
2 Statement of Activities	3
<u>Fund Financial Statements:</u>	
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	7-25
REQUIRED SUPPLEMENTARY INFORMATION:	
<u>Exhibit</u>	
1 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Budget and Actual	26
2 Independent Auditors’ Report on Compliance with State Guidelines	27

**CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2008**

MAYOR

Mike Anderson

Term Expires November 2008

CITY COUNCIL

Don Tatzin, Vice Mayor
Term Expires November 2010

Brandt Anderson
Term Expires November 2010

Carl Anduri
Term Expires November 2008

Carol Federighi
Term Expires November 2008

CITY MANAGER

Steven B. Falk-18 years of service

ADMINISTRATIVE SERVICE DIRECTOR

Tracy Robinson- 8 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 18 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, 2008 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.

Member of the Board and City Council as of June 30, 2008, and their term of office are shown below:

Member	Position	Term Expires
Mike Anderson	Agency Chair and Mayor	November 2008
Don Tatzin	Vice Chair and Vice Mayor	November 2010
Carol Federighi	Board Member	November 2008
Carl Anduri	Board Member	November 2008
Brandt Andersson	Board Member	November 2010

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**

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Secure Value	443,324,554	465,807,196	500,201,044	557,828,158	611,251,526
Unsecured Value	36,504,517	35,839,727	38,469,719	41,670,759	35,173,302
Total Assessed Value	479,829,071	501,646,923	538,670,763	599,498,917	646,424,828
Less: Base Year Value	(332,248,715)	(332,248,715)	(332,248,715)	(332,248,715)	(332,248,715)
Increment Assessed Value	\$147,580,356	\$169,398,208	\$206,422,048	\$267,250,202	\$314,176,113

* 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 AREA PROJECT AREA
Historical Valuations**

Year	Valuation	Change	Base Year	Valuation
1994-1995	331,871,939	0	331,871,939	
1995-1996	332,213,008	0.10%	331,871,939	341,069
1996-1997	337,914,432	1.72%	331,871,939	6,042,493
1997-1998	337,228,385	-0.20%	331,871,939	5,356,446
1998-1999	353,792,684	4.91%	331,871,939	21,920,745
1999-2000	373,561,119	5.59%	331,871,939	41,689,180
2000-2001	403,685,530	8.06%	331,871,939	71,813,591
2001-2002	430,188,978	6.57%	331,871,939	98,317,039
2002-2003	457,217,163	6.28%	331,871,939	125,345,224
2003-2004	479,829,071	4.95%	332,248,715	147,580,356
2004-2005	501,646,923	4.55%	332,248,715	169,398,208
2005-2006	538,670,763	7.38%	332,248,715	206,422,048
2006-2007	599,498,917	11.30%	332,248,715	267,250,202
2007-2008	646,424,828	7.41%	332,248,715	314,176,113

**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 assessed 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 Lafayette Mercantile.

(2) Revenues based on 1% tax rate

(3) Less Housing Set Aside, County Administration, and ERAF transfers

**STATEMENT OF NET ASSETS
Year ended June 30, 2008**

	Total
Beginning Net Assets	\$ 8,787,720
Increase/Decrease	\$ (526,586)
Ending Net Assets	\$ 8,261,134

The agency's net assets as of June 30, 2008 decreased by \$ 526,586 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 \$ 41,274,041 versus \$ 32,006,715 from prior year, an increase of \$ 9,267,326
- Total liabilities for the Agency were \$ 33,012,907 versus \$ 23,218,995 from prior year, an increase of \$ 9,793,912
- The net assets were \$ 8,261,134 versus \$ 8,787,720 a decrease of \$ 526,586 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 \$ 2,142,497 versus \$ 1,978,655 from prior year, an increase of 163,842.

Fund expenditures were \$ 14,180,951 versus \$ 3,799,255 from prior year, an increase of \$ 10,381,696. Of the total fund expenditures, \$ 11,752,332 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 \$ 714,654 versus \$ 639,159 from prior year an increase of \$ 75,495 or 12%

Fund expenditures were \$ 136,839 versus \$ 123,078 from prior year, an increase of \$ 13,761 or 11 %.

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, 2008, the principal outstanding of the tax allocation bonds is \$5,255,000. 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, 2008 the outstanding amount of this loan is \$585,341. In October 2005, special revenue bonds were issued for the amount of \$11,680,000 to complete the library project. As of June 30, 2008, the principal outstanding of this revenue bond was \$11,680,000. 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 31 years. Subsequent to June 30, 2008 the Redevelopment Agency issued Tax Allocation Bonds for the amount of \$9,600,000 due in 2038.

Summary

During Fiscal Year 2007-2008, the Lafayette Redevelopment Agency continued to focus on the new Lafayette Library and Learning Center project. Construction on the project began in March 2007, and the anticipated opening is November 2009. The Agency entered into Funding and Use Agreements with the Lafayette Library and Learning Center Foundation in May 2008.

The Agency continued the planning process entitled the *Strategy for Downtown Lafayette – A Vision and Specific Plan for 2025*. The planning area generally shares the same boundaries as the Redevelopment Project Area. An urban design consulting firm, Wallace Roberts & Todd, was selected to complete the 24-month community-based planning process. Community workshops and numerous opportunities for public participation occurred during 2007-2008.

The Agency continued its participation in mixed use projects and multi-family residential projects. The Lafayette Mercantile retail, office and public parking project was completed. The Agency negotiated with the owner of Town Center regarding a project with affordable housing and public parking. The Agency approved the redevelopment of the Hillside Motel into condominiums with off-site affordable housing units.

Finally, the Agency approved the use of affordable housing funds to facilitate the development of a 46-unit affordable housing project for seniors within the Redevelopment Project Area by Eden Housing.

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, 2008 and 2007, 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, 2008 and 2007, 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

October 10, 2008

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2008 and 2007

Statement 1

<u>ASSETS</u>	<u>Governmental Activities</u>	
	2008	2007
Cash and cash equivalents	\$ 8,954,020	\$ 4,754,554
Investments in bonds	3,194,250	6,017,104
Accrued interest receivable	62,183	51,911
Accounts receivable	5,921,641	10,075,696
Prepaid assets	359,798	374,112
Total current assets	18,491,892	21,273,377
Restricted assets:		
Debt service		
Cash deposits and investments	1,273,744	1,561,889
Accrued interest receivable	-	5,878
Low/Moderate Income Housing		
Cash deposits and investments	2,758,745	2,344,350
Accrued interest receivable	15,023	17,643
Eden loan receivable	202,405	-
Total restricted assets	4,249,917	3,929,760
Capital assets:		
Land	2,004,444	2,004,444
Improvements in progress	16,527,788	4,799,134
Total capital assets	18,532,232	6,803,578
Total assets	\$ 41,274,041	\$32,006,715
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 1,399,028	\$ 678,556
Accrued interest payable	345,820	347,439
Note payable to parking fund - current	21,558	19,961
Current portion - tax allocation bonds	190,000	105,000
Total current liabilities	1,956,406	1,150,956
Noncurrent liabilities		
Loan payable - Lafayette Library and Learning Center Foundation	9,068,547	-
Advances from general fund	4,679,171	4,547,698
Note payable to parking fund	563,783	585,341
Tax allocation bonds payable	16,745,000	16,935,000
Total noncurrent liabilities	31,056,501	22,068,039
Total liabilities	33,012,907	23,218,995
Net Assets		
Invested in capital assets, net of related debt	-	-
Restricted for		
Debt service	1,273,744	1,567,767
Low/Moderate income housing	2,910,383	2,361,993
Unrestricted		
Designated for Redevelopment	4,077,007	4,857,960
Undesignated	-	-
Net assets	8,261,134	8,787,720
Total liabilities and net assets	\$ 41,274,041	\$32,006,715

The accompanying notes are an integral part of the financial statements

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Activities
For the Year Ended June 30, 2008
with Comparative Amounts for 2007

Statement 2

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses)		
		Charges for Services	Grants and Contributions		2008	2007
			Operating	Capital		
Primary Government						
<i>Redevelopment Activities</i>						
Expenses:						
Administration	\$ 758,225	\$ -	\$ -	\$ -	\$ (758,225)	\$ (411,021)
Professional services	461,271	-	-	-	(461,271)	(197,500)
Community promotion	985	-	-	-	(985)	(5,041)
Interest on debt	1,345,070	-	-	-	(1,345,070)	(1,146,394)
Subsidy to Cortese Properties, LLC	600,000	-	-	-	(600,000)	-
Transfer to capital project fund	-	-	-	-	-	(119,956)
Other expenses	266,915	-	-	-	(266,915)	(620,469)
Total Redevelopment Agency expenses	<u>\$ 3,432,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,432,466)</u>	<u>\$ (2,500,381)</u>
General revenues:						
					2,467,112	2,448,324
					429,978	612,449
					8,790	1,148
					<u>2,905,880</u>	<u>3,061,921</u>
					(526,586)	561,540
					<u>8,787,720</u>	<u>8,226,180</u>
					<u>\$ 8,261,134</u>	<u>\$ 8,787,720</u>
 Reconciliation from Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds to Statement of Activities (above):						
Excess of revenues over expenditures and other sources (uses) (From page 6)					\$ (12,348,820)	\$ (1,795,965)
Current year Capital assets capitalized					11,728,654	2,269,127
(Increase) Decrease in accrued interest payable					1,619	1,417
Reduction Bond indebtedness - current year principal payment					105,000	100,000
Current year amortization of bond issuance costs					<u>(13,039)</u>	<u>(13,039)</u>
Change in net assets					<u>\$ (526,586)</u>	<u>\$ 561,540</u>

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2008 and 2007

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund
	Redevelopment Program	Library Project	Total Capital Projects	Debt Service Fund	Low/moderate Income Housing Fund
ASSETS					
Cash and equivalents	\$ 2,139,529	\$ 6,814,491	\$ 8,954,020	\$ -	\$ -
Investments in bonds	-	3,194,250	3,194,250	-	-
Redevelopment Interfund Balances	849,166	(849,166)	-	-	-
Accounts receivable	-	5,921,641	5,921,641	-	-
Accrued interest receivable	17,441	44,742	62,183	-	-
Other assets	-	1,238	1,238	-	-
Restricted assets for:					
Cash and investments	-	-	-	1,273,744	2,758,745
Accrued interest receivable	-	-	-	-	15,023
Eden loan receivable	-	-	-	-	202,405
Total assets	<u>\$ 3,006,136</u>	<u>\$ 15,127,196</u>	<u>\$ 18,133,332</u>	<u>\$ 1,273,744</u>	<u>\$ 2,976,173</u>
 LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	\$ 13,826	\$ 1,319,412	\$ 1,333,238	\$ -	\$ 65,790
Loan payable - Lafayette Library and Learning Center Foundation	-	9,068,547	9,068,547	-	-
Advances from general fund	2,904,288	1,774,883	4,679,171	-	-
Loan payable to parking fund	585,341	-	585,341	-	-
Total liabilities and other credits	<u>3,503,455</u>	<u>12,162,842</u>	<u>15,666,297</u>	<u>-</u>	<u>65,790</u>
Fund balances					
Restricted for:					
Debt service	-	-	-	1,273,744	-
Low/moderate income housing	-	-	-	-	2,910,383
Other	(497,319)	2,964,354	2,467,035	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>(497,319)</u>	<u>2,964,354</u>	<u>2,467,035</u>	<u>1,273,744</u>	<u>2,910,383</u>
Total liabilities and net assets	<u>\$ 3,006,136</u>	<u>\$ 15,127,196</u>	<u>\$ 18,133,332</u>	<u>\$ 1,273,744</u>	<u>\$ 2,976,173</u>

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Balance Sheet - Governmental Funds
June 30, 2008 and 2007

Statement 3

Total Governmental Funds			
2008	2007		
\$ 8,954,020	\$ 4,754,554	Total Fund Balance - Governmental Fund Balance Sheet (Statement 3)	\$ 6,651,162
3,194,250	6,017,104	Adjustments:	
-	-	To record capital assets, previously expensed	18,532,232
5,921,641	10,075,696	To record accrued interest payable on debt, previously recognized on a "when due" basis	(345,820)
62,183	51,911	To record tax allocation bonds payable, previously recognized as revenue	(16,935,000)
1,238	2,513	To record prepaid bond issuance costs	358,560
4,032,489	3,906,239	Total adjustments	1,609,972
15,023	23,521	Net assets on Statement of Net Assets (Statement 1)	\$ 8,261,134
202,405	-		
<u>22,383,249</u>	<u>24,831,538</u>		
\$ 1,399,028	\$ 678,556		
9,068,547	-		
4,679,171	4,547,698		
585,341	605,302		
<u>15,732,087</u>	<u>5,831,556</u>		
1,273,744	1,567,767		
2,910,383	2,332,568		
2,467,035	15,099,647		
-	-		
<u>6,651,162</u>	<u>18,999,982</u>		
<u>\$ 22,383,249</u>	<u>\$ 24,831,538</u>		

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 Year Ended June 30, 2008 and 2007

	Capital Projects Funds			Debt Service Fund	Special Revenue Funds Low/moderate Income Housing Fund	Total Governmental Funds	
	General Projects	Library Project	Total Capital Projects				
						2008	2007
Revenues							
Tax increment revenue	\$ 1,793,209	-	\$ 1,793,209	\$ -	\$ 673,903	\$ 2,467,112	\$ 2,448,324
Investment income	97,115	243,383	340,498	48,729	40,751	429,978	612,449
Other revenue	-	8,790	8,790	-	-	8,790	1,148
Total revenues	<u>1,890,324</u>	<u>252,173</u>	<u>2,142,497</u>	<u>48,729</u>	<u>714,654</u>	<u>2,905,880</u>	<u>3,061,921</u>
Expenditures							
Administrative costs	143,857	559,716	703,573	-	54,652	758,225	411,021
Assessment District bond - Principal	-	-	-	105,000	-	105,000	100,000
Planning and design	-	70,199	70,199	-	-	70,199	107,455
Improvement costs	-	11,752,332	11,752,332	-	-	11,752,332	2,281,628
Interest expense	280,767	220,973	501,740	831,910	-	1,333,650	1,134,772
Professional services	414,118	-	414,118	-	59,595	473,713	197,500
Community promotion	-	985	985	-	-	985	5,041
Subsidies	600,000	-	600,000	-	-	-	-
Loss on Veterans Hall	-	-	-	-	-	-	521,170
Other expenses	65,788	72,216	138,004	-	22,592	160,596	99,299
Total expenditures	<u>1,504,530</u>	<u>12,676,421</u>	<u>14,180,951</u>	<u>936,910</u>	<u>136,839</u>	<u>14,654,700</u>	<u>4,857,886</u>
Excess (deficiency) of revenues over expenditures	<u>385,794</u>	<u>(12,424,248)</u>	<u>(12,038,454)</u>	<u>(888,181)</u>	<u>577,815</u>	<u>(12,348,820)</u>	<u>(1,795,965)</u>
Other financing sources (uses):							
Operating transfers - in	-	-	-	594,158	-	594,158	57,645
Operating transfers - out	(594,158)	-	(594,158)	-	-	(594,158)	(57,645)
Total other financing sources (uses)	<u>(594,158)</u>	<u>-</u>	<u>(594,158)</u>	<u>594,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures, net of other financing sources	<u>(208,364)</u>	<u>(12,424,248)</u>	<u>(12,632,612)</u>	<u>(294,023)</u>	<u>577,815</u>	<u>(12,348,820)</u>	<u>(1,795,965)</u>
Beginning fund balances	(288,955)	15,388,602	15,099,647	1,567,767	2,332,568	18,999,982	20,795,947
Ending fund balances	<u>(497,319)</u>	<u>\$ 2,964,354</u>	<u>\$ 2,467,035</u>	<u>\$ 1,273,744</u>	<u>\$ 2,910,383</u>	<u>\$ 6,651,162</u>	<u>\$ 18,999,982</u>

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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
- D. Subsequent Events

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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 other projects.

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 as of June 30, 2008 fiscal year of \$16,935,000 which is to be repaid out of future tax increment revenues and is secured by property within the Lafayette City limits.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

The funds are further classified as major as follows:

<u>Fund</u>	<u>Brief Description</u>
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 moneys 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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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, including time deposits” 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 \$585,341 at June 30, 2008. 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 \$4,679,171 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, 2008 consists of \$5,921,641 for the remaining balance of a state library grant (at June 30, 2007, \$10,075,696).

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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 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 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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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:

<u>Fund</u>	<u>Required By</u>
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 \$100,000 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, 2008.

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:

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

For the year ended June 30, 2008, the Agency complied, in all material respects, with these revenue restrictions.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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 2007-08, the City's total secured and unsecured assessed valuation was \$5,374,447,394 (full cash value).

Other long-term debt

At June 30, 2008, the Agency was committed to meet debt service of \$585,341 (at 8% interest) to the City of Lafayette relating to a note payable to the City. In addition, the Agency has borrowed \$4,679,171 from the General Fund of the City which bears interest at 8% with no defined maturity date.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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, 2008, the carrying amount of the Agency's cash deposits (through the City) was \$737,891. Bank balances before reconciling items were \$756,314 (before deducting outstanding checks) at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

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

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$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 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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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, 2008 are categorized as follows:

<u>Cash and Cash Equivalents:</u>		<u>Moody Rating</u>
Deposits in Bank - pooled account, net of outstanding checks	\$ 737,891	N/A
Deposit in bank - not pooled		N/A
Local Agency Investment Fund - State of California	11,003,522	N/A
Total Cash and Cash Equivalents	<u>11,741,413</u>	
 Investments:		
Liquid Mutual Fund (C.A.M.P.)	4,036,826	AAA
U.S. Treasury – Money Market	402,520	AAA
Total Investments	<u>4,439,346</u>	
 Total Cash and Investments	 \$ <u>16,180,759</u>	
 Reconciliation to financial statements:		
<i>Unrestricted:</i>		
Cash and cash equivalents	\$ 8,954,020	
Investments	<u>3,194,250</u>	
Unrestricted cash and investments	<u>12,148,270</u>	
<i>Restricted Assets:</i>		
Debt-service	1,273,744	
Low/Moderate Income Housing	<u>2,758,745</u>	
	<u>4,032,489</u>	
Total	\$ <u>16,180,759</u>	

The Agency's investments with LAIF (through the City) at June 30, 2008 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, 2008, the RDA had \$11,003,522 invested in LAIF, which had invested 11.12% of the pool investment fund in structured notes and asset-backed securities.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.):

	<u>Debt Service</u>	<u>Low/moderate Housing Income</u>
Cash	\$ 28,648	\$ 1,545,566
Local Agency Investment Fund	-	1,213,179
Liquid Mutual Funds	1,245,096	-
Loan Receivable	-	202,405
Accrued interest	-	15,023
Total Assets	\$ 1,273,744	\$ 2,976,173
Related Accounts Payable	-	(65,790)
Net Restricted Assets	\$ 1,273,744	\$ 2,910,383

3.C. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Balance June 30, 2008</u>
Capital Assets:			
Land	\$ 2,004,444	\$ -	\$ 2,004,444
Land and building improvements in process	4,799,134	11,728,654	16,527,788
Total	\$ 6,803,578	\$ 11,728,654	\$ 18,532,232

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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

3.E. Long-Term Debt

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

	<u>Long-Term</u>	Due Within <u>One Year</u>	<u>Total</u>
*Advances from General Fund	\$ 4,679,171	\$ -	\$ 4,679,171
Loan Payable- Parking Fund	563,783	21,558	585,341
Tax Allocation Bonds - 2003 issue	5,145,000	110,000	5,255,000
Tax Allocation Bonds - 2005 issue	11,600,000	80,000	11,680,000
Loan Payable – Library and Learning Center Foundation	9,068,547	-	9,068,547
	<u>\$ 31,056,501</u>	<u>\$ 211,558</u>	<u>\$ 31,268,059</u>

*Advances from General Funds are broken down as follows:

Library	\$ 1,774,883
Veteran's Hall	1,181,936
Redevelopment Program	1,722,352
	<u>\$ 4,679,171</u>

The liability for Lafayette Redevelopment Project Tax Allocation Bonds was as follows at June 30, 2008.

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Balance June 30, 2007</u>	<u>Principal Additions (Retirements)</u>	<u>Balance June 30, 2008</u>
2002 Issue	\$ 5,585,000	2.25 - 5.3%	\$ 5,360,000	\$ (105,000)	\$ 5,255,000
Issued fiscal year 2003, matures to 2033					
2005 Issue	11,680,000	3.0 - 4.7%	<u>11,680,000</u>	\$ -	<u>\$ 11,680,000</u>
Issued fiscal year 2006, matures to 2036					
			<u>\$ 17,040,000</u>	<u>\$ 105,000</u>	<u>\$ 16,935,000</u>

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

	<u>Redevelopment Principal</u>	<u>Tax Allocation Interest</u>	<u>Bonds - Issued 2003 Total</u>
Payments due in fiscal years ending June 30;			
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	130,000	265,458	395,458
2014 – 2018	745,000	1,222,461	1,967,461
2019 – 2023	960,000	991,755	1,951,755
2024 – 2028	1,275,000	674,670	1,949,670
2029 – 2033	1,680,000	252,425	1,932,425
	<u>\$ 5,255,000</u>	<u>\$ 4,523,270</u>	<u>\$ 9,778,270</u>

	<u>Redevelopment Principal</u>	<u>Tax Allocation Interest</u>	<u>Bonds - Issued 2005 Total</u>
Payments due in fiscal years ending June 30;			
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	230,000	513,643	743,643
2014 – 2018	1,330,000	2,397,216	3,727,216
2019 – 2023	1,650,000	2,069,028	3,719,028
2024 – 2028	2,045,000	1,652,230	3,697,230
2029 – 2033	2,585,000	1,109,330	3,694,330
2034 – 2036	3,125,000	239,625	3,364,625
	<u>\$ 11,680,000</u>	<u>\$ 10,107,701</u>	<u>\$ 21,787,701</u>

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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,			Principal Balance Remaining
	Interest (8%)	Principal	Total	
2008	\$ -	\$ -	\$ -	\$ 585,341
2009	46,827	21,558	68,385	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	-
	\$ 440,434	\$ 585,341	\$ 1,025,775	

3.F. Interfund Transactions and Balances

As discussed in note 1.A. and 3.E., the Redevelopment Agency has borrowed \$4,679,171 (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 \$585,341 at June 30, 2008) from another City fund to be repaid over a 21 (15 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	\$ 1,273,744
Low/moderate income housing fund	<u>2,910,383</u>
Total	<u>\$ 4,184,127</u>

NOTE 4. OTHER NOTES

4A. Employee Benefit Plans

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

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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 2008 was approximately \$3,827,081. Contributions to the plans totaled \$444,370 by the City and \$141,889 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 prorated share of the full-time contributions based on hours worked. This option is only available to employees hired before July 1, 2004.

Salary -Based Contribution System

The City shall make monthly 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.

CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Notes to Component Unit Financial Statements
June 30, 2008

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.

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, 2008:

	<u>Participating Cities'</u> Total Coverage	<u>Deductible</u> (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.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAFAYETTE
REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds - Budget Actual
June 30, 2008

Exhibit 1

	Capital Projects Funds		Debt Service Fund		Low/Moderate Income Housing Fund		
	Original	Revised	Actual	Budget Original	Revised	Actual	Actual
Revenues							
Tax increment revenue	\$ 1,855,268	\$ 1,530,148	\$ 1,793,209	\$ -	\$ -	\$ -	\$ 673,903
Investment income	137,126	185,155	340,498	100,000	100,000	48,729	40,751
Grant revenue	9,008,500	9,008,500	-	-	-	-	-
Other revenue	-	-	8,790	-	-	-	-
Total revenues	<u>11,000,894</u>	<u>10,723,803</u>	<u>2,142,497</u>	<u>100,000</u>	<u>100,000</u>	<u>48,729</u>	<u>714,654</u>
Expenditures							
Bond principal and interest	-	-	-	105,000	105,000	105,000	-
Administrative costs	477,548	591,158	703,573	496,601	561,261	831,910	54,652
Planning and design	-	-	70,199	-	-	-	-
Improvement costs	31,990,600	31,990,600	11,752,332	-	-	-	-
Interest expense	-	-	501,740	-	-	-	-
Professional services	561,800	1,261,550	414,118	-	-	-	59,595
Community promotion	-	-	985	-	-	-	-
Subsidies	-	600,000	600,000	-	-	-	-
Other expenses	-	-	138,004	-	-	-	-
Total disbursements	<u>33,029,948</u>	<u>34,443,308</u>	<u>14,180,951</u>	<u>601,601</u>	<u>666,261</u>	<u>936,910</u>	<u>22,592</u>
Excess (deficiency) of revenues over expenditures	<u>(22,029,054)</u>	<u>(23,719,505)</u>	<u>(12,038,454)</u>	<u>(501,601)</u>	<u>(566,261)</u>	<u>(888,181)</u>	<u>577,815</u>
Other financing sources (uses):							
Operating transfers in (out)	(601,601)	(601,601)	(594,158)	601,601	601,601	594,158	-
Proceeds from bonds	11,300,000	11,300,000	-	-	-	-	-
Total other financing	<u>10,698,399</u>	<u>10,698,399</u>	<u>(594,158)</u>	<u>601,601</u>	<u>601,601</u>	<u>594,158</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures, net of other financing sources	<u>(11,330,655)</u>	<u>(13,021,106)</u>	<u>(12,632,612)</u>	<u>100,000</u>	<u>35,340</u>	<u>(294,023)</u>	<u>577,815</u>
Beginning fund balances	15,099,647	15,099,647	15,099,647	1,567,767	1,567,767	1,567,767	2,332,568
Ending fund balances (deficit)	<u>\$ 3,768,992</u>	<u>\$ 2,078,541</u>	<u>\$ 2,467,035</u>	<u>\$ 1,667,767</u>	<u>\$ 1,603,107</u>	<u>\$ 1,273,744</u>	<u>\$ 2,910,383</u>

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

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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, 2008, and have issued our report thereon dated October 10, 2008. 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

October 10, 2008