



CITY OF LAFAYETTE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION





City Council

Don Tatzin, Mayor
Brandt Andersson, Vice Mayor
Mike Anderson, Council Member
Mark Mitchell, Council Member
Traci Reilly, Council Member

December 8, 2014

To: Lafayette City Council
From: Tracy Robinson, Administrative Services Director
RE: Fiscal Year 2013-14 Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) of the City of Lafayette for the fiscal year ending June 30, 2014 is submitted in compliance with Section 25253 of the Government Code of the State of California and as prescribe by the Government Accounting Standards Board (GASB) Statement 34.

This report was prepared by the City of Lafayette Finance Department and the responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the data included in the report is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Cropper, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Lafayette's financial statements for the year ended June 30, 2014. The independent auditor's report is included with this report.

The CAFR represents the culmination of all budgeting and accounting activities of the City during FY 2013-14. The Management Discussion and Analysis which is also included in this report provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

GENERAL INFORMATION ABOUT THE CITY OF LAFAYETTE

Incorporated in 1968, Lafayette is located in Contra Costa County, one of the nine counties of the San Francisco Bay Area. Located on 15 square miles, Lafayette is noted for its high quality of life with top rated schools, low crime rate, small town downtown, clean air, mild climate and

oak tree-studded hills. Located between Berkeley and Walnut Creek, Lafayette has its own Bay Area Rapid Transit station (BART) and is only a 25 minute BART ride from San Francisco.

The City's 2013 population reported in the U.S. Census was 25,053. The City is primarily a residential community with commercial and light industrial enterprises as well as local governmental offices.

Lafayette's commercial district lies in the center of the community and offers a wide variety of services for residents in addition to boutique shopping and fine dining. The annual Art & Wine Festival attracts as many as 80,000 visitors to the City each year in September.

The City operates under the Council-Manager form of government, and is governed by a five-member Council elected at large, serving staggered four-year terms. Council elections are held in November of even numbered years. The Mayor is elected by the Council members from within its ranks to serve rotating one-year terms. The City Manager and City Attorney are appointed by the City Council. The City Manager appoints all Department Directors and through them, all other employees of the City.

Lafayette is a limited service city and contracts with Contra Costa County for police and library services. Other services delivered within the City are provided by separate agencies. Services falling into this category are fire service provided by the Contra Costa Consolidated Fire District, water service by East Bay Municipal Utility District, sewer service by the Central Contra Costa Sanitary District, and building inspection by the County Building Department. The Lafayette School District operates the 4 elementary schools and one middle school within the city boundary. The high school is in the Acalanes Unified School District, which also serves Moraga, Orinda and some parts of unincorporated Walnut Creek and Lafayette. Therefore, the City has only one component unit and no other legal entities for which it is financially or legal responsible.

The City's fiscal year runs from July 1 through June 30. Each year, the Administrative Services Director prepares two budgets -- the Proposed Budget, which is approved in June, and the Final Budget, which is approved in December. The budget process is as follows:

- In January, the City Council meets to set the goals and priorities for the upcoming fiscal year.
- In February and March, the department heads prepare their preliminary budgets and incorporate requests from commissions and committees.
- In mid-March, each department head meets with the City Manager, Administrative Services Director and Finance Manager to review the budget requests.
- In mid-April, the Administrative Services Director presents the Proposed Budget to the Finance Committee.

- At the end of May, the Proposed Budget is introduced at a regular City Council meeting.
- The City Council holds a special budget workshop meeting, usually the first week in June. At this meeting, the public is invited to comment on the budget and the Council makes a number of important policy decisions regarding the budget.
- The budget and any changes made to it during the budget workshop are adopted by resolution at the next regularly scheduled City Council meeting.
- After final figures for the prior fiscal year have been audited, usually in late October, the Administrative Services Director begins work on the Final Budget. The Final Budget incorporates actual expenses and revenues from the prior fiscal year, as well as any changes made by the City Council to the Proposed Budget. If other programs or expenditures are anticipated, these items are incorporated into the Final Budget as well.
- The City Council reviews the Final Budget at a regularly scheduled meeting in December, and adopts the Final Budget by resolution.

This annual budget serves as the foundation for Lafayette's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer resources within a department as they see fit. The City Council must approve changes to established levels of service, changes in the number of regular positions as defined by the City's adopted Personnel Rules, increases in the total amount allocated for each program and purchases of capital items which exceeds \$10,000 in value which are not itemized in the Capital Outlay accounts. The City Manager can approve all other modifications not specifically reserved for the City Council.

After the Great Recession revealed fiscal distress that had not been readily apparent in many cities, the League of California Cities contracted with experienced finance professionals to develop a financial health monitoring tool that would aid cities in identifying areas of fiscal concern. These areas could then be addressed in order to avert fiscal crisis. In August 2013, the League released a Beta Version of the California Municipal Fiscal Health Diagnostic Tool and in May 2014, the City of Lafayette became the first municipality to use the tool and publicize the results.

The model is populated with figures from the City's Financial Statements Report, the current budget, and the Five Year Forecast. The results are positive with 11 of the 13 indicators reflecting no need for concern. However, caution was raised with regard to the City's recurring general fund operating deficits and the fact that reserves are decreasing over multiple consecutive years. Both of these occurrences are due to the City's intentional efforts to address backlogged road maintenance. While these areas of caution were noted, the City continues to maintain reserves well above best practice recommendations and continues its philosophy of conservative retirement programs, which do not include defined benefit plans.

ORGANIZATIONAL STRUCTURE & COMPENSATION

The City employs 38 FTEs regular employees as well as a number of temporary and seasonal employees. The senior management team is experienced and long-tenured:

| | | |
|------------------|-------------------------------------|-----------|
| Steven Falk | City Manager | 24 years |
| Tracy Robinson | Administrative Services Director | 14 years |
| Jennifer Russell | Parks, Trails & Recreation Director | 35 years |
| Jennifer Wakeman | Financial Services Manager | 10 months |
| Tony Coe | Engineering Services Manager | 20 years |
| Ron Lefler | Public Works Services Manager | 17 years |
| Niroop Srivatsa | Planning Services Manager | 20 years |
| Joanne Robbins | City Clerk | 20 years |
| Eric Christensen | Chief of Police (contract) | 3 years |
| Mala Subramanian | City Attorney, BB&K (contract) | 7 years |

Unlike most public sector organizations, the City of Lafayette does not participate in a defined benefit retirement program. Rather, City employees have traditional defined contribution programs (401 and 457 plans). In addition, the City has fully funded the retiree medical program; therefore, there are no unfunded liabilities for retirement benefits.

ECONOMIC CONDITION AND OUTLOOK

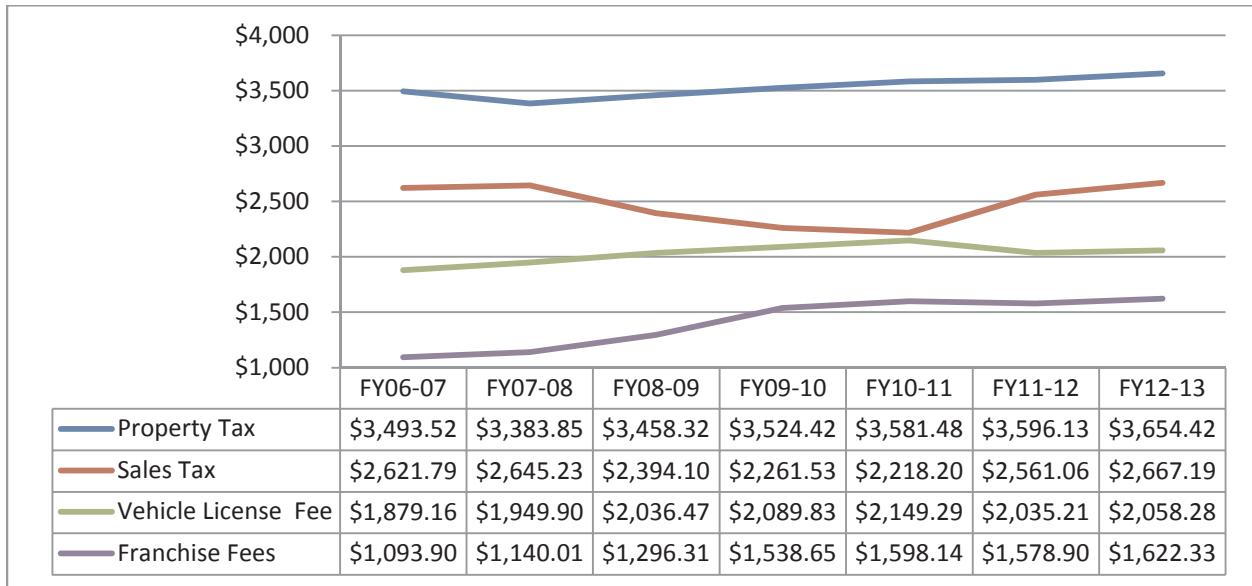
Local Economy

Lafayette is an affluent suburb of a major metropolitan area and its proximity to a public transit station (BART) makes it convenient for commuters. In addition, the semi-rural setting, low crime rate and excellent schools make the city attractive to families.

The residents are generally highly educated, with over 72% having bachelor's degrees or higher and almost 31% with graduate or professional degrees. Unemployment is also very low. As of July 2013, unemployment in Lafayette was 2.3% compared to 7.9% for the state. The median household income is \$131,512, which compares to \$58,328 for the State. The median sales price of homes in Lafayette for the last quarter of 2013 was \$1,095,500. This represents a 9.5% increase over the prior year. Homeownership rates are also very high, at 75%, as compared to a state average of 56%.

All of these factors bode well for Lafayette's major sources of revenue. Sales tax is now higher than it was before the economic downturn in 2007 and after relatively flat property tax growth, that trend now appears to be on the upswing. Also, after several years of dormancy, development has started again, particularly in the downtown, which has added additional property taxes to the rolls this year including a 72-unit assisted living complex for seniors and 23 townhomes. Even more development is planned with several residential projects having been granted approval such as three different residential condominium complexes with a total of 147 units.

Major Revenue Trends (in \$000s)



Long Term Financial Planning & Major Initiatives

As of June 30, 2014, the City of Lafayette’s financial condition remains sound. An indicator of financial condition is the level of fund balances, both reserved and unreserved, in the City’s General Funds. In 2014, the City had a policy of retaining a minimum of 60% of the year’s General Fund operating expenditures as a reserve against the General Fund cash balance. As of June 30, 2014, \$7.1M or 62% is designated for this purpose.

The City uses a multi-year financial planning process which includes estimates of future revenue and operating expenditure growth as well as capital needs to be financed from the General Fund over the next five years. The five-year forecast shows that the City will be able to maintain its reserve requirement and balance its budget for the next five years without significantly reducing services for residents.

Additional reserves against the General Fund include various “sinking funds” for future operating costs such as vehicle replacements, vacation accruals, retiree healthcare, capital expenditures and other funds that have been earmarked for specific purposes by the Council. This allows the City to save money over time for significant capital acquisitions and therefore smooth the funding path.

The City of Lafayette maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its infrastructure is well maintained. Under the guidance of the Capital Projects Assessment Committee, the City prioritizes roads for maintenance and reconstruction. Over the course of the last 15 years, the City has been able to whittle what was once a \$23M road maintenance backlog down to less than \$10M. During that time, the City has contributed over \$4M in General Fund reserves to the Pavement Management Program, with an additional \$3M pledged in fiscal year 2012. Those funds, along with grants, gas tax and

Measure J regional money have allowed the City to reconstruct many of the failed residential roads. The FY2014-15 capital program anticipates \$6.5M in projects. The City estimates that by 2018, the entire backlog will have been substantially reduced. This will relieve one of the largest ongoing burdens on the General Fund over the last 20 years.

Relevant Financial Policies

The City has a conservative investment policy which emphasizes safety and preservation of capital over yields. The City had previously invested all free cash in the State of California's pooled Fund (LAIF), however, due to the very low interest rates returned by that fund, the City recently revised its portfolio allocations to take advantage of additional securities that boost earnings while still maintaining safety and liquidity. The current portfolio is invested in laddered certificates of deposit, the CalTrust pooled fund and selected highly-rated corporate notes as well as LAIF.

For FY13-14, the Council, recognizing that it may have a significant shortfall in the Stormwater Pollution Fund in the next ten years given the inability to raise permit fees while at the same time facing increased costs, decided to begin setting aside money in a special sinking fund for this purpose. This fund will grow to \$1.2M over the next 10 years, thus allowing this program to more smoothly bridge expected deficits in this program over time. Similarly, the Council also moved to increase the Insurance Reserve Fund by \$50K annually for the next 5 years in order to bring that reserve to a total of \$500K which equals the deductible for the catastrophic losses.

The 5-year expense and revenue forecast shows that given conservative estimates of revenue growth of 2%, expense growth of 3% and maintenance of the capital contribution of \$1M annually, the City's reserve will decrease from 62% to 51% over the next 5 years. However, these figures are net of the \$1.9M the City used to buy the old library building, which it was contractually obligated to do. The City expects to recoup this money in the next three years either by selling the property to the Lafayette School District, or by using money accumulated in the City Offices Development Fund. In that case, the reserve target is projected to be 64% in the 5th year.

It is the Council's policy to adopt a balanced budget each year with very conservative estimates for both revenue and expenses. It has been the City's experience that both revenues and expenses end the year with favorable variances allowing the City to continue to build the General Fund Reserve as well as transfer significant money to the City's Pavement Management Program to repair failed residential roads.

Finally, it is of note that the City's Financial Services Manager of 23 years retired in March 2014. Gonzalo Silva was a great steward of the City's finances and during his tenure, the City earned Standard and Poor's highest rating – AAA. This rating reflects S&P's view of the economic, financial and managerial strength of the City. Jennifer Wakeman is the new Financial Services Manager and brings with her 7 years of experience from Walnut Creek where she was a Senior Accountant and four years of experience as the Finance Manager for Moraga. Jennifer has a BA from Boston College in finance and marketing and a Masters in Public Administration from

CalState East Bay. Besides having a strong accounting background, she also specializes in internal controls and policy development. She is an active member of the California Society of Municipal Finance Officers, currently serving as a co-chair for the East Bay Chapter, as well as having held roles on other leadership committees. We are confident that Ms. Wakeman is well qualified to continue the prudent financial practices the City has established and enhance them.

ACKNOWLEDGEMENTS

The preparation and development of this report would not have been possible without the special efforts of the entire Finance Department, and most notably, the Financial Services Manager, Jennifer Wakeman. We would like to take this opportunity to compliment and express our gratitude to all those staff members of the City and our independent auditing firm who were associated with the preparation of this report.

In closing, without the continued leadership and support of the City Council, it would not be possible to conduct the financial operations of the City in the responsible and progressive manner in which they have been managed.

CITY OF LAFAYETTE
CITY OFFICIALS AS OF JUNE 30, 2014

MAYOR

Don Tatzin

Term Expires November 2014

CITY COUNCIL

Traci Reilly
Term Expires November 2016

Mike Anderson
Term Expires November 2016

Brandt Andersson, Vice Mayor
Term Expires November 2014

Mark Mitchell
Term Expires November 2016

CITY MANAGER

Steven B. Falk – 24 years of service

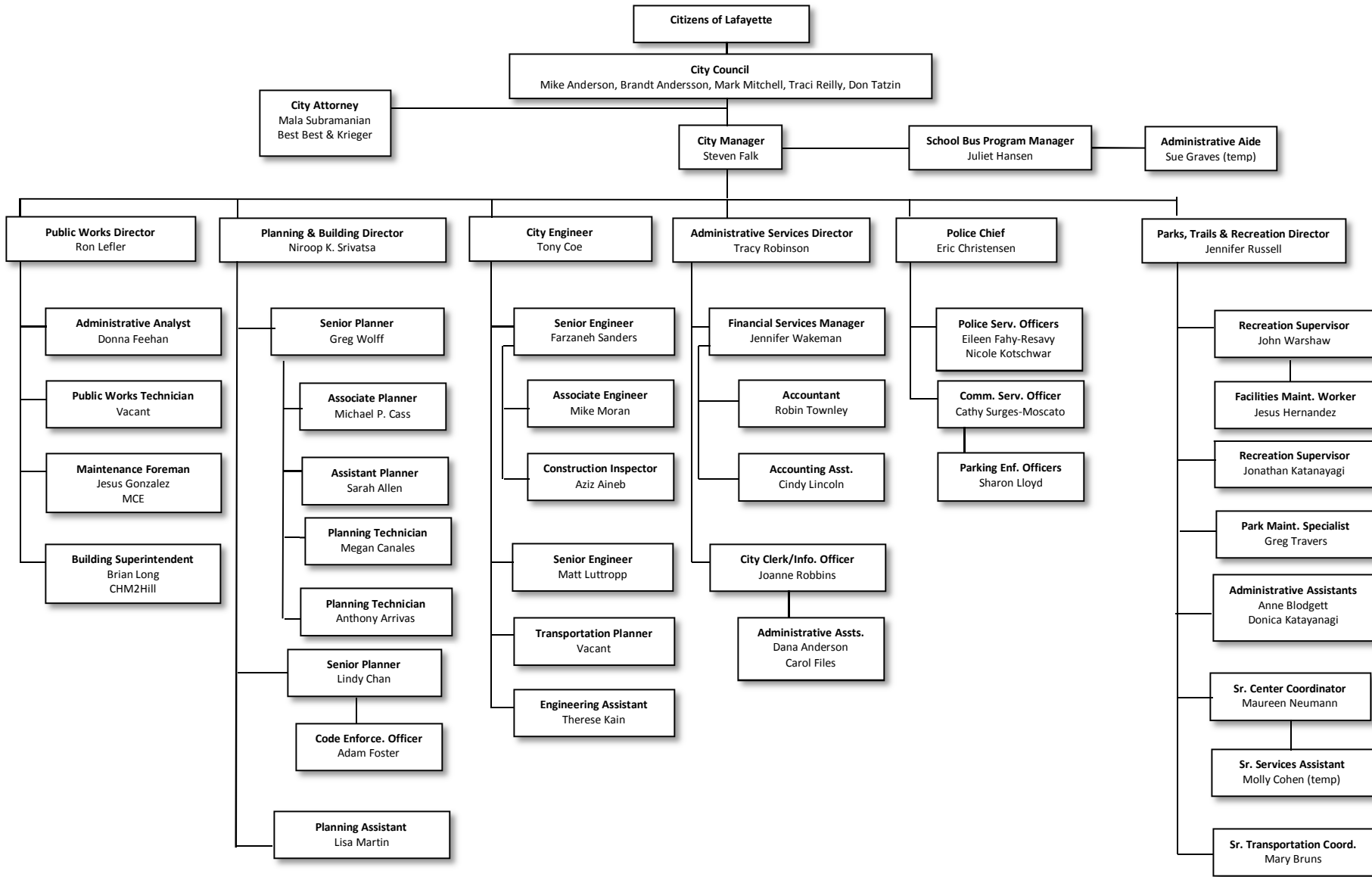
ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 14 years of service

FINANCIAL SERVICES MANAGER

Jennifer Wakeman – 10 months of service

City of Lafayette Organization Chart



City of Lafayette 925.284.1968
 Planning Department 925.284.1976
 Engineering Department 925.284.1951
 Public Works Department 925.934.3908
 Parks & Recreation 925.284.2232
 Email: FirstInitialLastName@lovelafayette.org



City of Lafayette

Briones Regional Park

Walnut Creek

Orinda

Moraga



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Lafayette's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Lafayette's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 11 – 21 and 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lafayette's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
November 19, 2014

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

The management staff of the City of Lafayette (City), offers readers of the City's financial statements this narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2014. To obtain a complete understanding of the City's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements and other information.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$127,647,471 (*net position*). Of this amount, \$6,996,232 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$741,425, compared to the restated net position at the end of last fiscal year. The prior fiscal year's ending net position was restated by (\$760,242) due to a change in an accounting principle and a revision to last fiscal year's capital asset entries.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$28,806,415, a decrease of \$736,471 in comparison with the prior year. Approximately 24% of the combined fund balance, or \$6,804,724, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$9,996,663, or approximately 94% of total general fund expenditures.
- The City's total outstanding long-term debt on the Statement of Net Position consists of General Obligation Bonds with outstanding balances of \$7,080,000.

Overview of the Financial Statements

The discussion and analysis presented here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, parks, and planning and community development. The business-type activities include the City's recreation program.

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

The government-wide financial statements can be found on pages 30 – 31 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the City's basic services are reported here, including general government, public safety, streets, parks, and planning and community development. These activities are financed by sales taxes, property taxes, vehicle license fees, franchise fees, and vehicular fines. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital project funds, the debt service fund, the public facilities fund, and the streets and signals fund, which are considered to be major funds. Data from the other remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The twenty-one funds (with corresponding fund numbers in parentheses) are grouped as follows:

- ✓ **General Fund** includes the General Fund (11), Shared Equity (30), Library Operations (37), Insurance (76).

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

- ✓ **Capital Projects Funds** includes Parks Facilities (12), Parkland Acquisition (17), City Offices (75), Road and Drain Improvement (79).
- ✓ **Debt Service Fund** includes only General Obligation Bonds (78).
- ✓ **Public Facilities Fund** includes only Public Facilities (16).
- ✓ **Streets & Signals Fund** includes only Streets & Signals (14).
- ✓ **Other Governmental Funds** include: Parking Programs (32), Vehicle Abatement (34), Senior Transportation (36), Gas Tax (71), Measure J (72), Supplemental Law Enforcement (73), Street Lighting (51), Core Area Maintenance (52) and Storm Water Pollution (53), Police Services Special Fund (55).

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32 – 35 of this report.

Proprietary Funds. The City maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its recreation programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 36 – 39 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund, a private-purpose trust fund. The *Private-purpose trust fund* is used to report resources held in trust for the Successor Agency to the (now dissolved) Redevelopment Agency that are used to make payments on outstanding obligations.

The fiduciary fund financial statements can be found on pages 40 – 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 – 73 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. Provided here is a budgetary comparison schedule for the general fund comparing the original budget to the final budget and the final budget to the actual revenues and expenditures of the City. Required supplementary information can be found on pages 75 – 77 of this report.

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 79 – 87 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$127,647,471, at the close of the most recent fiscal year.

City's Net Position

| | Governmental activities | | Business-type activities | | Total | |
|----------------------------------|-------------------------|----------------|--------------------------|------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 31,288,875 | \$ 32,146,205 | \$ 674,408 | \$ 602,462 | \$ 31,963,283 | \$ 32,748,667 |
| Capital assets | 106,352,004 | 105,981,697 | - | - | 106,352,004 | 105,981,697 |
| Total assets | 137,640,879 | 138,127,902 | 674,408 | 602,462 | 138,315,287 | 138,730,364 |
| Long-term liabilities | | | | | | |
| outstanding | 7,109,966 | 7,700,078 | - | - | 7,109,966 | 7,700,078 |
| Other liabilities | 3,198,974 | 3,071,112 | 358,876 | 292,886 | 3,557,850 | 3,363,998 |
| Total liabilities | 10,308,940 | 10,771,190 | 358,876 | 292,886 | 10,667,816 | 11,064,076 |
| Net position: | | | | | | |
| Net investment in capital assets | 99,272,004 | 98,560,464 | - | - | 99,272,004 | 98,560,464 |
| Restricted | 21,379,235 | 19,381,805 | - | - | 21,379,235 | 19,381,805 |
| Unrestricted | 6,680,700 | 9,414,443 | 315,532 | 309,576 | 6,996,232 | 9,724,019 |
| Total net position | 127,331,939 | 127,356,712 | 315,532 | 309,576 | 127,647,471 | 127,666,288 |
| Change in accounting principle | | (108,767) | | | | (108,767) |
| Prior period adjustment | | (651,475) | | | | (651,475) |
| Total net position, restated | \$ 127,331,939 | \$ 126,596,470 | \$ 315,532 | \$ 309,576 | \$ 127,647,471 | \$ 126,906,046 |

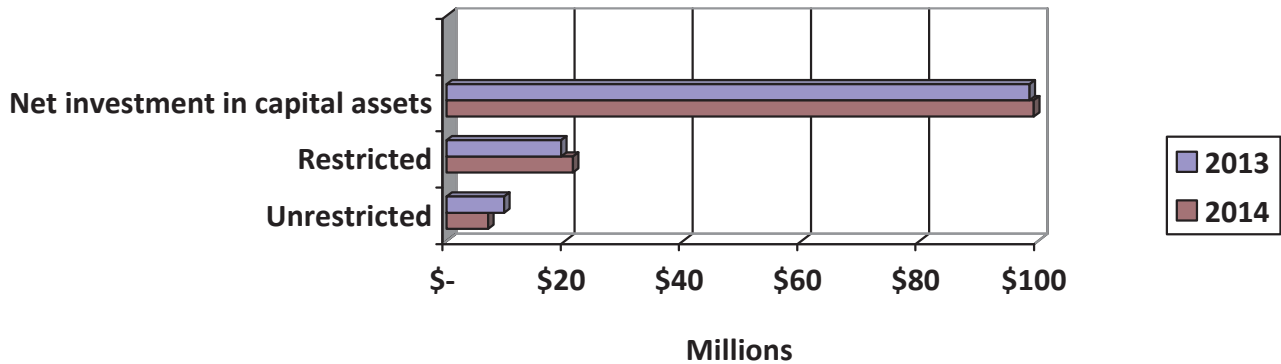
The largest portion of the City's net position (78%) is the net investment in capital assets portion of \$99,272,004. This portion reflects the investment in capital assets (e.g., land, buildings, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the City's net position (17%) is the restricted portion of \$21,379,235. This portion represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,996,232 is unrestricted and may be used to meet the City's ongoing obligations.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF LAFAYETTE
 Management's Discussion and Analysis
 Year Ended June 30, 2014

**City of Lafayette Net Position
 June 30, 2013 and 2014**



The City's overall net position increased \$741,425 from the restated net position at the end of last fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$735,469 from the restated prior fiscal year balance, for an ending balance of \$127,331,939.

The prior fiscal year's ending net position was restated by (\$760,242) due to a change in an accounting principle and a revision to last fiscal year's capital asset entries. Governmental Accounting Standards Board Statement (GASBS) number 65 became effective in the current fiscal year and reclassifies certain items that were previously reported as assets. The reclassification results in a \$108,767 decrease to the ending net position for the last fiscal year. In addition, it was discovered that in the last fiscal year furniture and equipment were added net of depreciation and that depreciation expense was omitted for several existing assets. This correction resulted in a further decrease of \$651,475 in the ending net position for the last fiscal year.

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

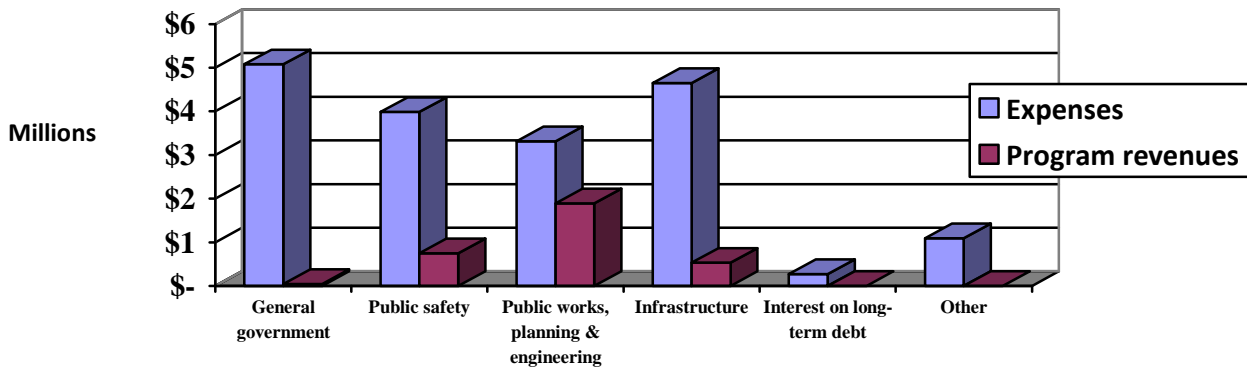
Changes in Net Position

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------|--------------------------|--------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 2,509,355 | \$ 3,414,497 | \$ 1,100,271 | \$ 1,085,615 | \$ 3,609,626 | \$ 4,500,112 |
| Operating grants and contributions | 179,938 | 100,000 | - | - | 179,938 | 100,000 |
| Capital grants and contributions | 533,050 | 848,918 | - | - | 533,050 | 848,918 |
| General revenues | | | | | | |
| Property taxes | 5,102,515 | 4,788,439 | - | - | 5,102,515 | 4,788,439 |
| Other taxes | 8,663,834 | 8,214,295 | - | - | 8,663,834 | 8,214,295 |
| Other | 2,113,465 | 1,704,343 | 583 | 228 | 2,114,048 | 1,704,571 |
| Total revenues | 19,102,157 | 19,070,492 | 1,100,854 | 1,085,843 | 20,203,011 | 20,156,335 |
| Expenses: | | | | | | |
| General government | 5,077,883 | 4,599,592 | - | - | 5,077,883 | 4,599,592 |
| Public safety | 3,987,257 | 4,020,045 | - | - | 3,987,257 | 4,020,045 |
| Public works and engineering | 3,317,464 | 4,436,505 | - | - | 3,317,464 | 4,436,505 |
| Infrastructure | 4,649,195 | 3,790,761 | - | - | 4,649,195 | 3,790,761 |
| Interest on long-term debt | 271,508 | 284,950 | - | - | 271,508 | 284,950 |
| Recreation | - | - | 1,064,898 | 988,395 | 1,064,898 | 988,395 |
| Other | 1,093,381 | 932,134 | - | - | 1,093,381 | 932,134 |
| Total expenses | 18,396,688 | 18,063,987 | 1,064,898 | 988,395 | 19,461,586 | 19,052,382 |
| Change in net position before transfers | 705,469 | 1,006,505 | 35,956 | 97,448 | 741,425 | 1,103,953 |
| Transfers | 30,000 | 30,000 | (30,000) | (30,000) | - | - |
| Change in net position | 735,469 | 1,036,505 | 5,956 | 67,448 | 741,425 | 1,103,953 |
| Net position - beginning | 126,596,470 | 126,320,207 | 309,576 | 242,128 | 126,906,046 | 126,562,335 |
| Change in accounting principle | | (108,767) | | | | (108,767) |
| Prior period adjustment | | (651,475) | | | | (651,475) |
| Net position - ending | \$ 127,331,939 | \$ 126,596,470 | \$ 315,532 | \$ 309,576 | \$ 127,647,471 | \$ 126,906,046 |

- Charges for services declined significantly this year, due to the timing of large, one-time payments submitted to the City last fiscal year. General revenues increased sufficiently to offset these reductions.
- Expenses for governmental activities increased by \$332,701, or 2%. This increase was primarily due to investments in infrastructure and specifically, the purchase of the property at 952 Moraga Road, which were offset by cost control measures.
- The prior fiscal year's ending net position was restated by (\$760,242) due to a change in an accounting principle and a revision to last fiscal year's capital asset entries.

CITY OF LAFAYETTE
 Management's Discussion and Analysis
 Year Ended June 30, 2014

Expenses and Program Revenues - Governmental Activities



- Public safety recouped 19% of its program costs, or \$748,606 in program revenues
- Public works, planning and engineering's cost recovery rate was 57%, representing \$1,894,201 in program revenues collected
- Program revenues for infrastructure represent capital grants and contributions received for direct investment on specific projects
- The Other program comprises costs for library operations and citywide insurance premiums

Business-Type Activities. For the City's business-type activities, recreation programs, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$315,532. The total increase in net position for business-type activities was \$5,956 or 2% from the prior fiscal year. Despite increased costs for replacement of the registration/reservations system, Recreation Programs continues to ensure that program fees and charges are sufficient to cover expenses.

Financial Analysis of Governmental Funds

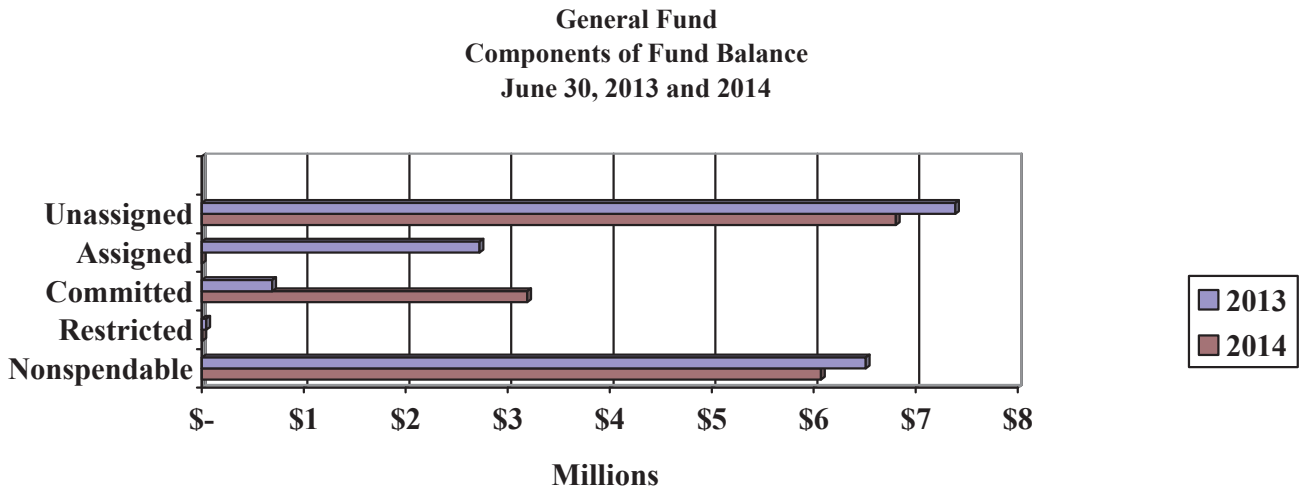
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or an individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2014, the City's governmental funds reported combined fund balances of \$28,806,415, a decrease of \$736,471 in comparison with the prior year. Approximately 24% of the combined fund balance, or \$6,804,724, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$8,284,805), 2) legally required to

CITY OF LAFAYETTE
 Management's Discussion and Analysis
 Year Ended June 30, 2014

be maintained intact (\$0), 3) restricted for particular purposes (\$2,979,586), 4) committed for particular purposes (\$10,737,300), or 5) assigned for particular purposes (\$0).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,804,724, while total fund balance decreased to \$16,075,975. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 64% of total general fund expenditures, while total fund balance represents approximately 151% of that same amount.

The fund balance of the City's general fund decreased by \$1,279,725 during the current fiscal year primarily due to a transfer out to the Public Facilities Fund of \$1,984,000 for the purchase of the old library property located at 952 Moraga Road.

The capital projects funds, a major fund, had a \$90,804 increase in fund balance during the current fiscal year which raised the overall fund balance to \$5,020,905. This was due to the receipt of some park dedication fees during the current fiscal year, net of a one-time additional transfer from the General Fund of \$118,000 for the sewer hookup at Buckeye Field.

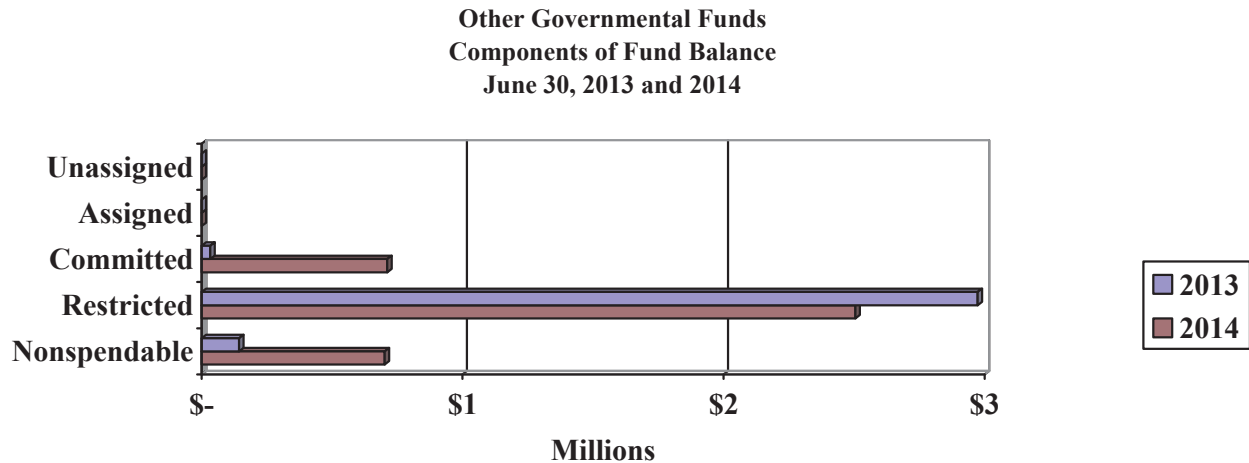
The debt service fund, a major fund, had a \$48,348 increase in fund balance during the current fiscal year, which put the overall fund balance at \$1,511,039. The increase results from slightly higher property tax and assessments and a lower principal payment.

For the current fiscal year, the public facilities fund qualified as a major fund. This fund had an increase of \$8,182 in fund balance, which raised the overall fund balance to \$207,667. This increase is due to the net difference between the transfer in from the General Fund and the actual expenditure incurred for the purchase of the old library located at 952 Moraga Road.

The streets and signals fund, the remaining major governmental fund, had a \$371,745 decrease in fund balance in the current fiscal year, resulting in an end of year balance of \$2,073,698. The decline in fund balance is largely due to higher capital project expenditures on projects, such as the East End Pedestrian

CITY OF LAFAYETTE
 Management's Discussion and Analysis
 Year Ended June 30, 2014

/ Bike Streetscape project, the 2013 Road and Drain Improvements project and the 2013 Surface Seal program.



Governmental funds that do not meet the determination of a major fund are presented in the aggregate. The other governmental funds had a \$767,665 increase in fund balance, resulting in an end of year balance of \$3,917,131. This increase is attributed to a reduced amount of transfers out from these funds. Specifically, while the annual appropriation of gas tax revenues were received in the current fiscal year, none were transferred to the capital projects funds as has been done in prior years.

Proprietary Funds. The City's proprietary fund provides the same type of information found in the government-wide financials statements, but in more detail.

Unrestricted net position of the Recreation Programs at the end of the year was \$315,532. The total growth in net position for the fund was \$5,956. As noted earlier in the discussion of business-type activities, the increase for the Recreation Programs results from staff closely managing the budget, even with increased contractual services costs.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year several changes were made between the proposed and final budgets. The most significant of these include:

- \$50,000 increase in General Fund expenditures to accelerate citywide sign replacement program
- \$20,000 increase in General Fund expenditures for establishment of the Public Art Committee
- \$80,000 increase in General Fund transfers out to the Capital Projects Fund for the Trail & Drainage Repair project, which was funded jointly with the Town of Moraga.
- \$22,358 increase in General Fund transfers out to the Capital Projects Fund for construction and installation of three illuminated entrance signs; remainder of the project cost to come from the fund balance in the Capital Projects Fund
- \$38,000 increase in General Fund expenditures for the setting of a bonus pool for staff
- \$1,984,914 increase in General Fund expenditures for the purchase of the old library located at 952 Moraga Road; this was later modified from an expense to a transfer out to the Public

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

- Facilities Fund, which actually recorded the expense for this property
- \$35,052 increase in General Fund expenditures due to a month-long overlap on the Financial Services Manager position and the costs incurred by the retirement of a long term employee

Final budget compared to actual results. Actual revenues came in over budget by \$1,563,675.

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

Despite the comparatively low share received by the City, the property tax base remains stable. Assessed values in the City increased 6% from \$5,633,431,904 in fiscal year 2012/13 to \$5,967,188,394 in fiscal year 2013/14. The increase in assessed values is the difference in the budgeted property tax amount and the actual property tax amount received.

With the slow recovery of the national economy, the City too began to see some strengthening in the local environment. Compared to last fiscal year, the City saw increases in sales tax (3%), transient lodging tax (12%), motor vehicle in-lieu tax (6%) and planning, permits and fee (19%) revenues. Interest income saw a significant reduction between final budget and actual, due to the use of a revised methodology for the calculation of interest due to the general fund on its loan to the successor agency. In addition, actual other revenue came in \$796,019 over the final budget amount due to items that are reimbursements.

Actual expenditures came in \$905,758 under budget. The source of these savings were primarily due to savings in the police services and traffic maintenance programs, as well as, the legal services program, which had unused funds that had been allocated for potential litigation.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of June 30, 2014 amount to \$106,352,004. The City does not have any capital assets for its business-type activities as of June 30, 2014.

| | Governmental activities | |
|----------------------------------|-------------------------|-----------------------|
| | <u>2014</u> | <u>2013</u> |
| Land, easements and right-of-way | \$ 14,230,959 | \$ 12,256,045 |
| Land improvements | 2,913,782 | 3,213,169 |
| Buildings and improvements | 38,409,450 | 39,729,177 |
| Infrastructure | 47,739,865 | 47,832,121 |
| Furniture and equipment | 1,159,044 | 1,158,149 |
| Books and artwork | 1,362,298 | 1,471,492 |
| Construction in progress | 536,606 | 321,544 |
| Total capital assets | <u>\$ 106,352,004</u> | <u>\$ 105,981,697</u> |

CITY OF LAFAYETTE
Management's Discussion and Analysis
Year Ended June 30, 2014

Major capital asset events during the current fiscal year included the following:

- Beginning of the Manzanita Room Remodel
- Completion of the East End Bike / Pedestrian Streetscape Improvements
- Various Road & Drain Improvements and Reconstruction Projects

Additional information on the City's capital assets can be found in Note 3C on page 60.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,080,000. This amount is comprised of three general obligation bonds that were issued for the purpose of reconstructing the City's major arterial roadways. This amount is ad valorem property tax debt for which the government is liable in the event of default by the property owners subject to the tax. As of June 30, 2014, the City did not have any long-term obligations for its business-type activities.

The City's total debt decreased by \$450,000 (6%) during the current fiscal year. The reason for the decrease was the regularly scheduled principal payments on the existing outstanding debt.

The City maintains a "AAA" rating from Standard & Poor's for general obligation debt.

Under the State Constitution, any new indebtedness to be repaid from an ad valorem tax levied against real property must be approved by a two-thirds vote of the qualified electors, and the bonds may only be used to finance "the acquisition or improvement of real property." State statute limits the City's bonding capacity to 3.75 percent of the assessed value of all taxable property, or about \$223 million, which is significantly in excess of the City's outstanding general obligation debt of \$7,080,000.

Additional information on the City's long-term debt can be found in Note 3D on page 61 of this report.

Economic Factors

The City places a high priority on attracting new businesses and supporting existing businesses. Through collaboration with business and property owners, developers, and the Chamber of Commerce, the City of Lafayette continues to prosper as the economy continues its recovery from the recession. Sales tax revenues continue to climb higher due to new restaurants and retailers and transient occupancy tax is reflective of a higher number of guests coming to the City.

Requests for Information

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

**City of Lafayette
Finance Department
3675 Mt Diablo Blvd., Suite 210
Lafayette, CA 94549**

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Statement of Net Position
June 30, 2014

| <u>ASSETS</u> | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | |
| Current assets: | | | |
| Cash and cash equivalents (Note 3A) | \$ 21,073,056 | \$ 651,974 | \$ 21,725,030 |
| Accounts receivable (Note 3B) | 1,911,457 | 3,447 | 1,914,904 |
| Notes receivable (Note 3D) | 6,756,149 | - | 6,756,149 |
| Accrued interest receivable | 4,754 | 126 | 4,880 |
| Prepaid assets | 18,618 | 18,861 | 37,479 |
| Other assets | 14,802 | - | 14,802 |
| Total current assets | 29,778,836 | 674,408 | 30,453,244 |
| Noncurrent assets: | | | |
| Restricted Assets | | | |
| Cash and cash equivalents | 1,509,585 | - | 1,509,585 |
| Accrued interest | 454 | - | 454 |
| Total restricted noncurrent assets | 1,510,039 | - | 1,510,039 |
| Other noncurrent assets: | | | |
| Capital assets not being depreciated | | | |
| Land, easements and right-of-way | 14,230,959 | - | 14,230,959 |
| Artwork | 434,149 | - | 434,149 |
| Capital Assets, net of accumulated depreciation | | | |
| Land improvements | 2,913,782 | - | 2,913,782 |
| Buildings and improvements | 38,409,450 | - | 38,409,450 |
| Infrastructure | 47,739,865 | - | 47,739,865 |
| Furniture and Equipment | 1,159,044 | - | 1,159,044 |
| Books and artwork | 928,149 | - | 928,149 |
| Construction in progress | 536,606 | - | 536,606 |
| Total Capital Assets, net (Note 3C) | 106,352,004 | - | 106,352,004 |
| Total noncurrent assets | 107,862,043 | - | 107,862,043 |
| Total assets | 137,640,879 | 674,408 | 138,315,287 |
| <u>LIABILITIES</u> | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 1,536,707 | 24,793 | 1,561,500 |
| Accrued interest payable | 124,024 | - | 124,024 |
| Refundable deposits | 830,501 | 15,576 | 846,077 |
| Current portion of accrued compensated absences | 122,492 | - | 122,492 |
| Unearned revenue | 115,250 | 318,507 | 433,757 |
| Bonds payable-current (Note 3D) | 470,000 | - | 470,000 |
| Total current liabilities | 3,198,974 | 358,876 | 3,557,850 |
| Noncurrent liabilities | | | |
| Accrued compensated absences, net of current portion | 499,966 | - | 499,966 |
| Bonds payable- noncurrent (Note 3D) | 6,610,000 | - | 6,610,000 |
| Total noncurrent liabilities | 7,109,966 | - | 7,109,966 |
| Total liabilities | 10,308,940 | 358,876 | 10,667,816 |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 99,272,004 | - | 99,272,004 |
| Restricted for: | | | |
| RDA Successor Agency Loans | 6,756,148 | - | 6,756,148 |
| Debt service | 1,510,039 | - | 1,510,039 |
| Special purpose sources | 2,504,980 | - | 2,504,980 |
| Capital projects | 8,288,024 | - | 8,288,024 |
| Other | 2,320,044 | - | 2,320,044 |
| Unrestricted | 6,680,700 | 315,532 | 6,996,232 |
| Total net position | \$ 127,331,939 | \$ 315,532 | \$ 127,647,471 |

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

CITY OF LAFAYETTE
Statement of Activities
For the Year Ended June 30, 2014

Statement 2

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Assets | | |
|--|----------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | |
| City council, commissions & community support | \$ 1,262,843 | \$ - | \$ 46,486 | \$ - | \$ (1,216,357) | \$ - | \$ (1,216,357) |
| Administration | 3,815,040 | - | - | - | (3,815,040) | - | (3,815,040) |
| Police services | 3,987,257 | 637,454 | 111,152 | - | (3,238,651) | - | (3,238,651) |
| Public works | 2,475,665 | - | 16,600 | - | (2,459,065) | - | (2,459,065) |
| Infrastructure | 4,649,195 | - | - | 533,050 | (4,116,145) | - | (4,116,145) |
| Planning & engineering | 841,799 | 1,871,901 | 5,700 | - | 1,035,802 | - | 1,035,802 |
| Interest & debt charges | 271,508 | - | - | - | (271,508) | - | (271,508) |
| Other | 1,093,381 | - | - | - | (1,093,381) | - | (1,093,381) |
| Total governmental activities | <u>\$ 18,396,688</u> | <u>2,509,355</u> | <u>179,938</u> | <u>533,050</u> | <u>(15,174,345)</u> | <u>-</u> | <u>(15,174,345)</u> |
| <i>Business Type Activities:</i> | | | | | | | |
| Recreation programs | <u>1,064,898</u> | <u>1,100,271</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,373</u> | <u>35,373</u> |
| Total primary government | <u>\$ 19,461,586</u> | <u>\$ 3,609,626</u> | <u>\$ 179,938</u> | <u>\$ 533,050</u> | <u>\$ (15,174,345)</u> | <u>\$ 35,373</u> | <u>\$ (15,138,972)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 5,102,515 | - | 5,102,515 |
| Sales taxes | | | | | 3,156,488 | - | 3,156,488 |
| Franchise taxes | | | | | 1,664,512 | - | 1,664,512 |
| Transient occupancy tax | | | | | 630,576 | - | 630,576 |
| Motor vehicle in lieu tax | | | | | 2,176,084 | - | 2,176,084 |
| Highway users taxes | | | | | 744,129 | - | 744,129 |
| Transfer tax | | | | | 292,045 | - | 292,045 |
| Investment income | | | | | 149,827 | 583 | 150,410 |
| Other | | | | | 1,963,638 | - | 1,963,638 |
| Transfers from Enterprise Fund, net | | | | | 30,000 | (30,000) | - |
| Total general revenues and transfers | | | | | <u>15,909,814</u> | <u>(29,417)</u> | <u>15,880,397</u> |
| Change in net position | | | | | <u>735,469</u> | <u>5,956</u> | <u>741,425</u> |
| Net position at beginning of year | | | | | 127,356,712 | 309,576 | 127,666,288 |
| Change in accounting principle (Note 4F) | | | | | (108,767) | - | (108,767) |
| Prior period adjustment (Note 4E) | | | | | (651,475) | - | (651,475) |
| Net position at beginning of year, as restated | | | | | <u>126,596,470</u> | <u>309,576</u> | <u>126,906,046</u> |
| Net position at end of year | | | | | <u>\$ 127,331,939</u> | <u>\$ 315,532</u> | <u>\$ 127,647,471</u> |

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2014

| <u>ASSETS</u> | <u>General Fund</u> | <u>Capital Projects Funds</u> | <u>Debt Service Fund</u> | <u>Public Facilities Fund</u> |
|---|-----------------------------|-----------------------------------|----------------------------------|---------------------------------------|
| Cash and cash equivalents | \$ 1,239,033 | \$ 5,068,132 | \$ - | \$ 207,607 |
| Investments | 9,220,069 | - | - | - |
| Accounts receivable | 1,386,055 | - | - | - |
| Notes receivable | 6,055,414 | - | - | - |
| Accrued interest receivable | 1,801 | 1,639 | - | 60 |
| Prepaid expenses | 17,618 | - | 1,000 | - |
| Other assets | 14,802 | - | - | - |
| Restricted Assets: | | | | |
| Cash deposits and investments | - | - | 1,509,585 | - |
| Accrued interest receivable | - | - | 454 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 17,934,792</u> | <u>\$ 5,069,771</u> | <u>\$ 1,511,039</u> | <u>\$ 207,667</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued expenses | \$ 1,028,082 | \$ 48,866 | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| Refundable deposits | 830,189 | - | - | - |
| Unearned revenue | 546 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>1,858,817</u> | <u>48,866</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balance</u> | | | | |
| Nonspendable fund balance | | | | |
| Debt service | - | - | 1,510,039 | - |
| Prepaid items | 17,618 | - | 1,000 | - |
| RDA Successor Agency Loan | 6,055,414 | - | - | - |
| Restricted for: | | | | |
| Regional traffic fees | - | - | - | - |
| Grants | 6,280 | - | - | - |
| Other purpose | - | - | - | - |
| Committed fund balance: | | | | |
| Accrued leave and OPEB liability | 641,058 | - | - | - |
| Capital projects | 1,454,080 | 5,020,905 | - | 207,667 |
| Emergency contingency | 300,000 | - | - | - |
| Environmental task force | 7,200 | - | - | - |
| Equipment/vehicle replacement | 263,367 | - | - | - |
| Police transition | 250,000 | - | - | - |
| In-lieu tree and public art programs | 4,858 | - | - | - |
| Library maintenance | 200,000 | - | - | - |
| Parking program and senior transportation | - | - | - | - |
| Stormwater pollution | 50,000 | - | - | - |
| Youth committee | 21,376 | - | - | - |
| Unassigned fund balance: | 6,804,724 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balance | <u>16,075,975</u> | <u>5,020,905</u> | <u>1,511,039</u> | <u>207,667</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balance | <u>\$ 17,934,792</u> | <u>\$ 5,069,771</u> | <u>\$ 1,511,039</u> | <u>\$ 207,667</u> |

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

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2014

Statement 3

| Streets and Signals | Other Governmental Funds | Total Governmental Funds | | |
|------------------------|--------------------------------|--------------------------------|---|-----------------------|
| \$ 2,429,059 | \$ 3,275,706 | \$ 12,219,537 | Total fund balances per Governmental Funds Balance Sheet | \$ 28,806,415 |
| - | - | 9,220,069 | Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Position less accumulated depreciation | 106,352,004 |
| 65,931 | 459,469 | 1,911,455 | | |
| - | 700,734 | 6,756,148 | Bonds Payable are reflected in the Statement of Net Position as liabilities, while being recognized as proceeds for governmental purposes. Bonds are treated as financing revenue in the year received for "governmental fund" purposes. (See Note 3. F.) | (7,080,000) |
| 565 | 689 | 4,754 | | |
| - | - | 18,618 | | |
| - | - | 14,802 | | |
| - | - | 1,509,585 | Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Position. For governmental fund purposes interest is recorded when due, not when incurred. | |
| - | - | 454 | Accrued interest payable | (124,024) |
| <u>2,495,555</u> | <u>4,436,598</u> | <u>31,655,422</u> | Accrued compensated absences | (622,456) |
| | | | Subtotal | <u>98,525,524</u> |
| \$ 329,780 | \$ 129,979 | \$ 1,536,707 | Net Position of Governmental Activities | <u>\$ 127,331,939</u> |
| - | 366,549 | 366,549 | | |
| 312 | - | 830,501 | | |
| <u>91,765</u> | <u>22,939</u> | <u>115,250</u> | | |
| - | - | - | | |
| <u>421,857</u> | <u>519,467</u> | <u>2,849,007</u> | | |
| - | - | 1,510,039 | | |
| - | - | 18,618 | | |
| - | 700,734 | 6,756,148 | | |
| 468,326 | - | 468,326 | | |
| - | - | 6,280 | | |
| - | 2,504,980 | 2,504,980 | | |
| - | - | 641,058 | | |
| 1,605,372 | - | 8,288,024 | | |
| - | - | 300,000 | | |
| - | - | 7,200 | | |
| - | - | 263,367 | | |
| - | - | 250,000 | | |
| - | - | 4,858 | | |
| - | - | 200,000 | | |
| - | 711,417 | 711,417 | | |
| - | - | 50,000 | | |
| - | - | 21,376 | | |
| - | - | 6,804,724 | | |
| <u>2,073,698</u> | <u>3,917,131</u> | <u>28,806,415</u> | | |
| <u>\$ 2,495,555</u> | <u>\$ 4,436,598</u> | <u>\$ 31,655,422</u> | | |

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2014

| Revenues | General Fund | Capital Projects Funds | Debt Service Fund | Public Facilities Fund |
|--|----------------------|---------------------------|----------------------|------------------------------|
| Property tax and assessments | \$ 3,692,888 | \$ - | \$ 784,269 | \$ - |
| Sales and use tax (including Measure C) | 2,756,952 | - | - | - |
| Transient lodging tax | 630,576 | - | - | - |
| Franchise tax | 1,664,512 | - | - | - |
| Real property transfer tax | 292,045 | - | - | - |
| Vehicle code fines | 106,682 | - | - | - |
| Interest income | 129,907 | 7,587 | 2,104 | 278 |
| Motor vehicle in lieu tax | 2,176,084 | - | - | - |
| Grants - federal | 16,600 | - | - | - |
| Grants - state | - | - | - | - |
| Grants - regional and local | 5,700 | - | - | - |
| Planning, permits and engineering | 1,454,453 | - | - | - |
| Highway users tax | - | - | - | - |
| Drainage impact fees | 4,219 | - | - | - |
| Park dedication fees | - | 329,078 | - | - |
| Walkway fees | 524 | - | - | - |
| Parking revenue and fees | - | - | - | - |
| Police | 23,758 | - | - | - |
| Abandoned vehicles | - | - | - | - |
| Library operation | 518,980 | - | - | - |
| Other | 401,296 | - | - | - |
| Total revenues | <u>13,875,176</u> | <u>336,665</u> | <u>786,373</u> | <u>278</u> |
| Expenditures | | | | |
| Current | | | | |
| City council, commissions, and community support | 1,262,843 | - | - | - |
| Police services | 3,945,555 | - | - | - |
| Public works | 1,634,294 | - | - | - |
| Library operations | 655,897 | - | - | - |
| Planning and engineering | 831,314 | - | - | - |
| Administration | 1,967,667 | 156,755 | - | - |
| Capital outlay | - | 162,490 | - | 2,100,010 |
| Rent and other expenses | 136,539 | - | 6,500 | - |
| Insurance and claims | 181,460 | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | 450,000 | - |
| Interest and charges | - | - | 281,525 | - |
| Total expenditures | <u>10,615,569</u> | <u>319,245</u> | <u>738,025</u> | <u>2,100,010</u> |
| Excess (deficiency) of revenues over expenditures | <u>3,259,607</u> | <u>17,420</u> | <u>48,348</u> | <u>(2,099,732)</u> |
| Other financing sources | | | | |
| Operating transfers - in | 356,225 | 103,968 | - | 2,107,914 |
| Operating transfers - out | (4,895,557) | (30,584) | - | - |
| Total other financing sources (uses) | <u>(4,539,332)</u> | <u>73,384</u> | <u>-</u> | <u>2,107,914</u> |
| Net change in fund balances | (1,279,725) | 90,804 | 48,348 | 8,182 |
| Beginning fund balance | <u>17,355,700</u> | <u>4,930,101</u> | <u>1,462,691</u> | <u>199,485</u> |
| Ending fund balance | <u>\$ 16,075,975</u> | <u>\$ 5,020,905</u> | <u>\$ 1,511,039</u> | <u>\$ 207,667</u> |

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

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2014

Statement 4

| Streets and Signals | Other Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------------|--------------------------------|
| \$ - | \$ 625,357 | \$ 5,102,514 |
| - | 399,536 | 3,156,488 |
| - | - | 630,576 |
| - | - | 1,664,512 |
| - | - | 292,045 |
| - | 251,403 | 358,085 |
| 2,618 | 39,900 | 182,394 |
| - | - | 2,176,084 |
| - | 31,487 | 48,087 |
| 45,250 | 111,152 | 156,402 |
| 487,800 | 15,000 | 508,500 |
| 479 | - | 1,454,932 |
| - | 744,128 | 744,128 |
| 72,658 | - | 76,877 |
| - | - | 329,078 |
| 10,489 | - | 11,013 |
| - | 242,324 | 242,324 |
| - | - | 23,758 |
| - | 13,287 | 13,287 |
| - | - | 518,980 |
| <u>935,902</u> | <u>74,892</u> | <u>1,412,090</u> |
| <u>1,555,196</u> | <u>2,548,466</u> | <u>19,102,154</u> |
| - | - | 1,262,843 |
| - | - | 3,945,555 |
| - | 828,297 | 2,462,591 |
| - | - | 655,897 |
| - | - | 831,314 |
| 715,716 | 975,526 | 3,815,664 |
| 3,545,842 | 30,395 | 5,838,737 |
| - | - | 143,039 |
| - | - | 181,460 |
| - | - | 450,000 |
| - | - | 281,525 |
| <u>4,261,558</u> | <u>1,834,218</u> | <u>19,868,625</u> |
| <u>(2,706,362)</u> | <u>714,248</u> | <u>(766,471)</u> |
| 2,334,617 | 481,917 | 5,384,641 |
| - | (428,500) | (5,354,641) |
| <u>2,334,617</u> | <u>53,417</u> | <u>30,000</u> |
| (371,745) | 767,665 | (736,471) |
| <u>2,445,443</u> | <u>3,149,466</u> | <u>29,542,886</u> |
| <u>\$ 2,073,698</u> | <u>\$ 3,917,131</u> | <u>\$ 28,806,415</u> |

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

Net change in fund balances - total governmental funds \$ (736,471)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life and reported as depreciation expense:

| | | |
|------------------------|--------------------|-----------|
| Cost of capital assets | \$ 5,936,141 | |
| Depreciation expense | <u>(4,914,359)</u> | 1,021,782 |

The issuance of long-term debt provides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:

Principal reduction applied to liability 450,000

Decrease in accrued interest liability 10,017

Increase in accrued compensated absences (9,859)

Subtotal 1,471,940

Change in Net Position of Governmental Activities \$ 735,469

CITY OF LAFAYETTE
Statement of Net Position
Business Fund Type
Recreation Programs
June 30, 2014

Statement 5

ASSETS

Current Assets:

| | |
|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 651,974 |
| Accounts receivable | 3,447 |
| Accrued interest receivable | 126 |
| Prepaid expenses | <u>18,861</u> |
| Total assets | <u>\$ 674,408</u> |

LIABILITIES

Current Liabilities:

| | |
|--|----------------|
| Accounts payable and accrued liabilities | \$ 24,793 |
| Refundable deposits | 15,576 |
| Unearned revenue | <u>318,507</u> |
| Total liabilities | <u>358,876</u> |

NET POSITION

| | |
|------------------------------------|-------------------|
| Unrestricted (deficit) | <u>315,532</u> |
| Total net position | <u>315,532</u> |
| Total liabilities and net position | <u>\$ 674,408</u> |

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

CITY OF LAFAYETTE
Statement of Revenues, Expenses and
Changes in Net Position
Business Fund Type-Recreation Programs
For the Year Ended June 30, 2014

Statement 6

| | |
|--|-------------------|
| Operating revenues | |
| Recreation fees | \$ 1,014,671 |
| Building rentals | 85,600 |
| Total operating revenues | <u>1,100,271</u> |
| Operating expenses | |
| Personnel services | 561,718 |
| Maintenance | 712 |
| Contractual services | 446,761 |
| Printing and supplies | 37,357 |
| Utilities | 7,033 |
| Rental expense | 8,810 |
| Other | 2,507 |
| Total operating expenses | <u>1,064,898</u> |
| Operating income | 35,373 |
| Nonoperating revenues (expenses) | |
| Interest | <u>583</u> |
| Total nonoperating revenues (expenses) | <u>583</u> |
| Operating transfers - in | - |
| Operating transfers - out | <u>(30,000)</u> |
| Total | <u>(30,000)</u> |
| Net income and operating transfers | 5,956 |
| Beginning retained earnings | <u>309,576</u> |
| Ending retained earnings | <u>\$ 315,532</u> |

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

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2014

Statement 7

| | |
|--|-----------------------|
| Cash flows from operating activities | |
| Receipts from customers | \$ 1,057,736 |
| Receipts from Building rentals, net of expense | 76,790 |
| Other receipts and payments | (2,507) |
| Payments for contractual services | (423,184) |
| Payments for printing and supplies | (37,357) |
| Payments to employees | (561,718) |
| Payments for maintenance | (712) |
| Payments for utilities | <u>(7,033)</u> |
| Net cash provided by (used in) operating activities | <u>102,015</u> |
| Cash flows from investing activities | |
| Receipts from interest income | <u>611</u> |
| Cash flows from noncapital financing activities | |
| Transfers to General Fund | <u>(30,000)</u> |
| Net increase in cash deposits and investments | 72,626 |
| Cash deposits and investments at beginning of year | <u>579,348</u> |
| Cash deposits and investments at end of year | <u>\$ 651,974</u> |
| Operating income (before operating transfers) | \$ 35,373 |
| Adjustments to reconcile net income to net cash provided by operating activities | |
| (Increase) decrease in assets | |
| Accounts receivable and accrued interest | 901 |
| Prepaid expenses | (249) |
| Increase (decrease) in liabilities | |
| Accounts payable | 23,826 |
| Refundable deposits and deferred revenue | <u>42,164</u> |
| Net cash provided by (used in) operating activities | <u>\$ 102,015</u> |

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

City of Lafayette
Statement of Fiduciary Net Position
Private Purpose Trust fund - Successor Agency
June 30, 2014

Statement 8

Assets:

| | |
|-----------------------------------|----------------------|
| Reserve account - debt service | \$ 1,450,948 |
| Investments | 78,333 |
| Accrued interest receivable | 36 |
| Restricted cash with fiscal agent | <u>1,843,755</u> |
| Total assets | <u>3,373,072</u> |

Liabilities:

| | |
|--|-------------------|
| Accounts payable | 28,842 |
| Due to other funds | 67,917 |
| Accrued interest payable | 435,391 |
| Bonds payable (Note 3F) | 24,375,000 |
| Unearned revenue | 1,446,518 |
| Loan payable - Lafayette Library and Learning Center Foundation (Note 3F) | 15,770,915 |
| Loan from parking fund (Note 3F) | 700,734 |
| Note payable to General Fund (Note 3F) | <u>6,055,414</u> |
| Total liabilities | <u>48,880,731</u> |

Net position:

| | |
|-------------------------------------|-------------------------------|
| Held in trust for other governments | <u><u>\$ (45,507,659)</u></u> |
|-------------------------------------|-------------------------------|

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

City of Lafayette
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Year Ended June 30, 2014

Statement 9

| | Total |
|--|-----------------|
| Additions | |
| Tax increment revenue | \$ 1,461,966 |
| Investment income | 1,051 |
| Other income | 325 |
| Total additions | 1,463,342 |
| Deductions | |
| Interest expense | 1,991,702 |
| Contractual services | 71,724 |
| Funding agreement streetscape improvements | 350,000 |
| Bond proceeds | 746,699 |
| Total deductions | 3,160,125 |
| Additional debt above refunding | (5,000) |
| Change in net position | (1,701,783) |
| Net position - beginning | (43,805,876) |
| Net position - ending | \$ (45,507,659) |

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2014
Index

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CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. Financial Reporting Entity

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

The former RDA was dissolved as of February 1, 2012. After the date of dissolution, the assets, liabilities and activities of the Successor Agency to the RDA are reported in a fiduciary fund in the financial statements of the City, however the Successor Agency's activities and net position do not roll-up to the government-wide financial statements. Further details relating to the Successor Agency to the former RDA may be found in the Successor Agency financial statements, issued separately.

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

1. B. Basis of Presentation

Government-wide Financial Statements:

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

Fund Financial Statements:

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

Governmental funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. All Special Revenue Funds of the City are categorized as "Other Governmental Funds" since they do not meet the criteria individually as a major fund.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one combined Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund and other fund sources.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city. Ad valorem taxes are used for the payment of principal and interest.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

Proprietary fund

Enterprise (Business Type) Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's only proprietary fund (business-type) is that of the "Recreation Programs."

Fiduciary funds (not included in government-wide statements)

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held by the City as trustee for third party beneficiaries. The City's only trust fund relates to its role as the Successor Agency for the former Redevelopment Agency.

Major and non-major funds

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

| <u>Fund</u> | <u>Brief Description</u> |
|--|---|
| <u>Major:</u> | |
| General Fund | Primary operating Fund of the City |
| Capital Project Fund | Accounts for specific capital projects |
| Debt Service Fund | Accounts for resources for payment of interest and principal on long-term debt |
| Streets and Signals Fund | Accounts for resources for capital replacement and repair of streets and signals |
| Public Facilities Fund | Accounts for costs associated with the purchase and repair of public buildings |
| <u>Non-major:</u> | |
| All Special Revenue Funds: (Other Governmental Funds) | Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows: <ul style="list-style-type: none">• Parking programs• Vehicle abatement• Senior transportation• Police services special fund• Gasoline tax• Measure J - Return-to-source• Supplemental law enforcement• Assessment District-Street Lighting• Assessment District-Core Area Maintenance• Assessment District-Storm Water Pollution |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

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 Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item ‘b’ below.

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund (business-type) utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds that are Private Purpose Trust Funds have an “economic resources” measurement focus, which is the accrual basis of accounting. The trust fund reports all of the assets (including capital assets) and liabilities (including long term indebtedness). Effective February 1, 2012, the Successor Agency to the former Lafayette RDA began reporting on this basis.

Basis of accounting

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

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

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

1. D. Assets, Liabilities, and Equity

Cash and investments

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

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

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. In addition, there is a 20 year (12 remaining) note payable from the Successor Agency to the Parking Fund in the amount of \$700,734 at June 30, 2014. Based on the dissolution of the redevelopment agency and subsequent audits by the State, the degree to which this note will be repaid remains unclear. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report sundry class receivables and interest earnings as receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

CITY OF LAFAYETTE
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Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Government-wide Statements

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

City policy has set the capitalization thresholds for reporting capital assets at the following:

- All buildings (no threshold)
- \$5,000 for all other capital assets

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

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

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

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

Fund Financial Statements

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

Restricted assets

Restricted assets include cash and investments of the debt service fund that are legally restricted as to their use, which is for the payment of long-term debt obligations. Certain capital project funds and special revenue funds are restricted by the sources for specific purposes such as gas tax, Measure J (streets) and

CITY OF LAFAYETTE
Notes to Financial Statements
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maintenance assessment districts.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

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

Compensated absences

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

Equity classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position—Consists of net position 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 position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance Reporting

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

CITY OF LAFAYETTE
Notes to Financial Statements
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- *Nonspendable fund balances* are those amounts that cannot be spent either because the underlying resources are not in spendable form, or because the government is legally or contractually required to maintain the resources intact.
- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either
 - Externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation
- *Committed fund balances* are those amounts whose classifications includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance to remove or revise the limitation).
- *Assigned fund balances* are those whose classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exists temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

Each year, the City strives to maintain a minimum unassigned general fund balance equivalent to 60% of annual operating expenses for the general fund.

1. E. Revenues, Expenditures, and Expenses

Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from good, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

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 zero share, except from those areas of the City annexed after 1968.

Pursuant to the 1988 Trial Court Funding Bill and subsequent reallocations, the City is receiving a measure of relief from this funding deficiency. Beginning in 1989, Lafayette began receiving funds in lieu of property taxes and/or additional property tax allocations. The receipt of these funds has been phased in gradually, and by 1997/1998 the City of Lafayette received the equivalent of approximately 7% of the total property taxes that its property owners pay. This can be compared to the average 10.5% allocation received by cities in Contra Costa County. The amount received is further reduced by a partial shift to fund schools, and amounts sent to the former RDA and the Successor Agency.

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

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

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

Sales tax

The State presently levies an 8.5% sales tax on taxable sales within the City of which 1% is allocated to the City. The sales tax is collected by the State and remitted to the City in the month following receipt. The State receives the sales tax approximately one to three months after collection by vendors. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption “Accounts Receivable”. The 8.5% sales tax also includes some “Measure J” funds which are allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA).

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

Other taxes

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

Operating revenues and expenses

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

Expenditures / expenses

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

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

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

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

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

Interfund transfers

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

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

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

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

2. B. Deposits and Investments Laws and Regulations

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

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

The City may waive collateral requirements for deposits, which are insured by federal depository insurance. The City had not waived such requirements as of June 30, 2014.

2. C. Revenue Restrictions

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

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

CITY OF LAFAYETTE
Notes to Financial Statements
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For the year ended June 30, 2014, the City complied, in all material respects, with these revenue restrictions.

2. D. Debt Restrictions and Covenants

General obligation debt

- Authority of Issuance

The General Obligation Bonds (G.O. Bonds) were issued to finance the repair and reconstruction of the City’s roads and drains. The Bonds constitute a portion of the total authorized amount of \$13,000,000 of general obligation bonds of the City duly authorized by at least two-thirds of the qualified voters of the City voting at an election on March 7, 1995. At June 30, 2014, the City’s three general obligation bonds totaled \$7,080,000 as follows:

| | <u>Original Issue</u> | <u>Total Outstanding</u> | <u>Due in Fiscal year June 30, 2015</u> |
|------------|-----------------------|------------------------------|---|
| 2002 Issue | \$ 4,320,000 | \$ 440,000 | \$ 140,000 |
| 2004 Issue | 6,035,000 | 3,795,000 | 310,000 |
| 2011 Issue | 2,960,000 | 2,845,000 | 20,000 |
| | <u>\$ 13,315,000</u> | <u>\$ 7,080,000</u> | <u>\$ 470,000</u> |

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

Assessed Valuation of Property Within the City

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

For Fiscal Year 2013-14, the City’s total secured and unsecured assessed valuation is \$5,967,188,394.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

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

3. A. Cash and Investments

The City had the following cash and investments at June 30, 2014:

Cash and Cash Equivalents:

| | |
|--|----------------------|
| Cash | |
| Wells Fargo | \$ 1,467,942 |
| Local Investment Agency Fund | 12,545,821 |
| Petty Cash | 784 |
| Total Cash | 14,014,547 |
| Investments | |
| CalTrust | 1,005,660 |
| Wells Fargo Money Market | 73,353 |
| Wells Fargo Corporate Bonds | 1,863,523 |
| Wells Fargo Certificates of Deposit | 6,277,533 |
| Total Investments | 9,220,069 |
| Total Cash and Cash Investments | \$ 23,234,616 |

Reconciliation to financial statements:

Statement 3:

| | |
|---|---------------|
| Cash and cash equivalents | \$ 12,219,537 |
| Investments | 9,220,069 |
| Restricted cash and investments | 1,509,585 |
| Due to other funds | (366,549) |
| Total governmental funds cash and investments | 22,582,642 |

Statement 5:

| | |
|---|---------|
| Cash and cash equivalents | 651,974 |
| Total enterprise funds cash and investments | 651,974 |

| | |
|-------|---------------|
| Total | \$ 23,234,616 |
|-------|---------------|

The City's investments with LAIF at June 30, 2014 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

As of June 30, 2014, the City had \$12,545,821 invested in LAIF, which had invested 1.86% of the pool investment fund in structured notes and asset-backed securities.

Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Total bank balances before reconciling items were \$3,788,629 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

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

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

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

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

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

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Investments*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in \$182,977 of investment income. There were no unrealized gains or losses.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

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

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

3. B. Accounts Receivable

Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2014. They include:

| | |
|--|---------------------|
| Lafayette Library and Learning Center Foundation | \$ 481,560 |
| Measure J | 399,536 |
| Sales tax (State) | 334,300 |
| Lafayette Park Hotel | 170,678 |
| Comcast | 114,256 |
| Surcharge fees (County) | 53,597 |
| Lafayette School District | 39,605 |
| County transfer tax | 37,354 |
| CalTrans | 28,150 |
| Planning – Rosson | 27,098 |
| Friends of the Lafayette Library | 25,274 |
| | <hr/> |
| | 1,711,408 |
| Others (under \$25,000) | 200,049 |
| | <hr/> |
| Total governmental accounts receivable | <u>\$ 1,911,457</u> |

The amount of accounts receivable for the business-type activities was \$3,447 at June 30, 2014.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

3. C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

| <u>Governmental Activities</u> | Balance <u>June 30, 2013</u> | <u>Additions</u> | Work in <u>Progress</u> | Prior Period <u>Adjustment*</u> | Balance <u>June 30, 2014</u> |
|---------------------------------------|---------------------------------|--------------------|----------------------------|------------------------------------|---------------------------------|
| <i>Capital Assets:</i> | | | | | |
| Non-depreciable capital assets | | | | | |
| Land, easements, and right of way | \$ 12,256,045 | \$1,974,914 | \$ - | \$ - | \$ 14,230,959 |
| Artwork (Library) | 434,149 | - | - | - | 434,149 |
| Total non-depreciable capital assets | <u>12,690,194</u> | <u>1,974,914</u> | <u>-</u> | <u>-</u> | <u>14,665,108</u> |
| Depreciable capital assets | | | | | |
| Land improvements | 5,311,877 | - | - | - | 5,311,877 |
| Building and improvements | 41,866,421 | - | - | - | 41,866,421 |
| Infrastructure | 111,855,178 | 3,192,150 | 301,118 | - | 115,348,446 |
| Furniture and equipment | 2,877,832 | 252,898 | - | 30,327 | 3,161,057 |
| Book Collection (Library) | 1,091,940 | - | - | - | 1,091,940 |
| Construction in progress | 321,544 | 516,179 | (301,118) | 1 | 536,606 |
| Total depreciable capital assets | <u>163,324,792</u> | <u>3,961,227</u> | <u>-</u> | <u>30,328</u> | <u>167,316,347</u> |
| <i>Accumulated depreciation</i> | | | | | |
| Land improvements | 2,098,708 | 264,677 | - | 34,710 | 2,398,095 |
| Building and improvements | 2,137,244 | 845,662 | - | 474,065 | 3,456,971 |
| Infrastructure | 64,023,057 | 3,580,080 | - | 5,444 | 67,608,581 |
| Furniture and equipment | 1,719,683 | 169,343 | - | 112,987 | 2,002,013 |
| Book collection (Library) | 54,597 | 54,597 | - | 54,597 | 163,791 |
| Total accumulated depreciation | <u>70,033,289</u> | <u>4,914,359</u> | <u>-</u> | <u>681,803</u> | <u>75,629,451</u> |
| Total depreciable capital assets, net | 93,291,503 | (953,132) | - | (651,475) | 91,686,896 |
| Total capital assets, net | <u>\$105,981,697</u> | <u>\$1,021,782</u> | <u>\$ -</u> | <u>\$ (651,475)</u> | <u>\$106,352,004</u> |

*See Note 4.E. for additional detail

Current Depreciation

| | |
|---|---------------------|
| Public Works | \$ 6,290 |
| Police Services | 41,702 |
| Infrastructure and related improvements | 4,866,367 |
| Total depreciation | <u>\$ 4,914,359</u> |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

3. D. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling \$7,080,000. The following is a summary of general long-term debt transactions for the year ended June 30, 2014:

| | <u>Interest Rates</u> | <u>Balance June 30, 2013</u> | <u>Principal Increases (Decreases)</u> | <u>Balance June 30, 2014</u> |
|-----------------------------|---------------------------|----------------------------------|--|----------------------------------|
| <i>General Obligation:</i> | | | | |
| Bonds Issued fiscal 2002 | | | | |
| Matures to fiscal 2016 | 5.0% | 570,000 | (130,000) | 440,000 |
| Bonds Issued fiscal 2004 | | | | |
| Matures to fiscal 2026 | 2.0 – 4.7% | 4,085,000 | (290,000) | 3,795,000 |
| Refunding Bonds Issued 2011 | | | | |
| Matures to fiscal 2026 | 2.85% | <u>\$ 2,875,000</u> | <u>(30,000)</u> | <u>2,845,000</u> |
| Total | | <u>\$ 7,530,000</u> | <u>(450,000)</u> | <u>\$ 7,080,000</u> |
| Bonds payable – current | | | | \$ 470,000 |
| Bonds payable – noncurrent | | | | <u>6,610,000</u> |
| | | | | <u>\$ 7,080,000</u> |

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2014:

| | |
|---|-------------------|
| General obligation bonds - 2002 issue | \$ 25,250 |
| General obligation bonds - 2004 issue | 174,765 |
| Refunding General obligation bonds - 2011 issue | 81,510 |
| | <u>\$ 281,525</u> |

The following are the debt service schedules for the obligations related to general obligation bonds.

General Obligation Refunding Bonds – Issued 2011

| <u>Payments due in fiscal year ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| 2015 | 20,000 | 80,798 | 101,798 |
| 2016 | 20,000 | 80,228 | 100,228 |
| 2017 | 25,000 | 79,586 | 104,586 |
| 2018 | 190,000 | 76,523 | 266,523 |
| 2019 | 190,000 | 71,108 | 261,108 |
| 2020 – 2024 | 1,160,000 | 266,333 | 1,426,333 |
| 2024 – 2025 | <u>1,240,000</u> | <u>36,625</u> | <u>1,275,625</u> |
| | <u>\$ 2,845,000</u> | <u>\$ 690,199</u> | <u>\$ 3,535,199</u> |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

Unrefunded Bond Debt Service
General Obligation Bonds – Issued 2002

| Payments due in fiscal year ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| 2015 | \$ 140,000 | \$ 18,500 | \$ 158,500 |
| 2016 | 145,000 | 11,375 | 156,375 |
| 2017 | <u>155,000</u> | <u>3,875</u> | <u>158,875</u> |
| | <u>\$ 440,000</u> | <u>\$ 33,750</u> | <u>\$ 473,750</u> |

General Obligation Bonds – Issued 2004

| Payments due in fiscal years ending June 30: | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| 2015 | \$ 310,000 | \$ 160,540 | \$ 470,540 |
| 2016 | 325,000 | 147,065 | 472,065 |
| 2017 | 330,000 | 133,883 | 463,883 |
| 2018 | 345,000 | 120,041 | 465,041 |
| 2019 | 365,000 | 105,126 | 470,126 |
| 2020 – 2024 | 1,945,000 | 267,318 | 2,212,318 |
| 2025 – 2026 | <u>175,000</u> | <u>8,343</u> | <u>183,343</u> |
| | <u>\$ 3,795,000</u> | <u>\$ 942,315</u> | <u>\$ 5,202,080</u> |

3. E. Interfund Transfers and Balances

Transfers

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

| Fund | Transfers In | Transfers Out |
|--------------------------|---------------------|---------------------|
| General Fund | \$ 356,225 | \$ 4,895,557 |
| Capital Project Funds | 103,968 | 30,584 |
| Public Facilities Fund | 2,107,914 | - |
| Streets and signals fund | 2,334,617 | - |
| Other governmental funds | <u>481,917</u> | <u>428,500</u> |
| Subtotal | 5,384,641 | 5,354,641 |
| Proprietary fund | - | 30,000 |
| | <u>\$ 5,384,641</u> | <u>\$ 5,384,641</u> |

CITY OF LAFAYETTE
Notes to Financial Statements
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3. F. Long Term Debt of the Successor Agency to the Redevelopment Agency

As indicated in note 1D, there is a note payable with payments scheduled for the next 12 years from the Successor Agency to the Parking Fund in the amount of \$700,734, combined principal and interest at June 30, 2014. Over several years, the RDA was loaned monies from the General Fund of the City bearing interest at 8% per annum for the Library, Veteran’s Hall, and the RDA program. With the dissolution of the redevelopment agency and subsequent audits by the State, it became clear that the State did not agree with the interest being set at 8%. Effective fiscal year 2014, the methodology for the interest on this loan was changed to accrue at the annual average Local Agency Investment Fund rate. This change was applied retroactively to the fiscal year 2013. At June 30, 2014, the current balance due was \$6,055,414 of combined principal and interest. It remains unclear whether or not the successor agency will be able to repay this loan, regardless of the interest rate used. For this reason the City reflects this as a nonspendable item in the fund balance of the General Fund.

The Agency’s long-term bond debt is as follows:

| | <u>Interest Rates</u> | <u>Balance June 30, 2013</u> | <u>Principal Payments</u> | <u>New issue (Refunding)</u> | <u>Balance June 30, 2014</u> |
|-----------------------------|-----------------------|------------------------------|---------------------------|------------------------------|------------------------------|
| <i>Tax Allocation:</i> | | | | | |
| Bonds Issued fiscal 2002 | | | | | |
| Matures to fiscal 2033 | 3.4 – 5.75% | \$ 4,660,000 | \$ (135,000) | \$ (4,525,000) | \$ - |
| Bonds Issued fiscal 2005 | | | | | |
| Matures to fiscal 2036 | 3.0 – 5.0% | 10,735,000 | (240,000) | - | 10,495,000 |
| Bonds Issued 2008 | | | | | |
| Matures to fiscal 2039 | 3.75 – 6.5% | 9,455,000 | (105,000) | (9,350,000) | - |
| Refunding Bonds Issued 2014 | | | | | |
| Matures to fiscal 2039 | 3.0 – 5.0% | - | - | 13,880,000 | 13,880,000 |
| Total | | <u>\$ 24,850,000</u> | <u>\$ (480,000)</u> | <u>\$ 5,000</u> | <u>\$ 24,375,000</u> |

| <u>2005 Issue</u> | <u>Principal</u> | <u>Tax Allocation Interest</u> | <u>Bonds - Issued 2005 Total</u> |
|--|----------------------|--------------------------------|----------------------------------|
| Payments due in fiscal years ending June 30; | | | |
| 2015 | \$ 255,000 | \$ 492,299 | \$ 747,299 |
| 2016 | 265,000 | 479,299 | 744,299 |
| 2017 | 280,000 | 466,794 | 746,794 |
| 2018 | 290,000 | 454,751 | 744,751 |
| 2019 | 305,000 | 442,108 | 747,108 |
| 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 | 108,125 | 2,243,125 |
| | <u>\$ 10,495,000</u> | <u>\$ 6,963,356</u> | <u>\$ 17,458,356</u> |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

| <u>2014 Issue</u> | <u>Principal</u> | <u>Interest</u> | <u>Bonds - Issued 2014 Total</u> |
|---|----------------------|----------------------|--|
| Payments due in fiscal years ending June 30; | | | |
| 2015 | \$ 25,000 | \$ 636,844 | \$ 661,844 |
| 2016 | 45,000 | 767,400 | 812,400 |
| 2017 | 45,000 | 720,375 | 765,375 |
| 2018 | 50,000 | 723,700 | 773,700 |
| 2019 | 45,000 | 716,800 | 761,800 |
| 2020 – 2024 | 1,870,000 | 5,039,250 | 6,909,250 |
| 2025 – 2029 | 2,825,000 | 5,386,375 | 8,211,375 |
| 2030 – 2034 | 3,140,000 | 4,969,250 | 8,109,250 |
| 2035 – 2039 | 5,835,000 | 6,761,375 | 4,838,000 |
| | <u>\$ 13,880,000</u> | <u>\$ 25,721,369</u> | <u>\$ 39,601,369</u> |

To help finance redevelopment projects, the former RDA issued bonded indebtedness on August 20, 2002, November 9, 2005 and November 11, 2008, which will be repaid using redevelopment tax increment. Principal payments of \$480,000 were scheduled and made on August 1, 2013.

Bond Refunding

During fiscal 2014, the 2002 series and 2008 series bonds, with combined outstanding principal of \$13,875,000, and interest rates ranging from 3.4% to 6.5% were refunded. On March 6, 2014 a tax allocation bond with a maturity date of August 1, 2038, was issued for \$13,880,000 with interest rates ranging from 3.0% to 5.0%.

Successor Agency

On February 1, 2012, the Redevelopment Fund debt, along with all other assets and liabilities of the RDA, were transferred by the City to the Successor Agency Trust Fund. The Successor Agency accepted the role as custodian for the Redevelopment Agency's assets and liabilities pending a distribution to the appropriate taxing entity.

Library Loan

The former RDA and the Lafayette Library and Learning Center Foundation (the Foundation) entered into their first loan agreement of \$9,000,000 in May of 2008. The purpose of this loan was to help fund the construction of the City's library project. Subsequent to the first loan, the former RDA determined that it required an additional \$2,500,000 second loan agreement, which was executed in August of 2009, to pay for a portion of the project costs that exceeded the prior budget.

The total of the two loan balances are \$13,193,853 for the first loan and \$2,577,062 for the second loan for a total of \$15,770,915 at June 30, 2014. The interest rates of the loans are 6.5% and 8%, respectively. Interest earned during the year was \$805,259 for the first loan and \$226,835 for the second loan. Principal payments of \$900,000 were made during the year on the second loan.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

NOTE 4. OTHER NOTES

4. A. Employee Benefit Plans

Employee Retirement Contribution

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

Salary-Based Contribution System

The City shall make monthly contributions toward a retirement plan (“the 401a plan”) for each regular employee and part time regular employees working a minimum of 20 hours per week. The contribution on behalf of each participant should equal 10% of based earnings up to the maximum allowable by law. In addition, each participant may contribute up to 5% of earnings to the 401a plan and the City has elected to match such contribution by the same percentage.

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

The City’s total payroll in fiscal year 2014 was approximately \$4,202,799. Contributions to the 401a plan totaled \$545,978 by the City and \$179,304 by individuals during the year.

The following summarizes transactions in the 401a plan for the year ended June 30, 2014:

| | |
|---------------------------------------|---------------------|
| Defined contribution retirement plan: | |
| Balance June 30, 2013 | \$ 7,653,442 |
| Contributions: Employer | 545,978 |
| Employee | 179,304 |
| Other | 41,667 |
| Disbursements, net | (849,216) |
| Earnings | 61,770 |
| Appreciation | 1,207,722 |
| Balance June 30, 2014 | <u>\$ 8,846,435</u> |

Deferred Compensation Plan

All employees of the City are eligible to participate in a City sponsored deferred compensation plan (“the 457 plan”). The 457 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 457 plan are held in trust for the exclusive benefit of plan participants.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

The following summarizes transactions in the 457 plan for the year ended June 30, 2014:

| | | |
|-----------------------------|----|-------------|
| Deferred compensation plan: | | |
| Balance June 30, 2013 | \$ | 6,580,506 |
| Contributions | | 377,110 |
| Disbursements (net) | | (1,057,539) |
| Earnings | | 58,678 |
| Appreciation | | 1,002,945 |
| Balance June 30, 2014 | \$ | 6,961,700 |

Other Post Employment Benefits (OPEB)

Plan Description

The City’s defined benefit post employment healthcare plan (“the OPEB plan”), provides medical benefits to eligible retired City employees.

Funding Policy

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

Annual OPEB Cost

For 2014, the City’s annual required contribution (ARC) of \$21,703 was paid to the OPEB Trust. In addition, the City paid \$1,260 in medical premiums to retirees. The City’s current year OPEB costs, which consist of the ARC and the implied subsidy, were \$26,708. The following table shows the components of the City’s annual OPEB costs for 2014, the amount actually contributed to the OPEB plan, and changes in the City’s net OPEB obligation:

| | | |
|---|----|----------|
| Annual required contribution (ARC) | \$ | 21,703 |
| Interest on net OPEB obligation (asset) | | - |
| Adjustment to annual required contribution | | - |
| Annual OPEB cost (AOC) | | 21,703 |
| Contributions made: | | |
| Health care premiums paid | | (1,260) |
| Contribution to CERBT trust | | (26,500) |
| Increase (decrease) in net OPEB obligation | | (6,057) |
| Net OPEB Obligation (Asset) — Beginning of Year | | (3,042) |
| Net OPEB Obligation (Asset) — End of Year | \$ | (9,099) |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

An actuarial study was performed by the City as of July 1, 2013. The study estimated the plan's unfunded accrued liability to be \$20,758. The financial statement does not show the OPEB asset of \$9,099 on the Statement of Net Position.

Funding Status and Funding Progress

The funded status of the OPEB plan as of July 1, 2013 (most recent actuarial evaluation) was as follows:

| Actuarial Valuation Date | Actuarial Valuation of Assets (A) | Cost Method Actuarial Accrued Liability (B) | Overfunded | Funding Ratio (A/B) | Covered Payroll (Active Plan Members) | UAAL as a % of Covered Payroll |
|-----------------------------|--|---|--|---------------------------|--|---|
| | | | (Underfunded) Actuarial Accrued Liability (A-B) UAAL | | | |
| July 1, 2013 | \$ 134,334 | \$ 155,092 | \$ (20,758) | 87% | \$ 3,531,447 | 3.71% |
| July 1, 2011 | \$ 87,200 | \$ 203,400 | \$ (116,200) | 57% | \$ 4,057,500 | 2.86% |
| January 1, 2009 | \$ - | \$ 276,200 | \$ (276,200) | 0% | \$ 3,874,700 | 7.13% |

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

The City is making all of the required OPEB annual required contributions and has an additional \$18,600 set aside in the General Fund in order to smooth any future changes to the PERS expected investment rate of return.

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 calculations of the OPEB plan reflect a long-term perspective. 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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

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

| | |
|-------------------------------|-----------------------------------|
| Valuation date | July 1, 2013 |
| Actuarial cost method | Entry Age - Normal |
| Amortization method | Level Percentage of payroll, open |
| Remaining amortization period | 25 years |
| Asset valuation method | 5-year smoothed market |
| Investment return | 7.25% |
| Projected salary increases | 2.75% annually |
| Cost of living adjustments | 2.75% annually |
| Healthcare cost trend rate | 4.0% annually |

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, 2014:

| | Participating Cities' Total Coverage | Deductible (City Portion) |
|----------------------------|--|------------------------------|
| All risk fire and property | \$ 1,000,000,000 | \$ 25,000 |
| Boiler and machinery | \$ 100,000,000 | \$ 5,000 |
| Liability | \$ 29,000,000 | \$ 5,000 |
| Auto-physical damage | \$ 250,000 | \$ 2,000 |
| Workers' compensation | \$ 50,000,000 | \$ 0 |
| Cyber liability | \$ 2,000,000 | \$ 50,000 |
| Pollution liability | \$ 1,000,000 | \$100,000 |
| Crime | \$ 1,000,000 | \$ 10,000 |

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.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

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

Grant programs

The City participates in several federal and state grant programs. These programs have been audited when required by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

4. D. New Accounting Pronouncements

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, and recognizes those items on the financial statements under the new classifications. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City is required to implement the provisions of this Statement for the current fiscal year (effective for periods beginning after December 31, 2012). This Statement did result in a change of \$108,767 on the financial statements of the City.

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City is required to implement the provisions of this Statement for the current fiscal year ended (effective for periods beginning after December 31, 2012). This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

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Notes to Financial Statements
June 30, 2014

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement No. 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the City participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2014 (effective for periods beginning after June 15, 2013). Because the City is not a pension plan, but rather a participant in a pension plan, this Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the City, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The City is required to implement provisions of this Statement for the fiscal year ending June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will not result in a change in current practice, and will not have a material effect on the financial statements of the City.

In January of 2014, GASB issued GASBS No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

This Statement requires the use of carrying values to measure the assets and liabilities in a government merger; it also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values, provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold, and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The City is required to implement provisions of this Statement for the year ended June 30, 2016 (effective for periods beginning after December 15, 2014). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In April of 2013, GASB issued GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting. The City is required to implement provisions of this Statement for the current fiscal year (effective for periods beginning after

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

June 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In November of 2013, GASB issued GASBS No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The City is required to implement provisions of this Statement simultaneously with the provisions of Statement 68 for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will not result in a change in current practice and will not have a material effect on the financial statements of the City.

4. E. Prior Period Adjustment

In fiscal year 2012, the former RDA transferred its capital assets to the City. In 2013, furniture and equipment was added net of depreciation and the depreciation expense was erroneously omitted for several existing assets. While this had no effect on the fund balance financial statements, a reduction in beginning net position of \$(651,475) is shown on the Statement of Changes in Net Position. This amount was calculated as follows:

| | |
|---|---------------------|
| Furniture and equipment acquired in 2013, at cost | \$ 181,946 |
| Shown as additions in 2013 financial statements | 151,619 |
| Adjustment | <u>30,327</u> |
| | |
| Depreciation omitted from 2013 financial statements | |
| Library | (474,065) |
| Furniture and equipment | (112,987) |
| Book collection | (54,597) |
| Land improvements | (34,710) |
| Infrastructure | (5,444) |
| Adjustment | <u>(681,803)</u> |
| | |
| Total Adjustment | <u>\$ (651,475)</u> |

CITY OF LAFAYETTE
Notes to Financial Statements
June 30, 2014

4. F. Change in Accounting Principle

As shown in Note 4.D., the City was required to implement the provisions of GASBS No. 65 in the current fiscal year. In prior years, costs related to the issuance of general obligation bonds were amortized on a straight-line basis over the remaining period of the bonds outstanding. GASBS No. 65 no longer permits the capitalization and amortization of these costs, and as such, the net amount remaining at June 30, 2013, \$108,767, is shown as a change in accounting principle on the Statement of Changes in Net Position.

4. G. Subsequent Events

Management has evaluated subsequent events through November 19, 2014, the date on which the financial statements were available to be issued. There are no known material violations of finance-related legal and contractual provisions.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
Notes to Required Supplementary Information
June 30, 2014

The City's fiscal year runs from July 1 through June 30. Each year, the Administrative Services Director prepares two budgets -- the Proposed Budget, which is approved in June, and the Final Budget, which is approved in December. The budget process is as follows:

- In January, the City Council meets to set the goals and priorities for the upcoming fiscal year.
- In February and March, the department heads prepare their preliminary budgets and incorporate requests from commissions and committees.
- In mid-March, each department head meets with the City Manager, Administrative Services Director and Finance Manager to review the budget requests.
- In mid-April, the Administrative Services Director presents the Proposed Budget to the Finance Committee.
- At the end of May, the Proposed Budget is introduced at a regular City Council meeting.
- The City Council holds a special budget workshop meeting, usually the first week in June. At this meeting, the public is invited to comment on the budget and the Council makes a number of important policy decisions regarding the budget.
- The budget, and any changes made to it during the budget workshop, are adopted by resolution at the next regularly scheduled City Council meeting.
- After the audit for the prior fiscal year has been completed, usually in late September, the Administrative Services Director begins work on the Final Budget. The Final Budget incorporates actual expenses and revenues from the prior fiscal year, as well as any changes made by the City Council to the Proposed Budget. If other programs or expenditures are anticipated, these items are incorporated into the Final Budget as well.
- The City Council reviews the Final Budget at a regularly scheduled meeting in December, and adopts the Final Budget by resolution

CITY OF LAFAYETTE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2014

Exhibit 1

| | Original Budget | Final Amended Budget | Actual | Variance with Final Amended Budget |
|---|----------------------|----------------------------|----------------------|--|
| Revenues | | | | |
| Property tax | \$ 3,442,500 | \$ 3,456,907 | \$ 3,692,888 | \$ 235,981 |
| Sales and use tax | 2,664,000 | 2,701,165 | 2,756,952 | 55,787 |
| Transient lodging tax | 515,000 | 520,000 | 630,576 | 110,576 |
| Franchise tax | 1,597,000 | 1,580,000 | 1,664,512 | 84,512 |
| Real property transfer tax | 175,000 | 200,000 | 292,045 | 92,045 |
| Vehicle code fines | 150,000 | 150,000 | 106,682 | (43,318) |
| Interest income | 570,629 | 570,629 | 129,907 | (440,722) |
| Motor vehicle in lieu tax | 2,050,000 | 2,050,000 | 2,176,084 | 126,084 |
| Planning, permits and fees | 871,500 | 906,500 | 1,454,453 | 547,953 |
| Police services | 25,000 | 25,000 | 23,758 | (1,242) |
| Other | 116,300 | 151,300 | 947,319 | 796,019 |
| | <u>12,176,929</u> | <u>12,311,501</u> | <u>13,875,176</u> | <u>1,563,675</u> |
| Expenditures | | | | |
| City council, commissions and community support | | | | |
| City council | 102,606 | 152,606 | 88,746 | 63,860 |
| Commissions and committees | 1,183,740 | 1,206,280 | 1,174,097 | 32,183 |
| Police services | 4,192,358 | 4,064,405 | 3,945,555 | 118,850 |
| Public works | | | | |
| Street maintenance | 848,595 | 844,572 | 753,760 | 90,812 |
| Traffic maintenance | 366,640 | 432,065 | 306,230 | 125,835 |
| Parks and walkway maintenance | 392,071 | 365,172 | 325,243 | 39,929 |
| Facilities maintenance | 270,548 | 266,288 | 249,061 | 17,227 |
| Emergency response | 50,000 | 50,000 | - | 50,000 |
| Library Operations | 706,831 | 711,831 | 655,897 | 55,934 |
| Planning and engineering | | | | |
| Planning department | 691,466 | 681,926 | 581,940 | 99,986 |
| Engineering department | 244,211 | 263,667 | 249,374 | 14,293 |
| Administration | | | | |
| City management | 493,277 | 498,526 | 474,983 | 23,543 |
| Legal services | 566,000 | 571,832 | 433,075 | 138,757 |
| City clerk | 163,222 | 167,350 | 136,075 | 31,275 |
| Finance and personnel | 731,329 | 733,362 | 734,255 | (893) |
| Technology services | 157,015 | 185,622 | 189,279 | (3,657) |
| Rent and other expenses | 119,381 | 157,381 | 136,539 | 20,842 |
| Insurance - premiums and claims | 168,442 | 168,442 | 181,460 | (13,018) |
| | <u>11,447,732</u> | <u>11,521,327</u> | <u>10,615,569</u> | <u>905,758</u> |
| Excess of revenues over expenditures | 729,197 | 790,174 | 3,259,607 | 2,469,433 |
| Other financing sources | | | | |
| Operating transfers - in | - | 351,225 | 356,225 | 5,000 |
| Operating transfers - out | - | (4,887,471) | (4,895,557) | (8,086) |
| Excess (deficiency) of revenues over expenditures and other financing sources | 729,197 | (3,746,072) | (1,279,725) | 2,466,347 |
| Beginning fund balance | <u>17,355,700</u> | <u>17,355,700</u> | <u>17,355,700</u> | <u>-</u> |
| Ending fund balance | <u>\$ 18,084,897</u> | <u>\$ 13,609,628</u> | <u>\$ 16,075,975</u> | <u>\$ 2,466,347</u> |

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

***COMBINING INDIVIDUAL AND
FUND FINANCIAL STATEMENTS***

CITY OF LAFAYETTE
 Capital Projects
 Combining Funds Balance Sheet
 June 30, 2014

| | Parks Facilities | Parkland and Open Space | City Office | Road and Drain Improvement Fund | Total Capital Project Funds |
|--|---------------------|----------------------------|----------------|---------------------------------------|-----------------------------------|
| <u>ASSETS</u> | | | | | |
| Cash and investments | \$ 947,372 | \$ 1,466,552 | \$ 2,653,267 | \$ 941 | \$ 5,068,132 |
| Accrued interest receivable | 239 | 451 | 949 | - | 1,639 |
| Total assets | \$ 947,611 | \$ 1,467,003 | \$ 2,654,216 | \$ 941 | \$ 5,069,771 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| Accounts payable and accrued liabilities | \$ 48,636 | \$ 62 | \$ 168 | \$ - | \$ 48,866 |
| Total liabilities | 48,636 | 62 | 168 | - | 48,866 |
| Fund Balance | | | | | |
| Committed | 898,975 | 1,466,941 | 2,654,048 | 941 | 5,020,905 |
| Total fund balance | 898,975 | 1,466,941 | 2,654,048 | 941 | 5,020,905 |
| Total liabilities and fund balance | \$ 947,611 | \$ 1,467,003 | \$ 2,654,216 | \$ 941 | \$ 5,069,771 |

CITY OF LAFAYETTE
 Capital Projects
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 For the Year Ended June 30, 2014

Exhibit 3

| | Parks Facilities | Parkland and Open Space | City Office | Road and Drain Improvement Fund | Total Capital Project Funds |
|--|---------------------|----------------------------|---------------------|---------------------------------------|-----------------------------------|
| Revenues | | | | | |
| Interest income | \$ 1,106 | \$ 2,087 | \$ 4,393 | \$ 1 | \$ 7,587 |
| Park dedication fees | 166,197 | 162,881 | - | - | 329,078 |
| Total revenues | <u>167,303</u> | <u>164,968</u> | <u>4,393</u> | <u>1</u> | <u>336,665</u> |
| Expenditures | | | | | |
| Capital projects | 162,490 | - | - | - | 162,490 |
| Administration | 146,271 | 10,484 | - | - | 156,755 |
| Total expenditures | <u>308,761</u> | <u>10,484</u> | <u>-</u> | <u>-</u> | <u>319,245</u> |
| Excess (deficiency) of revenues over expenditures | <u>(141,458)</u> | <u>154,484</u> | <u>4,393</u> | <u>1</u> | <u>17,420</u> |
| Other financing sources: | | | | | |
| Operating transfers - in | 72,905 | 31,063 | - | - | 103,968 |
| Operating transfers - out | <u>(30,584)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,584)</u> |
| Excess (deficiency) of revenues over expenditures, net of other financing sources | (99,137) | 185,547 | 4,393 | 1 | 90,804 |
| Beginning fund balance | <u>998,112</u> | <u>1,281,394</u> | <u>2,649,655</u> | <u>940</u> | <u>4,930,101</u> |
| Ending net fund balance | <u>\$ 898,975</u> | <u>\$ 1,466,941</u> | <u>\$ 2,654,048</u> | <u>\$ 941</u> | <u>\$ 5,020,905</u> |

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2014

Exhibit 4

| | Parking Programs | Vehicle Abatement | Senior Transportation | Police Services Special Fund | Gas Tax |
|--|---------------------|----------------------|--------------------------|------------------------------------|---------------------|
| <u>ASSETS</u> | | | | | |
| Cash deposits and investments | \$ 712,653 | \$ 26,811 | \$ 27,589 | \$ 10,789 | \$ 1,778,770 |
| Accounts receivable | 18,693 | 2,766 | 6,015 | - | - |
| Note receivable | 700,734 | - | - | - | - |
| Accrued interest receivable | 124 | 5 | - | - | 346 |
| Total assets | <u>\$ 1,432,204</u> | <u>\$ 29,582</u> | <u>\$ 33,604</u> | <u>\$ 10,789</u> | <u>\$ 1,779,116</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 38,669 | \$ 176 | \$ 2,838 | \$ - | \$ - |
| Due to other funds | - | - | - | - | - |
| Unearned revenue | 12,150 | - | - | 10,789 | - |
| Total liabilities | <u>50,819</u> | <u>176</u> | <u>2,838</u> | <u>10,789</u> | <u>-</u> |
| Fund Balance | | | | | |
| Non-Spendable | 700,734 | - | - | - | - |
| Restricted | 680,651 | - | 30,766 | - | - |
| Committed | - | 29,406 | - | - | 1,779,116 |
| Total fund balance | <u>1,381,385</u> | <u>29,406</u> | <u>30,766</u> | <u>-</u> | <u>1,779,116</u> |
| Total liabilities and fund balance | <u>\$ 1,432,204</u> | <u>\$ 29,582</u> | <u>\$ 33,604</u> | <u>\$ 10,789</u> | <u>\$ 1,779,116</u> |

CITY OF LAFAYETTE
 Other Governmental
 Combining Funds Balance Sheet
 As of June 30, 2014

Exhibit 4

| Measure J Return to Source | Supplemental Law Enforcement | Assessment Districts | | | Total Other Governmental Funds |
|----------------------------------|------------------------------------|----------------------|--------------------------|-------------------------|--------------------------------------|
| | | Street Lighting | Core Area Maintenance | Stormwater Pollution | |
| \$ - | \$ 17,351 | \$ 141,690 | \$ 206,134 | \$ 353,919 | \$ 3,275,706 |
| 408,111 | 8,828 | - | - | 15,056 | 459,469 |
| - | - | - | - | - | 700,734 |
| - | - | 33 | 121 | 60 | 689 |
| <u>\$ 408,111</u> | <u>\$ 26,179</u> | <u>\$ 141,723</u> | <u>\$ 206,255</u> | <u>\$ 369,035</u> | <u>\$ 4,436,598</u> |
| | | | | | |
| \$ 25,334 | \$ - | \$ - | \$ 24,990 | \$ 37,972 | \$ 129,979 |
| 366,549 | - | - | - | - | 366,549 |
| - | - | - | - | - | 22,939 |
| <u>391,883</u> | <u>-</u> | <u>-</u> | <u>24,990</u> | <u>37,972</u> | <u>519,467</u> |
| | | | | | |
| - | - | - | - | - | 700,734 |
| - | - | - | - | - | 711,417 |
| <u>16,228</u> | <u>26,179</u> | <u>141,723</u> | <u>181,265</u> | <u>331,063</u> | <u>2,504,980</u> |
| | | | | | |
| <u>16,228</u> | <u>26,179</u> | <u>141,723</u> | <u>181,265</u> | <u>331,063</u> | <u>3,917,131</u> |
| | | | | | |
| <u>\$ 408,111</u> | <u>\$ 26,179</u> | <u>\$ 141,723</u> | <u>\$ 206,255</u> | <u>\$ 369,035</u> | <u>\$ 4,436,598</u> |

CITY OF LAFAYETTE
 Other Governmental
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 As of the Year Ended June 30, 2014

Exhibit 5

| | Parking Programs | Vehicle Abatement | Senior Transportation | Police Services Special Fund | Gas Tax |
|---|---------------------|----------------------|--------------------------|------------------------------------|--------------------|
| Revenues | | | | | |
| Parking revenue | \$ 242,324 | \$ - | \$ - | \$ - | \$ - |
| Vehicle code fines | 251,403 | - | - | - | - |
| Property tax and assessments | - | - | - | - | - |
| Interest income | 37,283 | 24 | - | - | 1,602 |
| Highway users tax | - | - | - | - | 744,128 |
| Sales tax - Measure C/Measure J | - | - | - | - | - |
| Abandoned vehicles | - | 13,287 | - | - | - |
| Grants - federal | - | - | 31,487 | - | - |
| Grants - state | - | - | - | - | - |
| Grants - regional and local | - | - | 15,000 | - | - |
| Other revenue | 5,814 | - | 33,803 | - | - |
| Total revenues | <u>536,824</u> | <u>13,311</u> | <u>80,290</u> | <u>-</u> | <u>745,730</u> |
| Expenditures | | | | | |
| Public works | - | - | - | - | - |
| Capital Projects | 30,395 | - | - | - | - |
| Administration | 307,586 | 7,257 | 113,780 | - | - |
| Total expenditures | <u>337,981</u> | <u>7,257</u> | <u>113,780</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | 198,843 | 6,054 | (33,490) | - | 745,730 |
| Other financing sources | | | | | |
| Operating transfers - in | - | - | 30,000 | - | - |
| Operating transfers - out | - | - | - | - | - |
| Excess (deficiency) of revenues over expenditures, net of other financing sources | 198,843 | 6,054 | (3,490) | - | 745,730 |
| Beginning fund balance | <u>1,182,542</u> | <u>23,352</u> | <u>34,256</u> | <u>-</u> | <u>1,033,386</u> |
| Ending fund balance | <u>\$1,381,385</u> | <u>\$ 29,406</u> | <u>\$ 30,766</u> | <u>\$ -</u> | <u>\$1,779,116</u> |

CITY OF LAFAYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2014

Exhibit 5

| Measure J Return to Source | Supplemental Law Enforcement | Assessment Districts | | | Total Other Governmental Funds |
|----------------------------------|------------------------------------|----------------------|--------------------------|-------------------------|--------------------------------------|
| | | Street Lighting | Core Area Maintenance | Stormwater Pollution | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 242,324 |
| - | - | - | - | - | 251,403 |
| - | - | 19,582 | 219,090 | 386,685 | 625,357 |
| - | - | 153 | 560 | 278 | 39,900 |
| - | - | - | - | - | 744,128 |
| 399,536 | - | - | - | - | 399,536 |
| - | - | - | - | - | 13,287 |
| - | - | - | - | - | 31,487 |
| - | 111,152 | - | - | - | 111,152 |
| - | - | - | - | - | 15,000 |
| - | - | - | 14,890 | 20,385 | 74,892 |
| <u>399,536</u> | <u>111,152</u> | <u>19,735</u> | <u>234,540</u> | <u>407,348</u> | <u>2,548,466</u> |
| - | - | 19,003 | 395,893 | 413,401 | 828,297 |
| - | - | - | - | - | 30,395 |
| 94,986 | 451,917 | - | - | - | 975,526 |
| <u>94,986</u> | <u>451,917</u> | <u>19,003</u> | <u>395,893</u> | <u>413,401</u> | <u>1,834,218</u> |
| 304,550 | (340,765) | 732 | (161,353) | (6,053) | 714,248 |
| - | 351,917 | - | 100,000 | - | 481,917 |
| <u>(360,000)</u> | <u>-</u> | <u>-</u> | <u>(60,000)</u> | <u>(8,500)</u> | <u>(428,500)</u> |
| (55,450) | 11,152 | 732 | (121,353) | (14,553) | 767,665 |
| <u>71,678</u> | <u>15,027</u> | <u>140,991</u> | <u>302,618</u> | <u>345,616</u> | <u>3,149,466</u> |
| <u>\$ 16,228</u> | <u>\$ 26,179</u> | <u>\$141,723</u> | <u>\$ 181,265</u> | <u>\$ 331,063</u> | <u>\$ 3,917,131</u> |

Exhibit 6

City of Lafayette
Combining Statement of Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
June 30, 2014

| <u>ASSETS</u> | <u>Redevelopment Agency</u> | <u>Low & Moderate Income Housing</u> | <u>Library Project</u> | <u>RDA Debt Service</u> | <u>Successor LT Debt</u> | <u>Total</u> |
|--|---------------------------------|--|----------------------------|-----------------------------|------------------------------|---------------------|
| Reserve account - debt service | \$ 1,450,885 | \$ - | \$ - | \$ 63 | \$ - | \$ 1,450,948 |
| Investments | 143 | 78,190 | - | - | - | 78,333 |
| Accrued interest receivable | - | 36 | - | - | - | 36 |
| Restricted cash with fiscal agent | - | - | - | 1,843,755 | - | 1,843,755 |
| Advance to RDA Fund | - | 1,115,757 | - | - | - | 1,115,757 |
| Total assets | <u>\$ 1,451,028</u> | <u>\$ 1,193,983</u> | <u>\$ -</u> | <u>\$ 1,843,818</u> | <u>\$ -</u> | <u>\$ 4,488,829</u> |
| <u>LIABILITIES</u> | | | | | | |
| Accounts payable | \$ 28,842 | \$ - | \$ - | \$ - | \$ - | \$ 28,842 |
| Due to other funds | - | 67,917 | - | - | - | 67,917 |
| Bonds payable | - | - | - | - | 24,375,000 | 24,375,000 |
| Accrued interest payable | 435,391 | - | - | - | - | 435,391 |
| Unearned revenue | 1,446,518 | - | - | - | - | 1,446,518 |
| Loan payable - Lafayette Library and Learning Center Foundation | 15,770,915 | - | - | - | - | 15,770,915 |
| Loan from parking fund | 700,734 | - | - | - | - | 700,734 |
| Note payable to general fund | 6,055,414 | - | - | - | - | 6,055,414 |
| Advance from LMI fund | 1,115,757 | - | - | - | - | 1,115,757 |
| Total liabilities | <u>25,553,571</u> | <u>67,917</u> | <u>-</u> | <u>-</u> | <u>24,375,000</u> | <u>49,996,488</u> |
| <u>NET POSITION</u> | | | | | | |
| Held in trust for other governments | <u>(24,102,543)</u> | <u>1,126,066</u> | <u>-</u> | <u>1,843,818</u> | <u>(24,375,000)</u> | <u>(45,507,659)</u> |
| Total liabilities and net position | <u>\$ 1,451,028</u> | <u>\$ 1,193,983</u> | <u>\$ -</u> | <u>\$ 1,843,818</u> | <u>\$ -</u> | <u>\$ 4,488,829</u> |

City of Lafayette
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Year Ended June 30, 2014

Exhibit 7

| | Redevelopment Agency | Low & Moderate Income Housing | Library Project | RDA Debt Service | Successor LT Debt | Total |
|--|-------------------------|----------------------------------|---------------------|---------------------|------------------------|------------------------|
| Additions | | | | | | |
| Tax increment revenue | \$ 1,461,966 | \$ - | \$ - | \$ - | \$ - | \$ 1,461,966 |
| Investment income | - | 166 | - | 885 | - | 1,051 |
| Other revenue | - | - | - | 325 | - | 325 |
| Total additions | <u>1,461,966</u> | <u>166</u> | <u>-</u> | <u>1,210</u> | <u>-</u> | <u>1,463,342</u> |
| Deductions | | | | | | |
| Interest expense | 638,413 | - | - | 1,353,289 | - | 1,991,702 |
| Contractual services | 71,724 | - | - | - | - | 71,724 |
| Funding agreement streetscape improvements | - | 350,000 | - | - | - | 350,000 |
| Bond issuance costs | <u>707,602</u> | <u>-</u> | <u>-</u> | <u>39,097</u> | <u>-</u> | <u>746,699</u> |
| Total deductions | <u>1,417,739</u> | <u>350,000</u> | <u>-</u> | <u>1,392,386</u> | <u>-</u> | <u>3,160,125</u> |
| Transfer of net position | (14,729,353) | - | 40,039,353 | (460,000) | (24,850,000) | - |
| Additional debt issued above refunding | - | - | - | - | (5,000) | (5,000) |
| Transfers in (out) | <u>(1,833,286)</u> | <u>-</u> | <u>-</u> | <u>1,353,286</u> | <u>480,000</u> | <u>-</u> |
| Change in net position | (16,518,412) | (349,834) | 40,039,353 | (497,890) | (24,375,000) | (1,701,783) |
| Net position held in trust - beginning | <u>(7,584,131)</u> | <u>1,475,900</u> | <u>(40,039,353)</u> | <u>2,341,708</u> | <u>-</u> | <u>(43,805,876)</u> |
| Net position held in trust - ending | <u>\$ (24,102,543)</u> | <u>\$ 1,126,066</u> | <u>\$ -</u> | <u>\$ 1,843,818</u> | <u>\$ (24,375,000)</u> | <u>\$ (45,507,659)</u> |

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Lafayette’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, footnotes, and required supplementary information says about the City’s overall financial health.

| Contents | Page(s) |
|---|----------------|
| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. | 92 – 95 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City’s ability to generate revenues. Property taxes, sales and use taxes, charges for services, licenses, permits and fees and intergovernmental revenue are the City’s most significant revenue sources. | 96 – 106 |
| Debt Capacity | |
| These schedules contain information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. | 107 – 109 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. | 110 |

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s finance department. The fiscal year 2013 report was the City’s first Comprehensive Annual Financial Report, therefore information is available beginning with the year ended June 30, 2013 for the financial trend schedules.

City of Lafayette
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | |
|----------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Statement of Net Position | | | | | |
| Government Activities | \$ 65,586,898 | \$ 78,565,183 | \$ 82,021,851 | \$ 83,997,578 | \$ 83,066,005 |
| Business Type Activities | (50,975) | 15,970 | 75,637 | 88,553 | 89,035 |
| Total | 65,535,923 | 78,581,153 | 82,097,488 | 84,086,131 | 83,155,040 |
| Changes in Net Position | \$ 3,542,258 | \$ 13,045,230 | \$ 3,516,335 | \$ 1,988,643 | \$ (931,091) |

Source: City Finance Department

| Fiscal Year | | | | |
|---------------|---------------|----------------|----------------|----------------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 82,213,286 | \$ 81,333,664 | \$ 126,320,207 | \$ 130,257,780 | \$ 127,331,939 |
| 85,738 | 167,522 | 242,128 | 309,576 | 315,532 |
| 82,299,024 | 81,501,186 | 126,562,335 | 130,567,356 | 127,647,471 |
| \$ (856,016) | \$ (797,838) | \$ 45,061,149 | \$ 4,005,021 | \$ 741,425 |

City of Lafayette
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | |
|---------------------------------|----------------|---------------|---------------|-----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Fund Balances | \$ 26,842,006 | \$ 45,527,162 | \$ 44,539,775 | \$ 33,187,196 | \$ 27,076,001 |
| Changes in Fund Balances | \$ (3,515,406) | \$ 18,685,156 | \$ (987,387) | \$ (11,352,579) | \$ (6,111,195) |

| Fiscal Year | | | | |
|--------------------|----------------|---------------|---------------|---------------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 14,250,270 | \$ 8,396,347 | \$ 27,677,449 | \$ 29,542,886 | \$ 28,806,415 |
| \$ (12,825,731) | \$ (5,853,923) | \$ 19,281,102 | \$ 1,865,437 | \$ (736,471) |

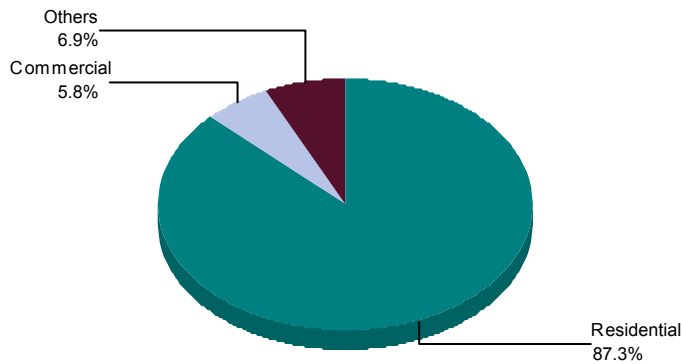
THE CITY OF LAFAYETTE

2013/14 USE CATEGORY SUMMARY

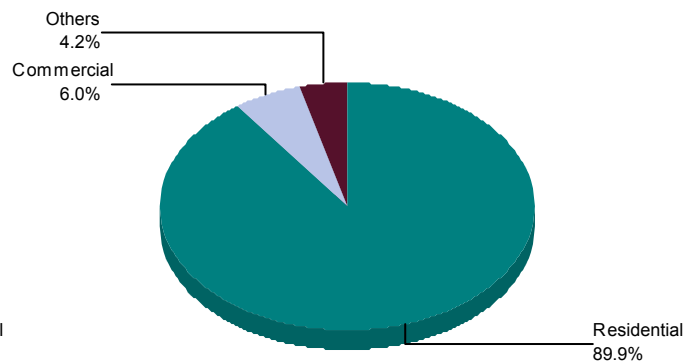
BASIC PROPERTY VALUE TABLE

| Category | Parcels | Assessed Value | Net Taxable Value |
|----------------|--------------|-------------------------|-------------------------|
| Residential | 7,951 | \$5,406,294,248 (87.3%) | \$5,400,547,656 (89.9%) |
| Commercial | 290 | \$358,358,939 (5.8%) | \$358,358,939 (6.0%) |
| Industrial | 2 | \$1,622,586 (0.0%) | \$1,622,586 (0.0%) |
| Govt. Owned | 1 | \$4,275 (0.0%) | \$4,275 (0.0%) |
| Institutional | 30 | \$76,120,962 (1.2%) | \$10,221,447 (0.2%) |
| Irrigated | 1 | \$707,472 (0.0%) | \$707,472 (0.0%) |
| Miscellaneous | 65 | \$40,197,568 (0.6%) | \$40,197,568 (0.7%) |
| Recreational | 1 | \$1,387,192 (0.0%) | \$1,387,192 (0.0%) |
| Vacant | 384 | \$120,435,899 (1.9%) | \$119,077,657 (2.0%) |
| Exempt | 152 | \$110,844,283 (1.8%) | \$0 (0.0%) |
| SBE Nonunitary | [2] | \$650,940 (0.0%) | \$650,940 (0.0%) |
| Unsecured | [1,007] | \$59,717,753 (1.0%) | \$57,918,585 (1.0%) |
| Unknown | 21 | \$17,582,677 (0.3%) | \$17,582,677 (0.3%) |
| TOTALS | 8,898 | \$6,193,924,794 | \$6,008,276,994 |

ASSESSED VALUE



NET TAXABLE VALUE

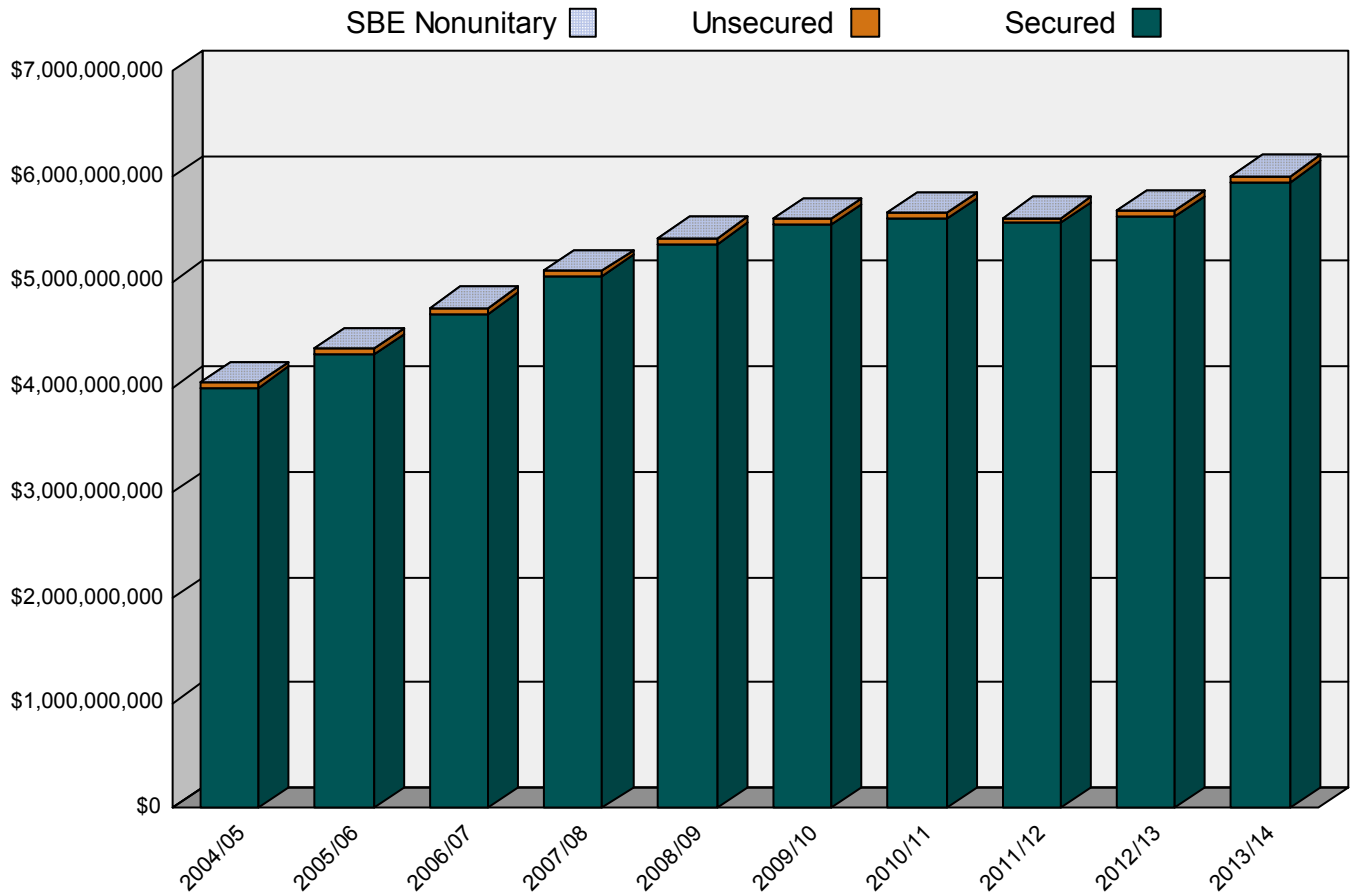
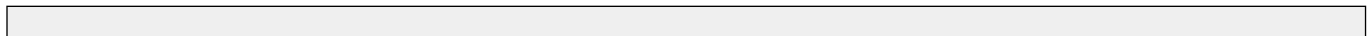


THE CITY OF LAFAYETTE

NET TAXABLE ASSESSED VALUE HISTORY

2004/05 - 2013/14 Taxable Property Values

| Lien Year | Secured | Unsecured | SBE Nonunitary | Net Total AV | % Change |
|-----------|-----------------|--------------|----------------|---------------|----------|
| 2004/05 | \$3,994,725,547 | \$51,126,195 | \$1,419,775 | 4,047,271,517 | |
| 2005/06 | \$4,312,882,507 | \$53,211,668 | \$1,419,775 | 4,367,513,950 | 7.91% |
| 2006/07 | \$4,700,277,218 | \$56,474,019 | \$1,419,775 | 4,758,171,012 | 8.94% |
| 2007/08 | \$5,058,232,658 | \$49,725,844 | \$1,419,775 | 5,109,378,277 | 7.38% |
| 2008/09 | \$5,364,553,364 | \$53,566,252 | \$1,419,775 | 5,419,539,391 | 6.07% |
| 2009/10 | \$5,539,773,185 | \$57,895,020 | \$1,419,775 | 5,599,087,980 | 3.31% |
| 2010/11 | \$5,597,639,658 | \$54,360,490 | \$650,940 | 5,652,651,088 | 0.96% |
| 2011/12 | \$5,558,785,347 | \$52,407,020 | \$650,940 | 5,611,843,307 | -0.72% |
| 2012/13 | \$5,619,888,737 | \$54,963,402 | \$650,940 | 5,675,503,079 | 1.13% |
| 2013/14 | \$5,949,707,469 | \$57,918,585 | \$650,940 | 6,008,276,994 | 5.86% |



THE CITY OF LAFAYETTE

ASSESSED VALUE OF TAXABLE PROPERTY

2004/05 - 2013/14 Taxable Property Values

| Category | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential | 3,571,766,300 | 3,884,079,681 | 4,236,922,042 | 4,533,468,306 | 4,777,235,440 | 4,956,867,322 | 5,040,831,503 | 5,036,019,532 | 5,092,039,067 | 5,400,547,656 |
| Commercial | 291,481,955 | 305,593,196 | 325,020,767 | 361,936,805 | 387,571,309 | 411,394,045 | 386,034,752 | 356,159,223 | 355,795,042 | 358,358,939 |
| Industrial | 7,181,529 | 8,881,884 | 9,345,912 | 9,940,284 | 11,120,732 | 1,551,609 | 1,547,930 | 1,559,584 | 1,590,773 | 1,622,586 |
| Dry Farm | 56,326,431 | 59,941,864 | 66,507,124 | 76,605,231 | 83,227,286 | 58,353,923 | | | | |
| Govt. Owned | 401,889 | 3,701 | 3,855 | 3,932 | 4,010 | 4,090 | 4,080 | 4,110 | 1,984,192 | 4,275 |
| Institutional | 10,044,727 | 6,114,830 | 6,556,184 | 7,779,701 | 9,563,706 | 11,430,317 | 9,162,491 | 9,187,650 | 9,321,358 | 10,221,447 |
| Irrigated | | | | | | | 895,218 | 901,958 | 693,600 | 707,472 |
| Miscellaneous | 5,512,922 | 5,560,744 | 5,786,509 | 6,295,195 | 7,682,975 | 17,075,892 | 39,911,927 | 39,014,017 | 40,060,884 | 40,197,568 |
| Recreational | | | | | | | 1,323,363 | 1,333,327 | 1,359,993 | 1,387,192 |
| Vacant | 36,369,046 | 42,706,607 | 50,134,825 | 56,970,726 | 64,034,894 | 83,095,987 | 117,928,394 | 114,605,946 | 117,043,828 | 119,077,657 |
| SBE Nonunitary | 1,419,775 | 1,419,775 | 1,419,775 | 1,419,775 | 1,419,775 | 1,419,775 | 650,940 | 650,940 | 650,940 | 650,940 |
| Unsecured | 51,126,195 | 53,211,668 | 56,474,019 | 49,725,844 | 53,566,252 | 57,895,020 | 54,360,490 | 52,407,020 | 54,963,402 | 57,918,585 |
| Exempt | [45,487,366] | [47,337,965] | [52,056,758] | [54,620,325] | [56,572,486] | [74,013,658] | [101,492,888] | [104,577,500] | [106,690,964] | [110,844,283] |
| Unknown | 15,640,748 | | | 5,232,478 | 24,113,012 | | | | | 17,582,677 |
| TOTALS | 4,047,271,517 | 4,367,513,950 | 4,758,171,012 | 5,109,378,277 | 5,419,539,391 | 5,599,087,980 | 5,652,651,088 | 5,611,843,307 | 5,675,503,079 | 6,008,276,994 |
| Total Direct Rate | 0.10590 | 0.11105 | 0.15941 | 0.14465 | 0.14917 | 0.14754 | 0.14477 | 0.13979 | 0.14168 | 0.08075 |

Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: Contra Costa County Assessor 2004/05 - 2013/14 Combined Tax Rolls

Prepared On 11/21/2014 By MV

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

THE CITY OF LAFAYETTE

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

| Last 10 Fiscal Years | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Agency | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
| Basic Levy¹ | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Acalanes Union | 0.02900 | 0.02790 | 0.02920 | 0.02590 | 0.02890 | 0.02980 | 0.03110 | 0.03330 | 0.03330 | 0.03610 |
| Bart Bond | 0.00000 | 0.00480 | 0.00500 | 0.00760 | 0.00900 | 0.00570 | 0.00310 | 0.00410 | 0.00430 | 0.00750 |
| Contra Costa Community College | 0.00420 | 0.00470 | 0.00430 | 0.01080 | 0.00660 | 0.01260 | 0.01330 | 0.01440 | 0.00870 | 0.01330 |
| East Bay Regional Park Bond | 0.00570 | 0.00570 | 0.00850 | 0.00800 | 0.01000 | 0.01080 | 0.00840 | 0.00710 | 0.00510 | 0.00780 |
| Lafayette Bond | 0.02100 | 0.02000 | 0.02000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Lafayette Elementary Bond 1995 | 0.04150 | 0.03930 | 0.03770 | 0.03400 | 0.03300 | 0.03260 | 0.03260 | 0.02790 | 0.02840 | 0.02670 |
| Lafayette General Fund | 0.00000 | 0.00000 | 0.02000 | 0.02000 | 0.01930 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01250 |
| Orinda Elementary Bond | 0.02470 | 0.02360 | 0.02590 | 0.02370 | 0.02470 | 0.02360 | 0.02440 | 0.02740 | 0.02730 | 0.02550 |
| Pleasant Hill Recreation & Park | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.02120 | 0.02550 | 0.02690 | 0.02810 |
| Service Area R-8 Bond | 0.00420 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Total Direct & Overlapping² Tax Rates | 1.13030 | 1.12600 | 1.15060 | 1.13000 | 1.13150 | 1.12810 | 1.14710 | 1.15270 | 1.14700 | 1.15750 |
| | | | | | | | | | | |
| City's Share of 1% Levy Per Prop 13³ | 0.06663 | 0.06663 | 0.06663 | 0.06663 | 0.06663 | 0.06662 | 0.06662 | 0.06662 | 0.06662 | 0.06662 |
| General Obligation Debt Rate | 0.02100 | 0.02000 | 0.04000 | 0.02000 | 0.01930 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01250 |
| Redevelopment Rate⁴ | 1.02060 | 1.01950 | 1.02120 | 1.01950 | 1.02140 | 1.02200 | 1.01950 | 1.01840 | | |
| Total Direct Rate⁵ | 0.10590 | 0.11105 | 0.15941 | 0.14465 | 0.14917 | 0.14754 | 0.14477 | 0.13979 | 0.14168 | 0.08075 |

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Data Source: Contra Costa County Assessor 2004/05 - 2013/14 Tax Rate Table

Prepared On 11/21/2014 By MV

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THE CITY OF LAFAYETTE

2013/14 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

| Owner | Secured | | | Unsecured | | | Combined | | Primary Use & Primary Agency |
|--|---------|-----------------|-------------|-----------|--------------|-------------|------------------------|--------------|---|
| | Parcels | Value | % of Net AV | Parcels | Value | % of Net AV | Value | % of Net AV | |
| 1) BRE PROPERTIES INC | 1 | \$50,182,999 | 0.84% | | | | \$50,182,999 | 0.84% | Residential Successor Agency |
| 2) CORTESE PROPERTIES LLC | 3 | \$33,804,198 | 0.57% | 1 | \$5,116 | 0.01% | \$33,809,314 | 0.56% | Commercial Successor Agency |
| 3) OAKWOOD ATHLETIC CLUB LLC | 2 | \$19,323,250 | 0.32% | 1 | \$2,908,860 | 5.02% | \$22,232,110 | 0.37% | Miscellaneous Lafayette General Fund |
| 4) SFI 3466 MT DIABLO BLVD LLC (Pending Appeals On Parcels) | 2 | \$18,113,000 | 0.30% | | | | \$18,113,000 | 0.30% | Commercial Successor Agency |
| 5) LAFAYETTE PARK HOTEL ASSOCIATES | 1 | \$17,899,650 | 0.30% | 1 | \$1,700 | 0.00% | \$17,901,350 | 0.30% | Commercial Successor Agency |
| 6) BAY GLEN LP | 1 | \$16,930,053 | 0.28% | | | | \$16,930,053 | 0.28% | Residential Successor Agency |
| 7) BRIAN E AND DEANNA MOORE TRUST | 9 | \$14,175,102 | 0.24% | | | | \$14,175,102 | 0.24% | Residential Successor Agency |
| 8) KMF CONTRA COSTA LLC | 1 | \$13,044,539 | 0.22% | | | | \$13,044,539 | 0.22% | Residential Successor Agency |
| 9) GRAY HORSE INVESTORS | 2 | \$12,348,562 | 0.21% | | | | \$12,348,562 | 0.21% | Commercial Successor Agency |
| 10) LAFAYETTE TERRACE LLC | 1 | \$10,805,000 | 0.18% | | | | \$10,805,000 | 0.18% | Commercial Successor Agency |
| Top Ten Total | 23 | \$206,626,353 | 3.47% | 3 | \$2,915,676 | 5.03% | \$209,542,029 | 3.49% | |
| City Total | | \$5,950,358,409 | | | \$57,918,585 | | \$6,008,276,994 | | |

Top Owners last edited on 8/14/14 by maheav using sales through 06/30/14 (Version R.1)

Data Source: Contra Costa County Assessor 2013/14 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 11/21/2014 By MV

THE CITY OF LAFAYETTE

2004/05 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

| Owner | Secured | | | Unsecured | | | Combined | | Primary Use & Primary Agency |
|---|---------|-----------------|-------------|-----------|--------------|-------------|------------------------|--------------|---------------------------------------|
| | Parcels | Value | % of Net AV | Parcels | Value | % of Net AV | Value | % of Net AV | |
| 1) OAKWOOD ATHLETIC CLUB LLC | 2 | \$16,697,204 | 0.42% | 1 | \$1,970,088 | 3.85% | \$18,667,292 | 0.46% | Commercial Lafayette General Fund |
| 2) LAFAYETTE PARK HOTEL ASSOCIATES | 1 | \$16,652,242 | 0.42% | 1 | \$1,935 | 0.00% | \$16,654,177 | 0.41% | Commercial Successor Agency |
| 3) LAFAYETTE HIGHLANDS APARTMENTS | 1 | \$15,673,887 | 0.39% | | | | \$15,673,887 | 0.39% | Residential Successor Agency |
| 4) BAY GLEN LP | 1 | \$14,663,239 | 0.37% | | | | \$14,663,239 | 0.36% | Residential Successor Agency |
| 5) REALTY ASSOCIATES FUND AND LP VI (Pending Appeals On Parcels) | 2 | \$11,151,633 | 0.28% | | | | \$11,151,633 | 0.28% | Commercial Successor Agency |
| 6) GRAY HORSE INVESTORS | 2 | \$10,695,188 | 0.27% | | | | \$10,695,188 | 0.26% | Commercial Successor Agency |
| 7) JOAN E. BRUZZONE | 24 | \$10,343,922 | 0.26% | | | | \$10,343,922 | 0.26% | Commercial Successor Agency |
| 8) LAFAYETTE TERRACE LLC | 1 | \$10,225,000 | 0.26% | | | | \$10,225,000 | 0.25% | Commercial Successor Agency |
| 9) KENNETH HARRY HOFMANN TRUST | 6 | \$10,098,131 | 0.25% | | | | \$10,098,131 | 0.25% | Residential Lafayette General Fund |
| 10) CORTESE REAL PROPERTY | 6 | \$8,982,087 | 0.22% | | | | \$8,982,087 | 0.22% | Commercial Successor Agency |
| Top Ten Total | 46 | \$125,182,533 | 3.13% | 2 | \$1,972,023 | 3.86% | \$127,154,556 | 3.14% | |
| City Total | | \$3,996,145,322 | | | \$51,126,195 | | \$4,047,271,517 | | |

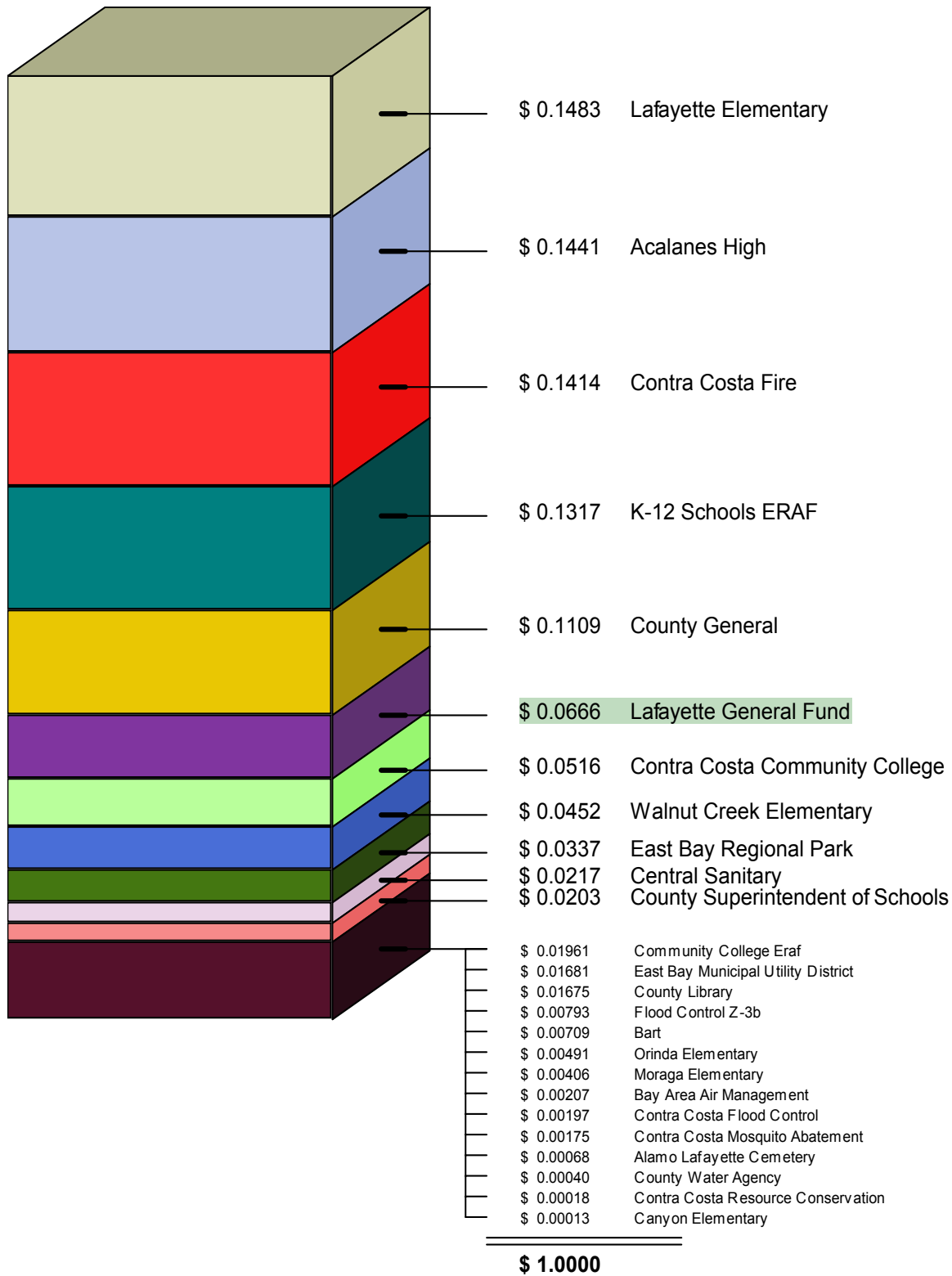
Top Owners last edited on 9/17/13 by maheav using sales through 06/30/05 (Version R.1)

Data Source: Contra Costa County Assessor 2004/05 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 11/21/2014 By MV

THE CITY OF LAFAYETTE PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios for Tax Rate Area 014-002, Excluding Redevelopment Factors & Additional Debt Service

Data Source: Contra Costa County Assessor 2013/14 Annual Tax Increment Tables

Prepared On 11/21/2014 By MV

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City of Lafayette
Property Tax Collections
Last Ten Fiscal Years
(full accrual basis of accounting)

| | Fiscal Year | | | | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Amount Collected | \$ 5,346,924 | \$ 5,823,685 | \$ 7,297,461 | \$ 7,300,248 | \$ 8,042,309 |

| Fiscal Year | | | | |
|--------------------|--------------|--------------|--------------|--------------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 7,843,392 | \$ 7,680,137 | \$ 6,763,452 | \$ 4,788,439 | \$ 5,102,515 |

City of Lafayette
Top 25 Sales Tax Producers
2013-2014

BUSINESS NAME

Ace Hardware
AT&T Mobility
Big O Tire Stores
Boundless Network
Chevron Service Stations
Chow Restaurant
CVS Pharmacy
Diablo Foods
Diamond K Gardening Supply
El Charro Mexican Restaurant
Jacksons Wines & Spirits
Lafayette Park Hotel
McCaulous's Department Store
Metro Lafayette
Orchard Nursery
Pet Food Express
Pizza Antica
Postino Restaurant
Safeway Stores
Shell Service Stations
Shell Service Stations
Trader Joe's
Union 76 Service Stations
Valero Service Stations
Whole Foods Market

Percent of Total City Sales Tax Paid By Top 25 Accounts = 53%

Note: State Law does not allow disclosure of the top ten sales tax providers to the City

Firms Listed Alphabetically

Period: July 2013 thru June 2014

Source: Muni Services, State Board of Equalization

City of Lafayette
Ratios of Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year Ended June 30th | General Obligation Bonds | Total Outstanding Debt | Population | Debt Per Capita |
|--|---|---------------------------------------|-------------------|--------------------------------|
| 2005 | \$ 15,355,000 | \$ 15,355,000 | 24,297 | \$ 631.97 |
| 2006 | 9,875,000 | 9,875,000 | 24,147 | 408.95 |
| 2007 | 9,555,000 | 9,555,000 | 23,885 | 400.04 |
| 2008 | 9,255,000 | 9,255,000 | 23,830 | 388.38 |
| 2009 | 8,885,000 | 8,885,000 | 23,945 | 371.06 |
| 2010 | 8,530,000 | 8,530,000 | 24,106 | 353.85 |
| 2011 | 8,155,000 | 8,155,000 | 24,342 | 335.02 |
| 2012 | 8,025,000 | 8,025,000 | 24,159 | 332.17 |
| 2013 | 7,530,000 | 7,530,000 | 24,312 | 309.72 |
| 2014 | 7,080,000 | 7,080,000 | 24,659 | 287.12 |

City of Lafayette
Legal Debt Margin
Last Ten Fiscal Years

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Assessed Value | \$ 4,047,271,517 | \$ 4,367,513,950 | \$ 4,758,171,012 | \$ 5,109,378,277 | \$ 5,419,539,391 |
| Debt Limit Percentage | 3.75% | 3.75% | 3.75% | 3.75% | 3.75% |
| Debt limit | 151,772,682 | 163,781,773 | 178,431,413 | 191,601,685 | 203,232,727 |
| Total net debt applicable to limit | 15,355,000 | 9,875,000 | 9,555,000 | 9,255,000 | 8,885,000 |
| Legal debt margin | \$ 136,417,682 | \$ 153,906,773 | \$ 168,876,413 | \$ 182,346,685 | \$ 194,347,727 |
| Total debt applicable to the limit as a percentage of debt limit | 10.1% | 6.0% | 5.4% | 4.8% | 4.4% |

The Government Code of the State of California sets the bonding capacity for general law cities at 3.75 percent of assessed value of all taxable property.

Source: City Finance Department and California Debt and Investment Advisory Commission

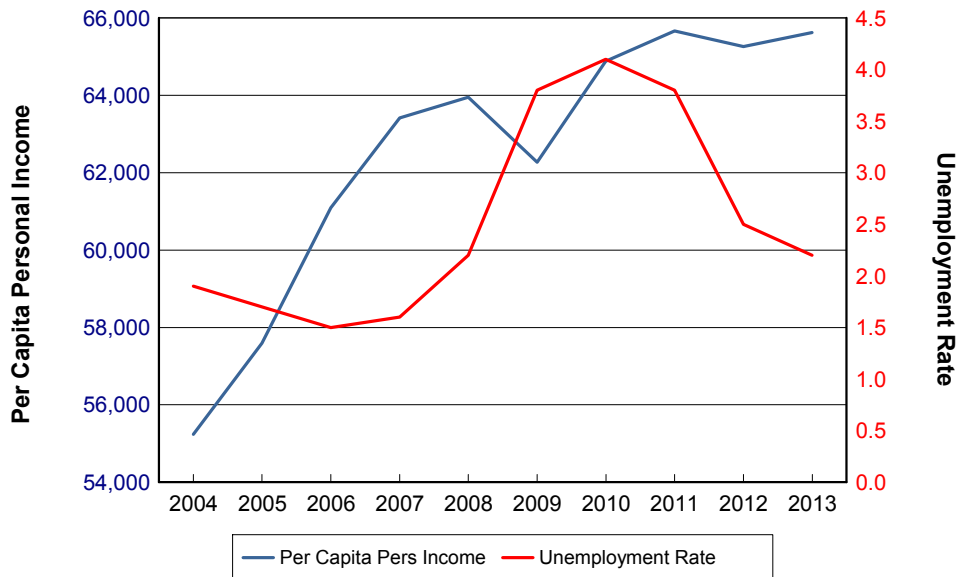
| Fiscal Year | | | | |
|------------------|------------------|------------------|------------------|------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 |
| \$ 5,599,097,980 | \$ 5,652,651,088 | \$ 5,611,843,307 | \$ 5,675,503,079 | \$ 6,088,276,994 |
| 3.75% | 3.75% | 3.75% | 3.75% | 3.75% |
| 209,966,174 | 211,974,416 | 210,444,124 | 212,831,365 | 228,310,387 |
| 8,530,000 | 8,155,000 | 8,025,000 | 7,530,000 | 7,080,000 |
| \$ 201,436,174 | \$ 203,819,416 | \$ 202,419,124 | \$ 205,301,365 | \$ 221,230,387 |
| 4.1% | 3.8% | 3.8% | 3.5% | 3.1% |

THE CITY OF LAFAYETTE

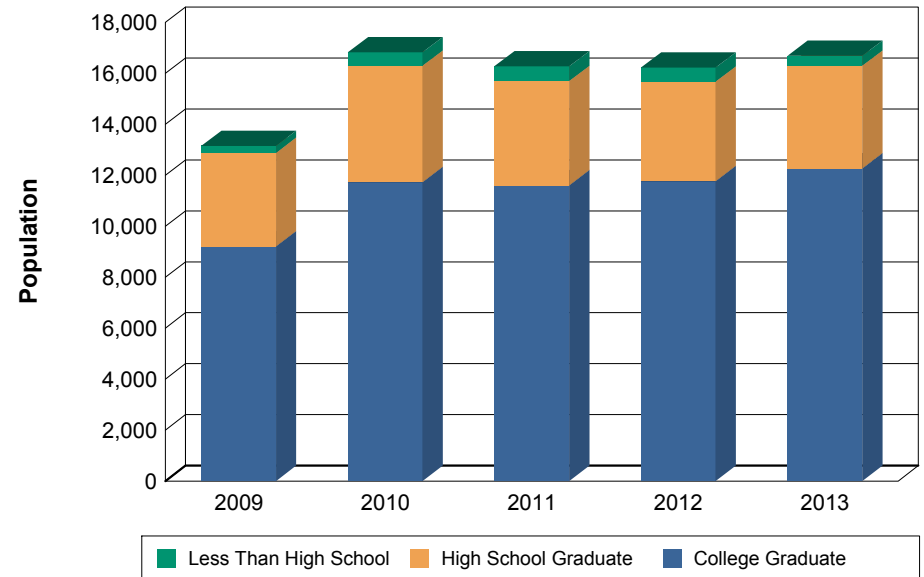
DEMOGRAPHIC AND ECONOMIC STATISTICS

| Calendar Year | Population | Personal Income (In Thousands) | Per Capita Personal Income | Unemployment Rate | Median Age | % of Pop 25+ with High School Degree | % of Pop 25+ with Bachelor's Degree |
|---------------|------------|--------------------------------|----------------------------|-------------------|------------|--------------------------------------|-------------------------------------|
| 2004 | 24,297 | \$1,342,104 | \$55,237 | 1.9% | | | |
| 2005 | 24,147 | \$1,390,681 | \$57,592 | 1.7% | | | |
| 2006 | 23,885 | \$1,459,166 | \$61,091 | 1.5% | | | |
| 2007 | 23,830 | \$1,511,220 | \$63,417 | 1.6% | | | |
| 2008 | 23,945 | \$1,531,384 | \$63,954 | 2.2% | | | |
| 2009 | 24,106 | \$1,501,084 | \$62,270 | 3.8% | 44.9 | 98.0% | 70.0% |
| 2010 | 24,342 | \$1,579,285 | \$64,879 | 4.1% | 43.2 | 96.9% | 69.7% |
| 2011 | 24,159 | \$1,586,352 | \$65,663 | 3.8% | 43.2 | 96.5% | 71.3% |
| 2012 | 24,312 | \$1,586,674 | \$65,263 | 2.5% | 43.5 | 96.6% | 72.5% |
| 2013 | 24,659 | \$1,618,173 | \$65,622 | 2.2% | 44.5 | 97.7% | 73.5% |

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department
 2000-2009 Income, Age, and Education Data: ESRI - *Demographic Estimates are based on the last available Census.* Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries
 2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey