

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013



Walnut
CALIFORNIA





**Comprehensive Annual Financial Report
For the fiscal year ended
June 30, 2013**

**Prepared by:
City of Walnut Finance Department
Marie Santos
Interim Finance Director/Interim City Treasurer**

CITY OF WALNUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF WALNUT

December 2, 2013

Honorable Mayor, Members of the City Council and
Citizens of the City of Walnut
California 91788-0692

It is a pleasure to submit the Comprehensive Annual Financial Report of the City of Walnut for the fiscal year ended June 30, 2013. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Walnut. Subsequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Internal accounting controls are implemented by the City to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and the City's financial records used for preparing financial statements are maintained in a reliable fashion and in conformance with the generally accepted accounting principle (GAAP). Because of the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The City's internal controls accomplish these objectives. In our opinion, the data presented are accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

Lance, Soll, & Lunghard, LLP, firm of certified public accountants conducted the independent audit for this fiscal year. The audit was designed to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. In addition, the audit was designed to comply with the requirements of the Federal Single Audit Act of 1996 and related Office of Management and Budget's (OMB) Circular A-133. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules are included in the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and 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.

THE PROFILE OF THE CITY OF WALNUT

The City was founded in 1940 and incorporated on January 19, 1959, with a population of 1,000. The vote was 241 to 24 for approval. The size of the City at the time of incorporation was 7.5 miles. The City was named after the largest ranch, El Rancho de los Nogales (Nogales meaning walnuts in Spanish). The City is situated in the greater Walnut Valley, nestled in an area between San Jose Hills to the north and the Puente Hills to the south, 20 miles east of downtown Los Angeles. This picturesque valley, coupled with its colorful history, provides contemporary living. Walnut with its unique atmosphere, a pleasant mixture of country living with urban convenience. It currently occupies 8.9 square miles and serves a population of 29,947.

The City is a general law city operated under the Council-Manager form of government since 1959. Policy making and legislative authority are vested to the five-member City Council, all of whom are elected by community at large. The Council serves a four-year term with a rotating election schedule every two years.

City of Walnut is a family-friendly community with a diverse population. In 2013, the City was ranked #49 on the Money Magazine's list of the "100 Best Places to Live." Walnut has been on this list twice, once in 2009 and again in 2011. Families flock to City due to high-performing schools with Academic Performance Index (API) scores above 800's and 900's. Under the stewardship of Walnut Valley Unified School District, several elementary schools and high school received national recognition from the State of California and United States Department of Education. The U.S. Census Bureau, 2007-2011 American Community Survey found that 32.7% of residents 25 years and over have bachelor's degree and 16.8% have graduate degrees.

Residents enjoy a nice balance of commitment to family values, excellent schools, and access to active lifestyle, as well as, variety of shopping and dining options. There is a strong sense of community as residence gather at various City-sponsored events such as Concert in the Parks, July 4th Celebration, National Night Out, Snow Days, and last but not the least, the popular Walnut Family Festival held in October each year. The City is home to 11 parks with area of 95 acres, 30.8 miles of equestrian/hiking trails, and 265 acres of open space. The residents value the rural atmosphere which is preserved by a well-defined general plan.

The City made contractual arrangement for major services such as engineering, building and safety services, transit services, trash collection, street maintenance, landscape and lighting maintenance, and public safety services. The Public Safety services are provided by the Los Angeles Sheriff Department and Los Angeles County Fire District.

The annual budget serves as the foundation for the City's financial planning and control. The budget is adopted on annual basis by the City Council in May of each year. The various departments submit revenue estimates and expenditure appropriation request for the one-year period (begin July 1). Departmental hearings are held with each department, which leads to the development of the proposed budget. The City Manager then presents the proposed budget to City Council, which is discussed with the City Council in public workshops in May. Formal public hearing(s) are held in May. The City Council adopts the annual budget on or before June 30 of each year. The level of budgetary control is established at the department or project level within each fund.

THE REPORTING ENTITY AND ITS SERVICES

The City of Walnut is a reporting entity, which consists of the primary government and component units. The City is the primary government. The component units are the Walnut Financing Authority and the Walnut Housing Authority.

The Walnut Public Financing Authority was established on November 9, 1988 by a joint powers agreement between the City and the Walnut Improvement Agency. Under bond law the Authority has the power to issue bonds and loan the proceeds to any local agency. The Walnut Successor Agency was established on February 1, 2012, after the dissolution of the Walnut Improvement Agency per Assembly Bill 1X 26, to wind down the recognized obligations of the dissolved Walnut Improvement Agency and is operating under the private-purpose trust. The assets and obligations of the Successor Agency are reported separately within the City of Walnut's financial statements. Additional information on this private-purpose trust fund can be found in the Notes to the financial statements (see Note 10).

The Walnut Housing Authority was established on October 9, 1996 pursuant to the State of California Health and Safety Code, Section 34200. Its purpose is to provide for new and/or improvement of existing, low and moderate housing for residents of the community.

The City is also financially accountable for both the Walnut Public Financing Authority and the Walnut Housing Authority, as a blended component of the City and therefore, has been included as an integral part of the City of Walnut's financial statement. Additional information on these legally separate component units can be found in the Notes to the financial statements (see Note 1a).

REVELANT FINANCIAL POLICIES

The City of Walnut Fiscal policy provides funding to maintain the safety of the Walnut citizens at a level to insure that Walnut maintains one of the lowest crime rates in Los Angeles county, promote a mix of businesses, which contributes to a balanced community, develop program to enhance and retain existing businesses, and pursue new developments and businesses which add to the City's economic base, and utilized grants and subsidies from other agencies whenever possible. The Fiscal policy, which was last updated and adopted on April 13, 2011, purpose is to reserve and maintain a minimum of 50% of the general fund budget for maintenance and operations ("rainy day fund"), maintain a \$1 million self-insured deposit fund reserve, and a \$1 million disaster recovery fund reserve for future emergencies and after the audit is completed each year, any surplus will be equally distributed between the facility maintenance fund and the capital improvement fund.

With the City of Walnut implementation of the GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City Council adopted the Fund Balance policy on June 8, 2011. Per the policy, there is fund balance committed to disaster recovery, self-insurance, other post-employment benefits, capital project and facility maintenance. In addition, the City Council assigned fund to Three Oaks Recreation Facility construction and for maintenance and operations of City services.

LONG-TERM FINANCIAL PLANNING

The accompanying financial statements reflect an excellent financial condition. At the close of the fiscal year, the general fund has a fund balance of \$15 million. Of that balance the unrestricted fund balance (the total of the committed, assigned, and unassigned components of the fund balance) was \$14.8 million, which is approximately 140% of the total general fund expenditures. The total net change in the General fund balance is \$1,228,328. This net change enabled the City to maintain the fund reserve level as identified in the Fiscal policy, and the remaining surplus totaling \$670,835 will be distributed equally to

the facility maintenance fund and capital improvement fund. However, maintaining this fiscal condition in the future will not be an easy.

The City maintains a five-year Capital Improvement Program to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. The fiscal year 2014-2018 Capital Improvement Program anticipates \$17,325,000 in capital projects.

FUTURE ECONOMIC OUTLOOK

The effect of diminishing population growth as the City approaches buildout along with the reduce building related fees that have supplied a portion of the City revenue and the unstable economy will all have an impact on the future City finances. This, together with the added need for maintenance and infrastructure as the City matures, and an ever increasing public demand for services by Walnut's residential community, will require that continued prudent fiscal management not only remain desirable but absolutely necessary.

AWARDS

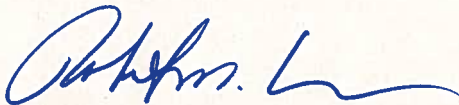
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Walnut for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the twenty-four (24th) consecutive years that the government has achieved these prestigious awards. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENT

The financial results of the City would not have been possible without dedicated efforts of the Finance Department staff, as well as the audit firm of Lance, Soll, & Lunghard, LLP. Appreciation is also expressed to all members of the departments for their assistance in providing the data necessary to prepare this report. We also wish to recognize the commitment of the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Walnut's finances.

Respectfully submitted,



Robert M. Wishner
City Manager



Marie Santos
Interim Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Walnut
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF WALNUT
OFFICIALS**

June 30, 2013

CITY COUNCIL

Tom King, Mayor
Tony Cartagena, Mayor Pro Tem
Eric Ching, Councilmember
Mary Su, Councilmember
Nancy Tragarz, Councilmember

WALNUT SUCCESSOR AGENCY

Tom King, Mayor
Tony Cartagena, Mayor Pro Tem
Eric Ching, Councilmember
Mary Su, Councilmember
Nancy Tragarz, Councilmember

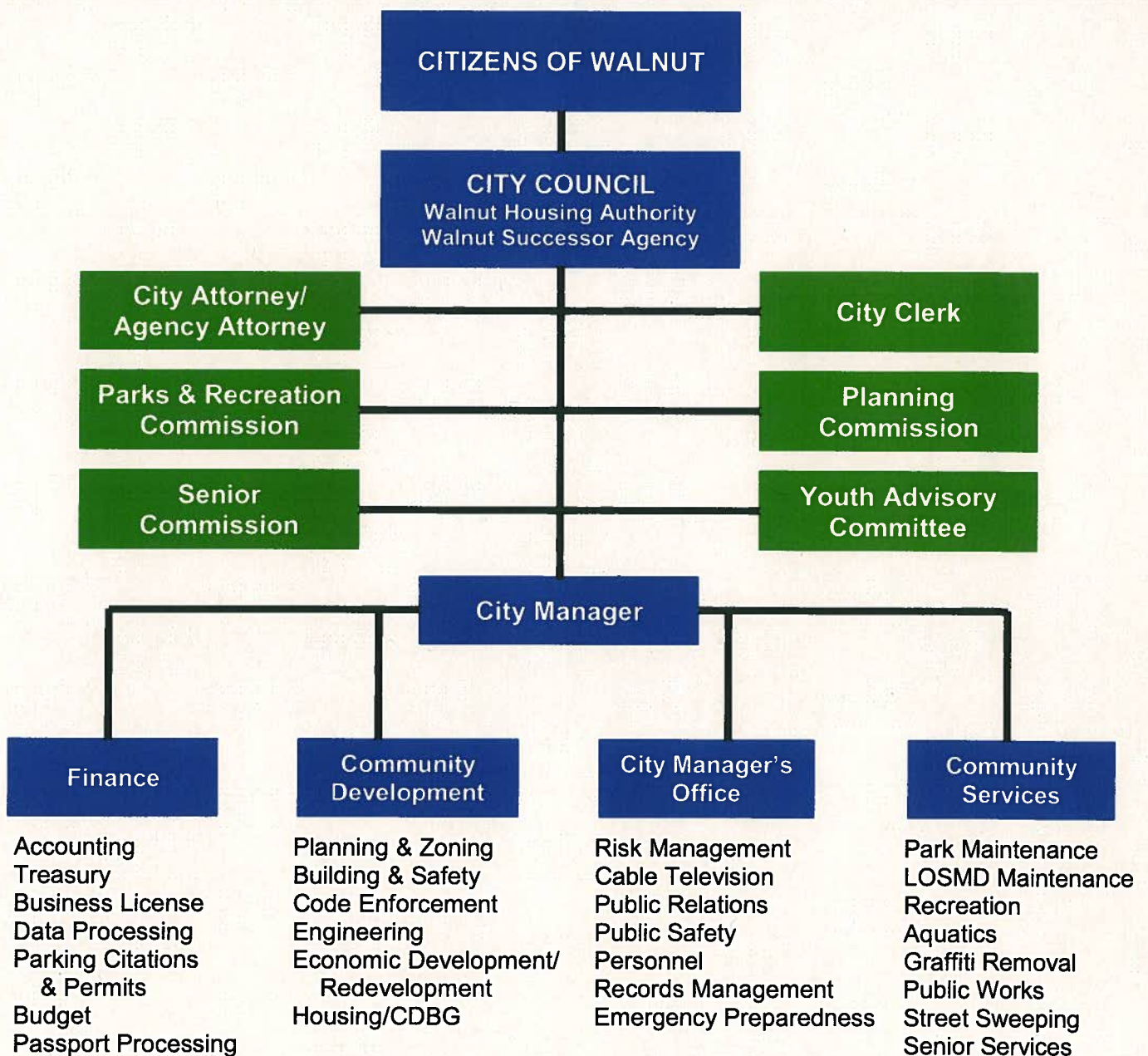
CITY OFFICIALS

Robert M. Wishner, City Manager
Teresa De Dios, City Clerk
Christine F. Londo, City Treasurer

WALNUT SUCCESSOR AGENCY OFFICIALS

Robert M. Wishner, Executive Director
Teresa De Dios, Agency Secretary
Christine F. Londo, Agency Treasurer

City of Walnut Organizational Chart

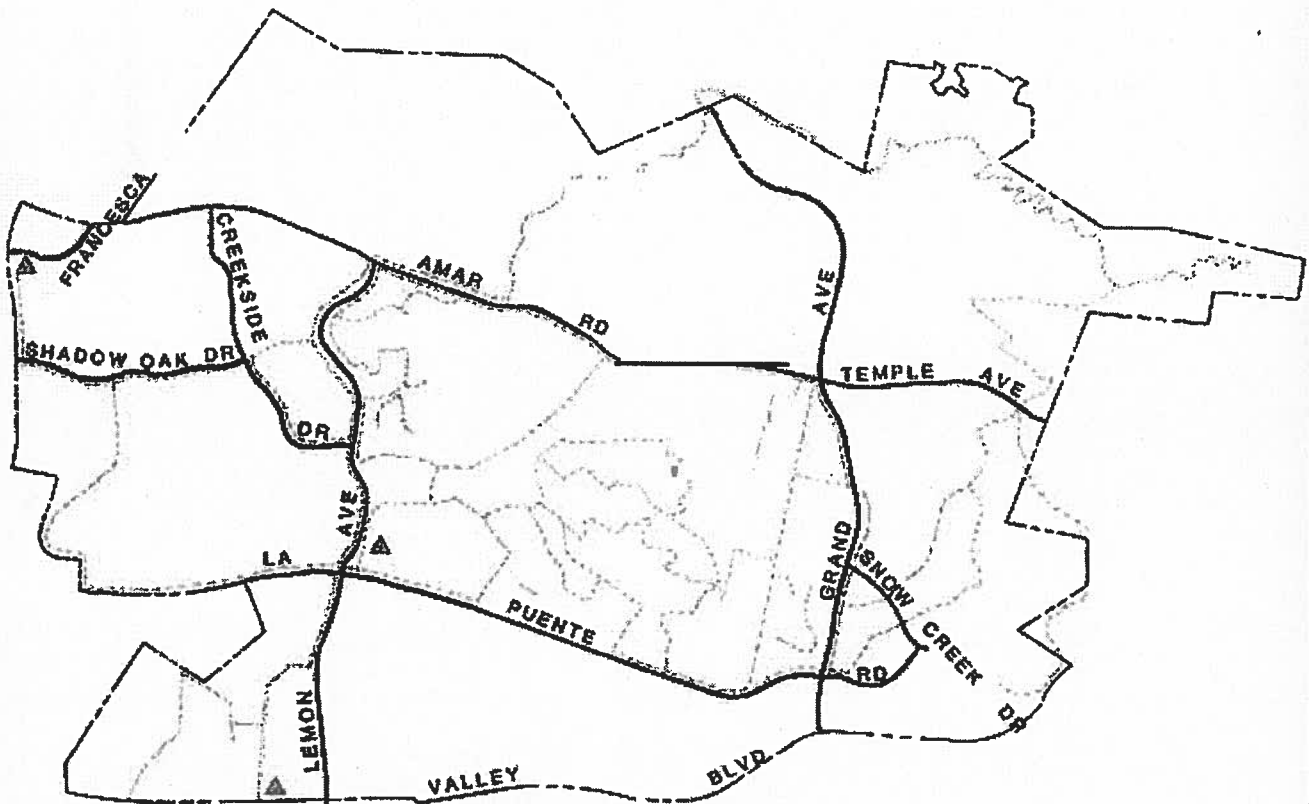


City of Walnut Trail Map



There are 30 miles of equestrian/hiking trails winding through Walnut's rolling hills. The area has been linked to horse-related activities for many years, and interest in an equestrian oriented lifestyle has attracted many of the City's residents to settle in this area. The scenic, natural topography provides an ideal place for riding and hiking. The equestrian/hiking trails wind through the community and take advantage of the open spaces, parks, and preserved natural areas. Along the trails are three rest areas, located on Valley Boulevard at Lemon Creek, on Nogales Street south of Francesca Drive, and on Lemon Avenue just north of La Puente Road. All three rest areas have picnic tables, trash cans, and trees to provide shade. The map below indicates the equestrian/hiking trails and rest areas.

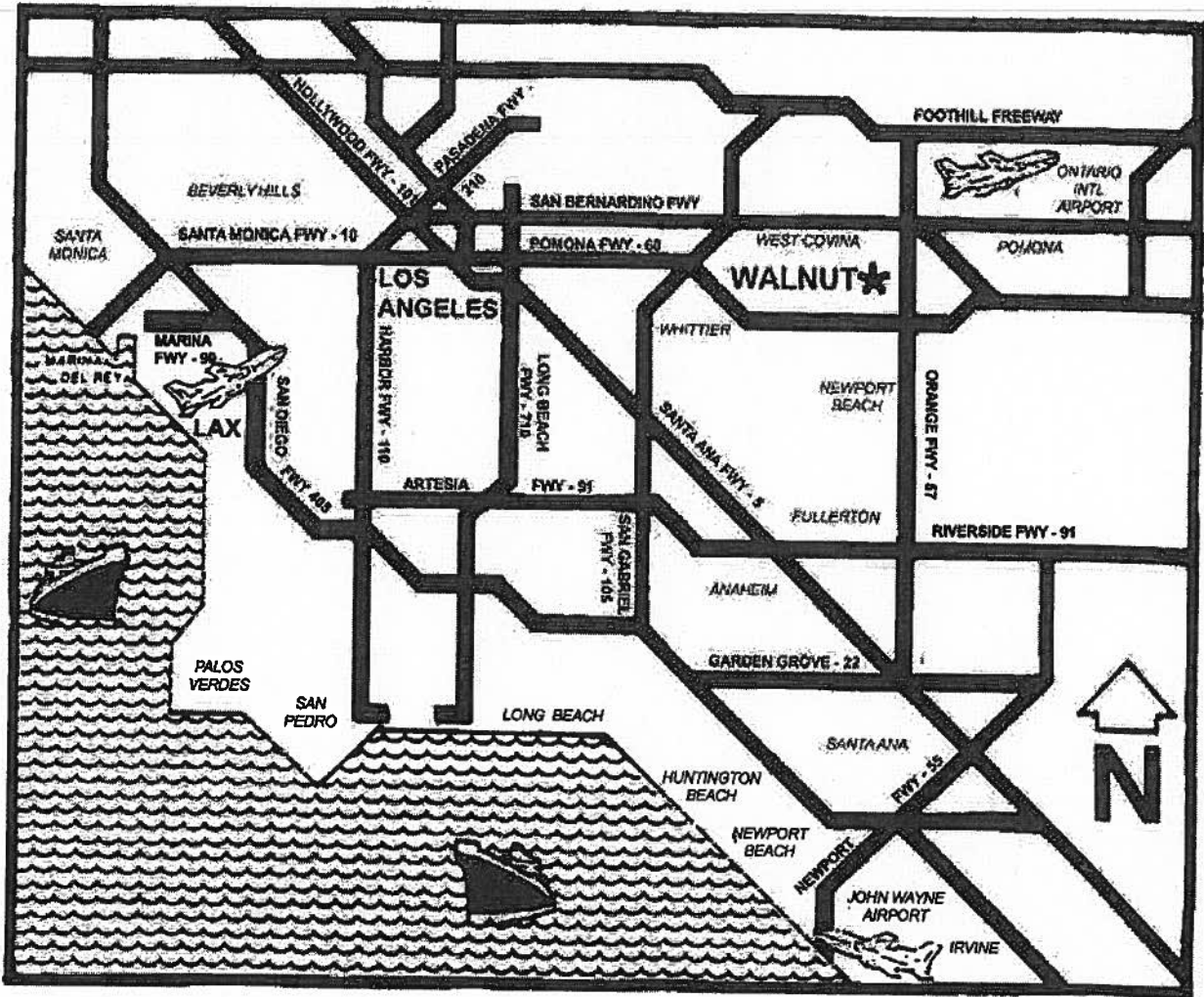
City of Walnut
21201 La Puente Road
Walnut, CA 91789
(909) 595-7543



TOTAL CITY TRAILS	23 MILES
TOTAL COUNTY TRAILS	<u>7 MILES</u>
TOTAL TRAIL MILES	30 MILES

Southern California

City of Walnut



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Walnut, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Walnut, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Walnut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Walnut, California, as of June 30, 2013, and, the respective changes in financial position and the respective budgetary comparison for the General Fund, the Community Development Block Grant, LOSMD, and the Walnut Housing Authority for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Honorable Mayor and Members of the City Council
City of Walnut, California

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walnut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 and schedules 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 and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over



To the Honorable Mayor and Members of the City Council
City of Walnut, California

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lance, Soll & Luyhard, LLP

Brea, California
November 5, 2013

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Management's Discussion and Analysis

As management of the City of Walnut, we offer readers of the City of Walnut's financial statements this narrative overview and analysis of the financial activities of the City of Walnut for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The City of Walnut's assets exceeded its liabilities at the close of the fiscal year by \$111,034,272 (net position).
- The General Fund has a fund balance of \$15 million.
- The General fund actual resources available for appropriation (revenue inflows and fund balance) exceeded final budget by \$1,554,211 while actual appropriations (outflows) were \$612,607 less than budget.
- At the close of the current fiscal year, the City of Walnut governmental funds reported a combined fund balances of \$36,108,351.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of the fund balance) for the general fund was \$14.8 million or approximately 140% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Walnut's basic financial statements. The City of Walnut's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The Statement of net position presents information on all of the City of Walnut'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 of Walnut is improving or deteriorating.

The statement of activities presents information showing how the City of Walnut'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).

Both of the government-wide financial statements distinguish functions of the City of Walnut that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Walnut include general government, public safety, community development, community services, and public works.

The government-wide financial statements include the blending of separate legal entities- the Walnut Public Financing Authority and the Walnut Housing Authority. Although legally separate, these “component units” are important because the City of Walnut is financially accountable for them.

Upon dissolution of the redevelopment agency last year, the Walnut Improvement Agency was no longer a blending component unit of the City of Walnut. Consequently, the transactions were not included in the City of Walnut’s government-wide reporting. The dissolved redevelopment agency financial assets and obligations are now being accounted as a Private-purpose Trust Fund under the Fiduciary fund.

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 of Walnut, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Walnut can be divided into two categories: governmental 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. 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Walnut maintains 20 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, three special revenue funds, and one capital project fund, all of which are considered to be major funds. Data from the other 15 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 City of Walnut 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.

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 for those funds are not available to support the City of Walnut’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Walnut maintains two different types of fiduciary funds. The Agency funds reports resources held by the City of Walnut in a custodial capacity for individuals, and private organizations. The Private-purpose trust fund is used to accounts for all the financial transactions of the Successor Agency of the former redevelopment agency.

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.

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to the financial statements.

Government-wide Overall Financial Analysis

Our analysis focuses on the net position and changes in net position of the City’s governmental activities.

**City of Walnut Net Position
(In Thousands)**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 38,185	\$ 37,804
Capital assets	75,279	78,094
Total assets	113,464	115,898
Total deferred outflows of resources		
Long-term liabilities outstanding	641	583
Other liabilities	1,789	1,786
Total Liabilities	2,430	2,369
Net position:		
Net investments in capital assets	75,279	78,094
Restricted	13,482	14,388
Unrestricted	22,273	21,047
Total net position	\$ 111,034	\$ 113,529

The City’s assets and deferred outflows of resources exceeded liabilities by \$111,034,272 at the close of the fiscal year.

The largest portion of the City of Walnut’s net position (67.8%) reflects its investment in capital assets (e.g. land, buildings and improvements, furniture, fixtures, equipment, and infrastructures), less any related outstanding debt that was used to acquire those assets. The City of Walnut uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of Walnut’s net position (12.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$22,272,577 is unrestricted and maybe used to meet the government’s ongoing obligations to its citizens and creditors.

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

The City of Walnut overall net position decreased \$2,495,187 mainly due to the revenues of the former Walnut Improvement Agency, that is used to be accounted for as a component unit of the City prior to its dissolution last year, is now accounted for in the private-purpose trust fund of the Successor Agency, as

well as, changes as a result of operations as recorded in the Statement of Activities and reflected in the Statement of Net Positions. The following is an explanation of the major changes:

- Current and other assets increased by \$381,798. Cash and investments were higher due to receipt of additional developer contributions, general liability insurance refund, and administration cost reimbursements. Deferred loan increased due to three new CDBG loan processed during the year. However, due from other governments decreased due to less grant receivable outstanding this year. Account receivable is lower due to timely receipt of payments, and accrued interest decreased due to continued market decline.
- Capital assets decreased \$2,815,709 net of depreciation. The decrease was attributed to the infrastructures, furniture, and equipment that were fully depreciated and retired during the year. The Kem Way Alley reconstruction, storm drain, and trail improvements projects are the capital assets completed during the year. The changes are as follows:

**City of Walnut Asset Type
(In Thousands)**

Land	\$	(47)
Buildings and improvements		(519)
Furniture and equipment		(106)
Infrastructure		(2,143)
Capital assets net decrease	\$	<u>(2,815)</u>

- The City of Walnut uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- Long-term debt outstanding increased \$59,138 due to the recording of other post-employment benefit obligation (\$52,868), and accrued employee benefits compensated absences (\$6,270) during the year.

Governmental Activities. Governmental activities decreased the City of Walnut net position by \$2,495,187. Key elements of the changes are as follow:

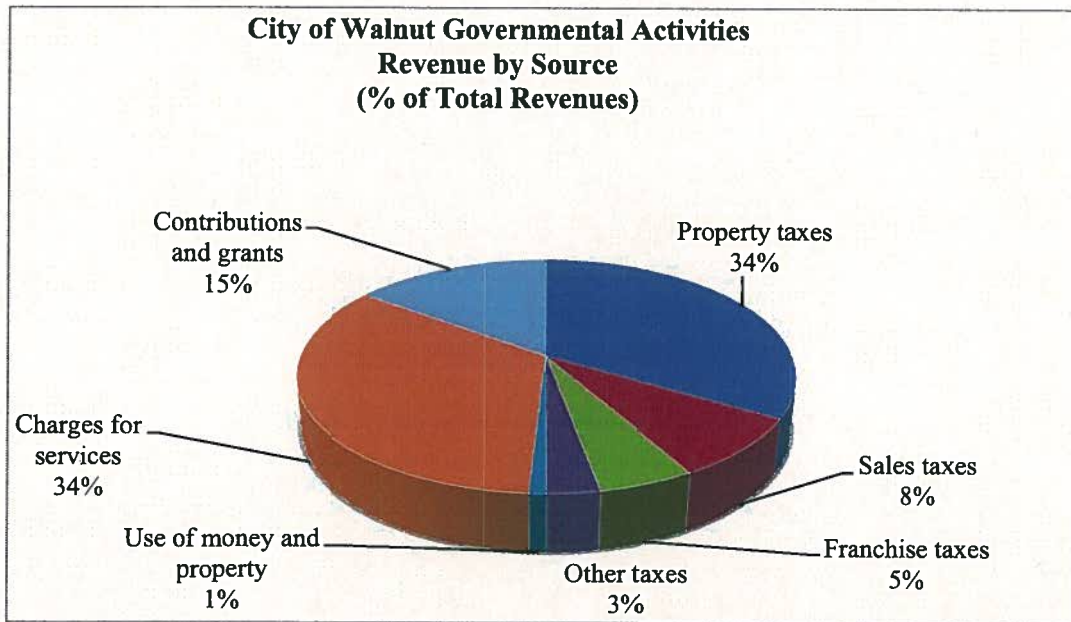
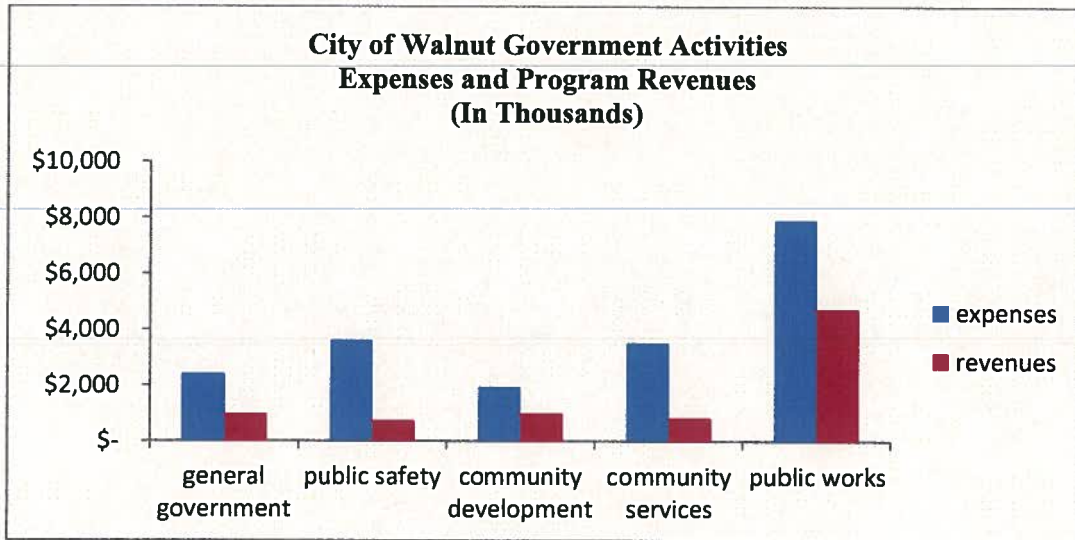
**City of Walnut Changes in Net Position
(In Thousands)**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 5,759	\$ 5,128
Operating contributions and grants	1,340	1,338
Capital contributions and grants	1,207	1,383
General revenues:		
Taxes		
Property taxes	5,642	9,347
Sales taxes	1,414	1,323
Franchise taxes	902	873
Business license taxes	105	103
Other taxes	317	286
Motor vehicle in lieu	24	26
Use of money and property	158	496
Other	33	78
Extraordinary gain/(loss) on dissolution of Walnut Improvement Agency	-	26,520
Total revenues	<u>16,901</u>	<u>46,901</u>
Expenses		
General government	\$ 2,409	\$ 3,851
Public safety	3,614	3,465
Community development	1,936	1,879
Community services	3,527	3,540
Public works	7,910	6,575
Interest on long-term debt	-	255
Total expenses	<u>19,396</u>	<u>19,565</u>
Decrease in net position	<u>\$ (2,495)</u>	<u>\$ 27,336</u>

- The increase of \$631,496 in charges for services is mainly due to the increase in revenues received for passport processing, code fines, dog licenses and reimbursement of Administration cost for the Successor Agency. During the year, a one-time revenue, an equity share payment (\$206,990), was received by the Walnut Housing Authority for the Magnolia tract senior property. The City also received more developer contributions (\$350,000) for the construction of the recreation center, as well as, a retrospective refund of general liability insurance (\$156,470).

- The increase of \$1,003 in operating contributions and grants is due to timely receipt of revenues for the park grant and Bikeway fund grant during the year. However, revenues received from the Gas tax and Community Development Block Grant (CDBG) decreased this year as compared to prior year.
- The capital contribution and grants decreased by \$176,215 due to no major project constructed during this fiscal year as compared to last year. However, there are more revenue received from Proposition A, Proposition R, and Proposition C during the year as compared to prior year.
- Property tax decreased by \$3,705,417 compared to last year mainly due to the tax increment that the dissolve Walnut Improvement Agency usually received is now accounted under the private-purpose trust fund of the Successor Agency. However, the City property taxes increased by \$294,583 as compared to last year, a 5% increase attributed to the increase of property values within the city.
- Sales tax increased modestly by \$91,203 as a result of an increase in gasoline sales and retail sales.
- Franchise Tax revenues received increased by \$29,605 compared to last year due to higher demand for services.
- Other taxes revenues increased by \$30,788 due to more documentary stamp tax received this year as compared to last year.
- The decrease of \$338,164 in use of money and property from last year, particularly in the investment earnings, is mainly due to unstable and continued decline in the market and slow pace of economic recovery. However, revenues received from telecommunication lease increased \$11,503 compared to prior year.
- Other revenues decreased by \$45,531 as compared to last year due to no exchange of CDBG funds this year. However, the City again received donation from the Walnut Women Club for Teen Center purposes, as well as, received a rebate from Southern California Edison for lighting energy saving upgrades.
- No extraordinary gain is realized this year, compared to last year, wherein the amount of extraordinary gain realized was due to the Walnut Improvement Agency redevelopment dissolution effective February 1, 2012, per Assembly Bill 1X 26.
- General government expenses decreased by \$1,442,267 as there was no municipal election related expenses, insurance expenses decreased due to the retrospective refund adjustment received for the general liability insurance, as a result of no claims that exceeded pooled or insured coverage among the members of the pool per California Joint Power Insurance Authority. In addition, legal fees incurred was lower due to no extraordinary legal related expenses occurred this year as compared to last year.
- Public Safety expenses increased by \$148,403 due to change in public safety administration labor distribution, increased in law enforcement, crime prevention, and hazard mitigation expenses.
- Public Works expenses increased by \$1,335,494 mainly due to slurry seal projects for Area 1 and Area 7, Kem Way resurfacing, storm drain maintenance and increased expenses related to the maintenance of the Landscape and Open Space Maintenance District (LOSMD).

- Interest on long-term debt was transferred to the Successor Agency as a result of the Walnut Improvement dissolution last fiscal year. The City has no long term outstanding debt this year.



Financial Analysis of the City’s Funds

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

Governmental Funds. The focus of the City of Walnut’s governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the City of Walnut’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Walnut's governmental funds reported combined fund balances of \$36,108,351. An increase of \$621,270 in comparison to prior year. Of this balance 33% (\$11,921,479) are legally restricted to fund such areas as low and moderate housing projects, public safety, community services, and public works; 34% (\$12,315,990) are committed to capital projects, other post-employment benefits, disaster recovery, self-insurance and facility maintenance; 23% (\$8,482,585) are assigned to Community Services and maintenance and operations, 8% (\$2,717,462) are nonspendable balances for notes and loans, advances to other funds, prepaid costs, and long term receivables; and 2% (\$670,835) are unassigned.

The general fund is the chief operating fund of the City of Walnut. At the end of the current fiscal year, the general fund reflects a fund balance of \$15,444,304. The unassigned fund balance of the general fund is \$670,835, which represents approximately 6.3% compared to the general fund expenditures, while the total fund balance represents approximately 146% of the general fund expenditures. The General fund balance increased \$1,228,328 in comparison to last year due higher property tax, sales taxes, code fines, and several one-time revenues mentioned earlier.

The Capital Improvement Fund accounts for major capital outlay and infrastructures improvements for the City. The fund balance at the end of the year is \$6,550,620, a decreased of \$521,852 as a result of the various capital items and projects completed during the year. These projects were Kem Way resurfacing, slurry seal projects for Area 1 and Area 7, trail maintenance project, purchase of city vehicle, and computers replacements.

The non-major governmental fund balance relating to the Gas Tax Fund, and Proposition R Fund decreased during the year due to the slurry seal projects on various streets in Area 1 and Area 7. In addition, the fund balance for Proposition A and Proposition C increased due to higher allocation received from Los Angeles County for the City's share of the ½ cents sales tax levied for local transit and public transit purposes.

General Fund Budgetary Highlights

The actual charges to appropriations for the General Fund at year end were \$612,607 less than the final budget. The budget to actual variance in appropriations was due close control by management on spending and savings realized due to decrease in staffing level through normal attrition. Actual revenues compared favorably to the final budget with a \$1,554,211 excess. This positive variance was due to the increased revenues on property tax, developer contribution received from Standard Pacific for construction of recreation facility, and increased revenues from recreation related programs. Budget amendments and supplemental appropriation were made during the year to increase appropriations for unanticipated expenditures after adoption of the original budget in the amount of \$219,920.

Capital Asset and Debt Administration

Capital Assets. At the end of the Fiscal Year 2013 the City had \$133,006,353 invested in a broad range of capital assets including land, buildings, infrastructures, furniture, and equipment. The amount represents a net decrease of \$49,582 over last year. This decrease is mainly due to the sale of a portion of the land to build a home for Habitat for Humanity.

**City of Walnut Capital Assets
(Net of Depreciation, In Thousands)**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 10,826	\$ 10,873
Buildings and improvements	14,361	14,881
Furniture and equipment	777	882
Infrastructure	49,315	51,458
Total	\$ 75,279	\$ 78,094

The City's five-year Capital Improvement Plans projects spending \$17 million through fiscal year 2017-18. Funding will come from current fund balances committed for capital projects and projected revenues over the next five years. The most significant projects include Creekside resurfacing, Amar Road resurfacing, La Puente Road resurfacing, commercial street resurfacing, various street slurry seal projects, and the construction of recreation facility.

Additional information on the capital assets can be found in Note 4 on page 43-44 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Walnut had total accrued employee benefits and other post-employment benefit (OPEB) obligation of \$641,693.

**City of Walnut Outstanding Debt
(In Thousands)**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Tax allocation bonds	\$0	\$0
OPEB obligation	270	217
Accrued employee benefits	372	366
Total	\$ 642	\$ 583

Additional information on long-term debt can be found in note 5 on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

The revenue and expenditure projections provided for the 2013-14 budget is based upon economic forecasts and trends for the area in which the City is located. It is based on the information supplied by outside agencies, such as the State Department of Finance, State Board of Equalization, and the Los Angeles County Assessor's Office, to predict revenues for entitlement, grants, state subventions, sales tax and property tax. The revenue and expenditure projections are intended to serve as a guide in planning for the future.

This year, the assumptions used for forecasting the revenues included a projected increase of 4% in sales taxes, 2% increase on the property taxes and franchise taxes and 5% increase in the telecommunication lease revenue. These projections were based on the current economic situation and uncertainty in the market.

The building related revenues such as plan checks and building permits have been projected to be about the same as last year, reflecting no large development within the City during the 2013-14 fiscal year.

The assumptions used for forecasting expenditures included a projected increase of 2.2% for all expenditures related to personnel and no increase for operations of the City. All expenditures for the City's Public Safety program, which includes payment for the Los Angeles County Sheriff services, have been projected to increase at a rate of 3% and 4% projected increase on all liability and property insurance costs. In addition, where ever possible, any expenditures which are not "on-going", such as expenditures identified for certain capital or fixed asset items, have not been carried forward as expenditures in following years. Also taken into consideration are any costs for contracted services in which the City has an agreement with the provider, where the fees are to remain constant for a specified number of years.

A priority of the City is to maintain a high quality of services while adopting a balanced budget. Once again the budget is balanced for the coming year.

Request for Information

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Walnut finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at the City of Walnut, P.O. Box 682, Walnut, CA 91788-0682.

CITY OF WALNUT

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and investments	\$ 33,429,843
Receivables:	
Accounts	333,457
Notes and loans	1,955,626
Accrued interest	35,772
Deferred loans	720,029
Prepaid costs	363,096
Due from other governments	794,061
Restricted assets:	
Cash with fiscal agent	554,000
Capital assets not being depreciated	10,826,106
Capital assets, net of depreciation	<u>64,452,680</u>
Total Assets	<u>113,464,670</u>
Liabilities:	
Accounts payable	673,838
Accrued liabilities	159,099
Unearned revenue	392,061
Due to other governments	563,707
Noncurrent liabilities:	
Due within one year	372,267
Due in more than one year	<u>269,426</u>
Total Liabilities	<u>2,430,398</u>
Net Position:	
Net investment in capital assets	75,278,786
Restricted for:	
Community development projects	11,166,349
Public safety	95,674
Parks and recreation	130,906
Public works	2,057,456
Unrestricted	<u>22,305,101</u>
Total Net Position	<u>\$ 111,034,272</u>

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CITY OF WALNUT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Capital Contributions and Grants	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants		
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 2,408,514	\$ 688,295	\$ 286,203	\$ -	\$ (1,434,016)
Public safety	3,613,692	645,562	100,000	-	(2,868,130)
Community development	1,936,171	351,829	145,865	504,662	(933,815)
Community services	3,527,499	770,891	69,320	-	(2,687,288)
Public works	7,910,304	3,302,673	738,351	702,632	(3,166,648)
Total Governmental Activities	19,396,180	5,759,250	1,339,739	1,207,294	(11,089,897)
Total Primary Government	\$ 19,396,180	\$ 5,759,250	\$ 1,339,739	\$ 1,207,294	(11,089,897)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					5,641,664
Sales taxes					1,413,944
Franchise taxes					902,198
Business licenses taxes					105,198
Other taxes					316,607
Motor vehicle in lieu - unrestricted					24,158
Use of money and property					158,230
Other					32,711
Total General Revenues, Contributions, Transfers					8,594,710
Change in Net Position					(2,495,187)
Net Position at Beginning of Year					113,529,459
Net Position at End of Year					\$ 111,034,272

CITY OF WALNUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Community Development Block Grant</u>	<u>LOSMD</u>	<u>Walnut Housing Authority</u>
Assets:				
Pooled cash and investments	\$ 14,509,629	\$ -	\$ 1,367,877	\$ 8,748,146
Receivables:				
Accounts	281,316	1,000	-	-
Notes and loans	-	-	-	1,955,626
Accrued interest	28,577	-	-	7,195
Deferred loans	-	563,707	-	156,322
Prepaid costs	363,096	-	-	-
Due from other governments	618,576	34,721	32,522	-
Due from other funds	117,079	-	-	-
Advances to other funds	146,470	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	554,000	-	-	-
Total Assets	\$ 16,618,743	\$ 599,428	\$ 1,400,399	\$ 10,867,289
Liabilities, Deferred inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 402,602	\$ 1,927	\$ 53,320	\$ -
Accrued liabilities	156,577	-	-	-
Unearned revenues	326,432	-	-	-
Due to other governments	-	563,707	-	-
Due to other funds	-	33,794	-	34,087
Advances from other funds	-	-	146,470	-
Total Liabilities	885,611	599,428	199,790	34,087
Deferred inflows of resources:				
Unavailable revenues	288,828	-	-	-
Total Deferred inflows of Resources	288,828	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	363,096	-	-	-
Notes and loans	-	-	-	2,111,948
Advances to other funds	146,470	-	-	-
Long term receivable	95,948	-	-	-
Restricted for:				
Community development projects	-	-	-	8,721,254
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	1,120,609	-
Committed to:				
Capital Projects	-	-	80,000	-
Disaster recovery	1,000,000	-	-	-
Self-insurance	1,000,000	-	-	-
Other post-employment benefits	763,331	-	-	-
Facility maintenance	2,922,039	-	-	-
Assigned to:				
Community services	2,800,000	-	-	-
Maintenance and operations	5,682,585	-	-	-
Unassigned	670,835	-	-	-
Total Fund Balances	15,444,304	-	1,200,609	10,833,202
Total Liabilities, deferred inflows of resources, and Fund Balances	\$ 16,618,743	\$ 599,428	\$ 1,400,399	\$ 10,867,289

CITY OF WALNUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Capital Projects Funds</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
	<u>Capital Improvement</u>	<u>Funds</u>	<u>Funds</u>
Assets:			
Pooled cash and investments	\$ 6,572,895	\$ 2,231,296	\$ 33,429,843
Receivables:			
Accounts	2,755	48,386	333,457
Notes and loans	-	-	1,955,626
Accrued interest	-	-	35,772
Deferred loans	-	-	720,029
Prepaid costs	-	-	363,096
Due from other governments	-	108,242	794,061
Due from other funds	-	-	117,079
Advances to other funds	-	-	146,470
Restricted assets:			
Cash and investments with fiscal agents	-	-	554,000
Total Assets	\$ 6,575,650	\$ 2,387,924	\$ 38,449,433
Liabilities, Deferred inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 25,030	\$ 190,959	\$ 673,838
Accrued liabilities	-	2,522	159,099
Unearned revenues	-	65,629	392,061
Due to other governments	-	-	563,707
Due to other funds	-	49,198	117,079
Advances from other funds	-	-	146,470
Total Liabilities	25,030	308,308	2,052,254
Deferred inflows of resources:			
Unavailable revenues	-	-	288,828
Total Deferred inflows of Resources	-	-	288,828
Fund Balances:			
Nonspendable:			
Prepaid costs	-	-	363,096
Notes and loans	-	-	2,111,948
Advances to other funds	-	-	146,470
Long term receivable	-	-	95,948
Restricted for:			
Community development projects	-	333,147	9,054,401
Public safety	-	95,674	95,674
Community services	-	130,906	130,906
Public works	-	1,519,889	2,640,498
Committed to:			
Capital Projects	6,550,620	-	6,630,620
Disaster recovery	-	-	1,000,000
Self-insurance	-	-	1,000,000
Other post-employment benefits	-	-	763,331
Facility maintenance	-	-	2,922,039
Assigned to:			
Community services	-	-	2,800,000
Maintenance and operations	-	-	5,682,585
Unassigned	-	-	670,835
Total Fund Balances	6,550,620	2,079,616	36,108,351
Total Liabilities, deferred inflows of resources, and Fund Balances	\$ 6,575,650	\$ 2,387,924	\$ 38,449,433

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CITY OF WALNUT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund balances of governmental funds	\$ 36,108,351
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	75,278,786
Compensated absences have not been included in the governmental fund activity.	(372,267)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(269,426)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	<u>288,828</u>
Net Position of governmental activities	<u><u>\$ 111,034,272</u></u>

CITY OF WALNUT

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	General	Community Development Block Grant	LOSMD	Walnut Housing Authority
Revenues:				
Taxes	\$ 8,401,800	\$ -	\$ -	\$ -
Assessments	-	-	2,528,470	-
Licenses and permits	551,181	-	-	-
Intergovernmental	53,958	130,017	-	206,990
Charges for services	1,374,600	-	-	-
Use of money and property	182,422	-	-	(23,948)
Fines and forfeitures	256,847	-	-	-
Miscellaneous	704,154	-	9,800	-
Total Revenues	11,524,962	130,017	2,538,270	183,042
Expenditures:				
Current:				
General government	2,176,693	-	-	-
Public safety	3,416,202	-	-	-
Community development	938,940	130,017	-	328,252
Community services	3,052,816	-	-	-
Public works	917,619	-	2,396,937	-
Capital outlay	85,973	-	34,680	-
Total Expenditures	10,588,243	130,017	2,431,617	328,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	936,719	-	106,653	(145,210)
Other Financing Sources (Uses):				
Transfers in	291,609	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	291,609	-	-	-
Net Change in Fund Balances	1,228,328	-	106,653	(145,210)
Fund Balances, Beginning of Year	14,215,976	-	1,093,956	10,978,412
Fund Balances, End of Year	\$ 15,444,304	\$ -	\$ 1,200,609	\$ 10,833,202

CITY OF WALNUT

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Capital Improvement</u>	<u>Funds</u>	<u>Funds</u>
Revenues:			
Taxes	\$ -	\$ -	\$ 8,401,800
Assessments	-	-	2,528,470
Licenses and permits	-	-	551,181
Intergovernmental	-	2,427,400	2,818,365
Charges for services	-	-	1,374,600
Use of money and property	-	(244)	158,230
Fines and forfeitures	-	256,611	513,458
Miscellaneous	-	82,945	796,899
Total Revenues	-	2,766,712	17,143,003
Expenditures:			
Current:			
General government	-	-	2,176,693
Public safety	-	136,593	3,552,795
Community development	-	477,548	1,874,757
Community services	-	69,320	3,122,136
Public works	7,000	1,777,670	5,099,226
Capital outlay	514,852	60,221	695,726
Total Expenditures	521,852	2,521,352	16,521,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	(521,852)	245,360	621,670
Other Financing Sources (Uses):			
Transfers in	-	-	291,609
Transfers out	-	(291,609)	(291,609)
Total Other Financing Sources (Uses)	-	(291,609)	-
Net Change in Fund Balances	(521,852)	(46,249)	621,670
Fund Balances, Beginning of Year	7,072,472	2,125,865	35,486,681
Fund Balances, End of Year	\$ 6,550,620	\$ 2,079,616	\$ 36,108,351

CITY OF WALNUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ 621,670

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (2,815,709)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (6,270)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (52,868)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (242,010)

Change in net position of governmental activities \$ (2,495,187)

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 14,215,976	\$ 14,215,976	\$ 14,215,976	\$ -
Resources (Inflows):				
Taxes	7,538,000	7,538,000	8,401,800	863,800
Licenses and permits	567,730	567,730	551,181	(16,549)
Intergovernmental	8,290	8,290	53,958	45,668
Charges for services	1,294,620	1,294,620	1,374,600	79,980
Use of money and property	391,210	391,210	182,422	(208,788)
Fines and forfeitures	158,500	158,500	256,847	98,347
Miscellaneous	304,010	304,010	704,154	400,144
Transfers in	-	-	291,609	291,609
Amounts Available for Appropriation	24,478,336	24,478,336	26,032,547	1,554,211
Charges to Appropriation (Outflow):				
General government				
City council	136,630	139,485	136,915	2,570
City manager	174,850	183,016	181,338	1,678
Personnel	119,160	121,350	116,903	4,447
Risk management	252,920	248,082	248,082	-
City clerk	172,200	172,670	171,091	1,579
Elections	1,000	1,000	435	565
City treasurer	18,570	18,570	12,309	6,261
Finance	562,730	568,261	521,289	46,972
City Attorney	140,700	133,570	122,975	10,595
Administration	609,490	604,471	560,493	43,978
Community promotion	15,540	17,640	15,701	1,939
Family festival	35,620	40,082	39,532	550
Cable TV administration	52,160	53,815	49,630	4,185
Public safety administration	261,010	263,385	253,147	10,238
Business license enforcement	85,290	86,670	75,876	10,794
General law enforcement	2,944,760	2,905,190	2,776,620	128,570
Helicopter services	1,000	2,090	2,084	6
Crime prevention	129,390	129,390	127,505	1,885
Animal control	115,000	115,000	99,828	15,172
Emergency preparedness	40,360	40,360	34,715	5,645
Volunteers on patrol	700	720	630	90
Weed abatement	52,000	37,000	33,204	3,796
Hazard Mitigation	-	24,300	12,593	11,707
Planning	341,150	343,600	312,408	31,192
Code enforcement	117,210	122,820	120,949	1,871
Building and safety	281,760	282,240	279,683	2,557
Environmental	218,620	250,340	200,860	49,480
Economic Development	25,000	25,040	25,040	-
Recreation services	312,640	312,735	309,124	3,611
July 4 fireworks	40,160	46,760	33,773	12,987
Park maintenance	1,327,450	1,329,804	1,315,466	14,338
Equestrian trail maintenance	52,280	60,560	50,898	9,662
Special events	87,920	85,222	82,277	2,945
Aquatics	116,150	114,735	100,655	14,080
Excursions	72,420	72,100	72,079	21
Sports & Gymnasium	500,350	498,013	489,213	8,800
Leisure classes	66,300	69,133	69,063	70
Senior citizens center	356,960	353,372	332,322	21,050
Teen Center	158,030	159,735	155,736	3,999
After school programs	48,070	49,033	42,210	6,823
Engineering and P.W. admin.	312,670	319,240	318,040	1,200
Street R-O-W maintenance	331,830	414,210	332,059	82,151
Traffic engineering	15,000	17,000	16,997	3
Building maintenance	249,680	281,712	250,523	31,189
Capital outlay	28,200	87,329	85,973	1,356
Total Charges to Appropriations	10,980,930	11,200,850	10,588,243	612,607
Budgetary Fund Balance, June 30	\$ 13,497,406	\$ 13,277,486	\$ 15,444,304	\$ 2,166,818

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	254,470	268,451	130,017	(138,434)
Amounts Available for Appropriation	254,470	268,451	130,017	(138,434)
Charges to Appropriation (Outflow):				
Community development	133,470	130,793	130,017	776
Capital outlay	121,000	137,658	-	137,658
Total Charges to Appropriations	254,470	268,451	130,017	138,434
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
LOSMD
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,093,956	\$ 1,093,956	\$ 1,093,956	\$ -
Resources (Inflows):				
Assessments	2,522,580	2,522,580	2,528,470	5,890
Miscellaneous	-	-	9,800	9,800
Amounts Available for Appropriation	3,616,536	3,616,536	3,632,226	15,690
Charges to Appropriation (Outflow):				
Public works	2,578,750	2,607,970	2,396,937	211,033
Capital outlay	95,610	91,390	34,680	56,710
Total Charges to Appropriations	2,674,360	2,699,360	2,431,617	267,743
Budgetary Fund Balance, June 30	\$ 942,176	\$ 917,176	\$ 1,200,609	\$ 283,433

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
WALNUT HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 10,978,412	\$ 10,978,412	\$ 10,978,412	\$ -
Resources (Inflows):				
Intergovernmental	-	-	206,990	206,990
Use of money and property	-	-	(23,948)	(23,948)
Amounts Available for Appropriation	10,978,412	10,978,412	11,161,454	183,042
Charges to Appropriation (Outflow):				
Community development	-	-	328,252	(328,252)
Total Charges to Appropriations	-	-	328,252	(328,252)
Budgetary Fund Balance, June 30	\$ 10,978,412	\$ 10,978,412	\$ 10,833,202	\$ (145,210)

CITY OF WALNUT

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	<u>Agency Funds</u>	<u>Private Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Pooled cash and investments	\$ 522,083	\$ 3,093,309
Receivables:		
Accounts	420	-
Accrued interest	-	1,883
Total Assets	<u>\$ 522,503</u>	<u>\$ 3,095,192</u>
Liabilities:		
Accounts payable	\$ 1,232	\$ 878
Accrued interest	-	457,399
Deposits payable	521,271	-
Long-term liabilities:		
Due in one year	-	2,115,000
Due in more than one year	-	27,145,056
Total Liabilities	<u>\$ 522,503</u>	<u>\$ 29,718,333</u>
Net Position:		
Held in trust for other purposes	\$ -	\$ (26,623,141)
Total Net Position	<u>\$ -</u>	<u>\$ (26,623,141)</u>

CITY OF WALNUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 3,913,924
Interest and change in fair value of investments	5,055
Total Additions	<u>3,918,979</u>
Deductions:	
Administrative expenses	258,050
Contractual services	24,714
Interest expense	1,317,028
Total Deductions	<u>1,599,792</u>
Extraordinary gain/(loss) (See note 10)	<u>(453,583)</u>
Changes in Net Position	1,865,604
Net Position - Beginning of the Year	<u>(27,822,130)</u>
Restatement (See note 1)	<u>666,615</u>
Net Position - End of the Year	<u>\$ (26,623,141)</u>

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Walnut is a reporting entity, which consists of the primary government and component units:

Reporting Entity:

Primary Government:
City of Walnut

Component Unit:
Walnut Public Financing Authority
Walnut Housing Authority

As required by generally accepted accounting principles, these financial statements present the City of Walnut (the primary government) and its component units. Component units are entities for which the government is considered to be financially accountable.

The City of Walnut, the primary government, was incorporated on January 19, 1959, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City.

The Walnut Public Financing Authority was established on November 9, 1988, by a joint exercise of powers agreement between the City and the Improvement Agency. Under the bond law the Authority has the power to issue bonds and loan the proceeds to any local agency.

The Walnut Housing Authority was established on October 9, 1996, pursuant to the State of California Health and Safety Code, Section 34200. Its purpose is to provide for new and/or improvement of existing low and moderate housing stock for residents of the community.

Blended Component Units

The Walnut Public Financing Authority and the Walnut Housing Authority, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City of Walnut, the primary government.

All are governed by the City Council of the City of Walnut. Therefore, they are included in this financial presentation using the blending method. The activities of the Housing Authority are included within the City's funds.

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statements No. 14 and 39. The City of Walnut is the primary governmental unit. Component units are those entities which are financially accountable to the primary government, either because the component unit will provide financial benefit or impose a financial burden on the primary government.

Note 1: Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report on the government as a whole. They include the City of Walnut and its component units, except that neither fiduciary funds nor the component units that are fiduciary in nature are included. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Agency funds are reported on the accrual basis of accounting.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Note 1: Summary of Significant Accounting Policies (Continued)

The private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Community Development Block Grant (CDBG) Fund is a federal grant administered by the County of Los Angeles Department of Community Development under the provisions of the 1974 Housing and Community Development Act. The funds are available to cities to provide improvements to those considered "blighted" under the definitions set forth by the Act.
- The Lighting and Open Space Maintenance District (LOSMD) is comprised of approximately 369 acres of landscape areas throughout the City that is divided into twelve zones. The funds are used for the landscape maintenance, rodent control, weed abatement, and other related expenses within the LOSMD.
- The Walnut Housing Authority accounts for new and/or improvement of existing low and moderate housing stock for residents of the community.
- The Capital Improvement Fund accounts for purchases of land, major capital outlay and infrastructure improvements.

Additionally the government reports the following fund type:

- The Agency Fund is used to report resources held by the City in a purely custodial capacity which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City has one Agency Fund. The Trust and Agency Fund accounts for refundable deposits.
- The Private Purpose Trust fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Policy for Eliminating Internal Activity in Government-Wide Statement of Activities

Administrative overhead charges are made to funds and programs and are thereby included in the direct expenses of those funds and programs.

Note 1: Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Governmental Funds.

Investments for the City as well as for its component units are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's and Los Angeles County's Investment Pools operate in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due, and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1, the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Prepaid Costs

Payments to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items. A portion of the relevant funds' balances equal to the prepaid items has been reserved to indicate that it is not available for appropriation. The City utilizes the consumption method of accounting for purchases, and accounts for prepaid costs in the period that the benefit was received and recognizes expenditures or expenses as consumed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets other than infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Infrastructure assets have a capitalization threshold of \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in prior and current years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50*
Building improvements	25
Public domain infrastructure	25 - 100
System infrastructure	25 - 100
Vehicles	10
Office equipment	10
Computer equipment	10

* Buildings acquired before June 30, 2002, are depreciated over 40 years.
 Buildings built after July 1, 2003, are depreciated over 50 years.

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City of Walnut does not have an item that qualifies for reporting in this category.

Note 1: Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: sales tax and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment, upon completion of one year of service. Sick leave is payable when an employee is unable to work because of illness. Accruals over 160 hours may be paid at the rate of 50% in December of each calendar year.

Upon termination, sick leave accrued will be paid based on the following:

- Up to five years of continuous service, employee will be paid all accrued sick leave over 160 hours at the rate of one-half of the employee's current rate of pay.
- After five years of continuous service, employee will be paid all accrued sick leave at the rate of one-half of the employee's current rate of pay.

Note 1: Summary of Significant Accounting Policies (Continued)

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid, if matured, out of the general fund.

Each full time classified employee has the option on an annual basis to cash out up to 40 hours of vacation time at the employee's current rate of pay. To be eligible for the cash out option, employees must have used at least 80 hours of vacation time within the preceding calendar year, and must have a balance of 160 vacation hours after the cash out.

Any or all of the cash out will be paid, upon written request of the employee, once a year at the employee's current wage at the time of payment. Said payment is to be made on the first day of February, or at such time as the City Manager may determine at his/her absolute discretion as appropriate.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

The City Council adopts fund balance policies that amend committed fund balance amounts through a resolution and a minute action. The City Manager authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through the Municipal Code and the adoption of the budget. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

f. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances, total governmental funds, and changes in net position of governmental activities as reported in

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense." The details of this (\$2,815,709) difference is as follows:

Capital outlay	\$ 193,838
Depreciation expense	(2,959,376)
Loss on disposal of capital assets	<u>(50,171)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,815,709)</u>

g. Unearned Revenue

Revenues totaling \$326,432 which were received in the General Fund and \$65,629 which were received in other nonmajor governmental funds for advance payment of business licenses, family festival fees and other community services and community development revenues have been recorded as unearned revenue until such time as those revenues meet the recognition criteria.

h. GASB 65 – Change in Accounting Principal

The City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt. The accounting changes of this statement should be applied retroactive and therefore the City has reported a restatement of beginning net position in the amount of \$666,615 for any unamortized debt issuance costs (deferred charges) previously reported on the statement of net position.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager.

In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 2: Stewardship, Compliance and Accountability (Continued)

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 33,429,843
Cash with fiscal agent	554,000
Statement of Fiduciary Net Position:	
Cash and investments	<u>3,615,392</u>
 Total cash and investments	 <u>\$ 37,599,235</u>

Cash and investments as of June 30, 2013, consists of the following:

Cash on hand	\$ 318,874
Deposits with financial institutions	554,000
Investments	<u>36,726,361</u>
 Total cash and investments	 <u>\$ 37,599,235</u>

The City of Walnut maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy which authorizes it to invest in various investments.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 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 a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Cash Deposits

At June 30, 2013, the carrying amount of the City's deposits was \$318,874, and the bank balance was \$1,215,422. The \$896,548 difference represents outstanding checks and other reconciling items.

Investments Authorized by the California Government Code and the Entity's Investment Policy

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Certificates of Deposit (or time deposits)
- Local Agency Investment Fund (State Pool)
- Securities of the U.S. Government or its agencies
- Bankers Acceptances
- Commercial Paper
- Passbook Savings Account Demand Deposits
- Los Angeles County Treasurer's Investment Pool
- Money Market Mutual Fund
- Medium-Term Notes

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

Los Angeles County Pooled Investment Fund

The Los Angeles County Pooled Investment Fund (LACPIF) is a pooled investment fund program governed by the County of Los Angeles Board of Supervisors, and administered by the County of Los Angeles Treasurer and Tax Collector. Investments in LACPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. LACPIF imposes a minimum investment limit of \$50,000.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3: Cash and Investments (Continued)

The County of Los Angeles' bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Los Angeles' Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Los Angeles Auditor-Controller's Office — 500 West Temple Street — Los Angeles, CA 90012.

Credit Risk

The City's investment policy does not limit investments in Federal Agency Securities and Medium term notes to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2013, the City's investments in Federal Agency Securities consisted of investments with Federal Home Loan Bank Bonds, Federal Farm Credit Bonds and Fannie Mae Bonds and were rated "AA+" by Standard and Poor's. All securities were investment grade and were legal under State and City law. As of June 30, 2013, the City's investment in the General Electric medium term note was rated "A+" by Fitch rating. As of June 30, 2013, the City's investment in LAIF and LACPIF are unrated.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2013, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy does not impose restrictions for certain types of investments with any one issuer.

In accordance with GASB 40 requirements, the City is exposed to concentration risk whenever it has invested more than 5% of its total investments in any one issuer. As of June 30, 2013, the City has investments with the following issuers which exceed 5% of the total investment value:

<u>Security Description</u>	<u>Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	\$4,633,795	12%
Federal Farm Credit Bank	2,944,817	8%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's portfolio to maturities of less than five years. Investment maturities are limited as follows:

<u>Maturity</u>	<u>Maximum Investment</u>
Less than one year	25%
Up to 5 years	30%

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2013, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
Federal Agency Securities:					
Federal Home Loan Bank	\$ 1,006,144	\$ -	\$ 1,021,002	\$ 2,606,649	\$ 4,633,795
Federal Farm Credit Bank	-	-	-	2,944,817	2,944,817
Fannie Mae	-	-	-	986,073	986,073
General Electric Capital Corporation	-	-	-	494,628	494,628
Los Angeles County Investment Pool	9,300,258	-	-	-	9,300,258
California Local Agency Investment Fund	18,366,790	-	-	-	18,366,790
Cash with Fiscal Agents:					
Federal Home Loan Bank	-	-	-	554,000	554,000
	<u>\$ 28,673,192</u>	<u>\$ -</u>	<u>\$ 1,021,002</u>	<u>\$ 7,586,167</u>	<u>\$ 37,280,361</u>

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 10,873,076	\$ -	\$ 10,873,076	\$ -	\$ 46,970	\$ -	\$ 10,826,106
Total Capital Assets, Not Being Depreciated	10,873,076	-	10,873,076	-	46,970	-	10,826,106
Capital assets, being depreciated:							
Buildings and improvements	20,977,642	-	20,977,642	-	-	-	20,977,642
Furniture, fixtures and equipment	4,080,679	-	4,080,679	96,198	154,870	-	4,022,007
Infrastructure	97,124,538	(41,580)	97,082,958	97,640	-	-	97,180,598
Total Capital Assets, Being Depreciated	122,182,859	(41,580)	122,141,279	193,838	154,870	-	122,180,247
Less accumulated depreciation:							
Buildings and improvements	6,097,090	-	6,097,090	518,984	-	-	6,616,074
Furniture, fixtures and equipment	3,198,303	-	3,198,303	198,840	151,669	-	3,245,474
Infrastructure	45,666,047	(41,580)	45,624,467	2,241,552	-	-	47,866,019
Total Accumulated Depreciation	54,961,440	(41,580)	54,919,860	2,959,376	151,669	-	57,727,567
Total Capital Assets, Being Depreciated, Net	67,221,419	-	67,221,419	(2,765,538)	3,201	-	64,452,680
Governmental Activities Capital Assets, Net	\$ 78,094,495	\$ -	\$ 78,094,495	\$ (2,765,538)	\$ 50,171	\$ -	\$ 75,278,786

*The adjustment relates to an infrastructure valuation.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 181,614
Community development	61,414
Public works	2,303,916
Public safety	10,726
Community services	401,706
	<u>401,706</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,959,376</u>

A summary of capital assets by sources follows:

General Fund	\$ 90,887,770
Gas Tax	31,812
Park Dedication Fund	1,047,775
COPS	26,073
Air Quality Improvement Fund	363,410
CDBG	128,633
Proposition C Fund	2,021,364
Bikeway Fund	30,050
LOSMD Fund	15,584
Proposition A Fund	471,614
Capital Purchases/Replacements	22,238,994
Park Grants Fund	695,020
LLEBG	83,546
Recycling Grant	40,265
Cable TV Education Fund	61,355
Walnut Housing Authority	14,863,088
	<u>14,863,088</u>
Total Investment in Capital Assets	<u>\$ 133,006,353</u>

Note 5: Long-Term Debt

Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013	Due Within One Year
Governmental Activities:					
OPEB Obligation	\$ 216,558	\$ 53,175	\$ 307	\$ 269,426	\$ -
Accrued employee benefits	365,997	321,129	314,859	372,267	372,267
Total	<u>\$ 582,555</u>	<u>\$ 374,304</u>	<u>\$ 315,166</u>	<u>\$ 641,693</u>	<u>\$ 372,267</u>

For the governmental activities, accrued employee benefits and the OPEB obligation are generally liquidated by the General Fund.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

IV. OTHER DISCLOSURES

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Funds	Due From Other Funds	
	General Fund	Total
Due To Other Funds:		
CDBG	\$ 33,794	\$ 33,794
Walnut Housing Authority	34,087	34,087
Nonmajor Funds	49,198	49,198
Total	\$ 117,079	\$ 117,079

The due to the General Fund of \$117,079 from various funds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Funds	Transfers Out Nonmajor Governmental Funds	
	Transfers In:	Total
General	\$ 291,609	\$ 291,609
Total	\$ 291,609	\$ 291,609

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Funds	Advances From Other Funds	
	LOSMD	Total
Advances To Other Funds:		
General	\$ 146,470	\$ 146,470
Total	\$ 146,470	\$ 146,470

The purpose of the \$146,470 advance from the General Fund is to fund various expenditures in the LOSMD Fund.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7: Pension Plan

Plan Description

The City of Walnut contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.98% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Public Employees' Pension Reform Act - PEPR

Assembly Bill (AB) 340 created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. New miscellaneous members will participate in the Miscellaneous 2 percent at age 62 risk pool that was created by the CalPERS Board in November 2012 in response to the passage of PEPRA. The employer contribution rate is 6.25% of reportable compensation and will be good until June 30, 2015. This rate will not be revised until the June 30, 2013 actuarial valuation of the Miscellaneous 2 percent at the 62 risk pool is completed in the fall of 2014 that will set the contribution requirement for fiscal year July 1, 2015 through June 30, 2016. The member contribution rate is 6.25% of reportable compensation.

Annual Pension Cost

For 2013, the City's annual pension cost of \$332,304 for the classic PERS and \$304 for the new PEPRA layer totaling \$332,608 which was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected annual salary increases that range from 3.55% to 14.45% depending on age, service, and type of employment. Both (a) and (b) include an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2013, was 17 years for miscellaneous employees.

CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 7: Pension Plan (Continued)

Three-Year Trend Information for PERS
(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 313	100 %
6/30/2012	343	100 %
6/30/2013	333	100 %

For fiscal years 2003-2013, the City of Walnut participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 8: Postemployment Benefits

Plan Description

The City provides other postemployment benefits (OPEB) through the Public Employees' Medical and Hospital Care Act (PEMHCA), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees Retirement System (PERS). The plan provides lifetime healthcare insurance for eligible retirees and their spouses. Benefit provisions are established pursuant to memoranda of understanding between the City and its employee bargaining units and can be amended by renegotiating the MOUs. The plan does not issue a publicly available financial report.

The City chose to provide a minimum employer PEMHCA contribution of \$1 per month per retiree. This contribution is increased by 5% each year until, in the 20th year of the plan, the City contribution for retired employees is equal to that made for active employees. The current year contribution for retirees is \$28.75 and for active employees is \$115. Currently, the City has five retirees but only one participating in the plan.

Funding Policy

The City pays for these benefits on a pay-as-you-go basis, as opposed to the pre-funded approach. The funding policy is established by the City's management. The City committed \$763,331 of fund balance for postemployment benefits.

GASB Statement 45 requires public entities to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and trust set aside to pre-fund these benefits. The City has not set up a trust.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8: Postemployment Benefits (Continued)

According to this Statement, an alternative measurement method that differs from a full actuarial valuation is permitted for employers with fewer than one hundred plan members.

Entities that qualify and use the alternative measurement method should perform new calculations at least every three (3) years and they should disclose that that method has been used to estimate amounts reported in the financial statements. The City of Walnut has less than one hundred plan members and has used the alternative measurement method.

The annual required contribution (ARC) presented below is 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 50,368
Interest on OPEB obligation	10,828
Adjustment to ARC	<u>(8,021)</u>
Annual OPEB cost	53,175
Contributions	<u>307</u>
Increase (Decrease) in net OPEB obligation	52,868
Net OPEB obligation (asset) June 30, 2012	<u>216,558</u>
Net OPEB obligation (asset) June 30, 2013	<u><u>\$ 269,426</u></u>

Annual OPEB Costs and Net OPEB Obligation (Asset)

For fiscal year 2012-2013, the City's annual OPEB cost (expense) was \$53,175. Information for the current year and previous two years is presented below:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/11	\$ 55,570	\$ -	0%	\$ 164,236
6/30/12	52,714	392	0%	216,558
6/30/13	53,175	307	0%	269,426

Funded Status and Funding Progress

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8: Postemployment Benefits (Continued)

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits. The plan was implemented in fiscal year 2008-2009 and an actuarial valuation was performed during the year. The City is required to have an actuarial valuation performed every three years.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percent of Covered Payroll
Actual	7/1/09	\$ -	\$ 351,255	\$ 351,255	0.00%	\$ 2,885,097	12.17%
Actual	7/1/11	-	401,901	401,901	0.00%	2,926,848	13.73%

Actuarial Methods and Assumptions

Projections of 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 and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation (latest available), the entry age actuarial cost method is used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 10 years. Both rates include a 5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a three-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 25 years.

Note 9: Risk Management

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Walnut is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit

Note 9: Risk Management (Continued)

computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of

Note 9: Risk Management (Continued)

\$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

c. Purchased Insurance

Property Insurance

The City of Walnut participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Walnut property is currently insured according to a schedule of covered property submitted by the City of Walnut to the Authority. City of Walnut property currently has all-risk property insurance protection in the amount of \$27,876,341. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Walnut purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Walnut property currently has earthquake protection in the amount of \$0. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City of Walnut purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The City of Walnut further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Walnut according to a schedule. The City of Walnut then pays for the insurance. The insurance is arranged by the Authority

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-13.

The CJPIA has published its own financial report for the year ended June 30, 2013, which can be obtained from California Joint Powers Insurance Authority, La Palma, California.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 10: Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Walnut that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 25, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency was subject to Due Diligence reviews during the dissolution of the Former Redevelopment Agency in regards to the former Low/Mod funds and other Funds and as a result the Successor Agency was required to remit \$199,356 and \$254,227 respectively to the Department of Finance. These amounts are shown as an extraordinary loss on the Fiduciary Statement of Net Position.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

Note 10: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,093,309
	<u>\$ 3,093,309</u>

b. Long-term Debt

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013	Due Within One Year
Fiduciary Activities:					
Tax Allocation Refunding Bonds, Series 1999A	\$ 10,080,000	\$ -	\$ 790,000	\$ 9,290,000	\$ 825,000
Tax Allocation Revenue Bonds, Series 2002	18,580,000	-	1,225,000	17,355,000	1,290,000
SERAF Loan	1,955,626	-	-	1,955,626	-
Unamortized Bond premiums/discounts	731,366	5,524	77,460	659,430	-
Total	<u>\$ 31,346,992</u>	<u>\$ 5,524</u>	<u>\$ 2,092,460</u>	<u>\$ 29,260,056</u>	<u>\$ 2,115,000</u>

A description of individual issues of bonds (excluding defeased bonds) of the Successor Agency of the former redevelopment agency outstanding as of June 30, 2013, follows:

On November 9, 1988, the City of Walnut and the Walnut Improvement Agency created the Walnut Public Financing Authority by a Joint Exercise of Powers Agreement. Under the bond law, the Authority has the power to issue bonds and loan the proceeds to any local agency.

i. 1999 Tax Allocation Refunding Bonds

On January 27, 1999, the Agency issued \$16,975,000 in Walnut Improvement Project 1999 Tax Allocation Refunding Bonds, Series A, for the purpose of refunding \$3,495,000 of outstanding Walnut Improvement Project Tax Allocation Bonds, Series 1988A, to prepay a portion of the 1992 loan from the Public Financing Authority and refund the corresponding portion of the Authority's 1992 Tax Allocation Revenue Bonds and to pay for costs of issuance. The bonds bear interest at rates ranging from 3.60% to 4.60%. Principal maturities begin September 1, 1999, and continue through September 1, 2022. This liability was transferred to the Successor Agency upon dissolution of the improvement agency.

On May 21, 2013, Moody's Investors Service ("Moody's") upgraded MBIA from Baa2 to Baa1.

On May 10, 2013, Standard & Poor's upgraded MBIA from BBB to A.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 10: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

ii. 2002 Tax Allocation Refunding Bonds

On July 25, 2002, the Walnut Public Financing Authority issued \$26,055,000 of its 2002 Tax Allocation Refunding Bonds (Walnut Improvement Project). The bonds were issued to finance certain street and storm drain projects, certain housing projects and to advance refund the remaining \$17,180,000 outstanding principal amount of the 1992 Tax Allocation Revenue Bonds (excluding capital appreciation bonds of \$2,457,966), as well as \$11,760,900 in prior year defeasances. The 2002 Bonds bear interest rates at rates ranging from 3.000% to 5.375%. Principal maturities begin September 1, 2003, and continue through September 1, 2022. This liability was transferred to the Successor Agency upon dissolution of the improvement agency.

iii. Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30:

	1999 Tax Allocation Bonds		2002 Tax Allocation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 825,000	\$ 428,710	\$ 1,290,000	\$ 890,256	\$ 2,115,000	\$ 1,318,966
2015	860,000	390,368	1,355,000	818,325	2,215,000	1,208,693
2016	895,000	349,331	1,435,000	743,394	2,330,000	1,092,725
2017	945,000	305,631	1,505,000	666,219	2,450,000	971,850
2018	990,000	259,675	1,580,000	587,213	2,570,000	846,888
2019-2023	4,775,000	596,331	10,190,000	1,450,444	14,965,000	2,046,775
Total	<u>\$ 9,290,000</u>	<u>\$ 2,330,046</u>	<u>\$ 17,355,000</u>	<u>\$ 5,155,851</u>	<u>\$ 26,645,000</u>	<u>\$ 7,485,897</u>

iv. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$34,130,897 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City as the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$3,913,924 and the debt service obligation on the bonds was \$3,437,500.

Note 10: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

v. Conduit Debt

The following issue of Commercial Revenue Bonds is *not* reflected in the basic financial statements because this bond is a special obligation payable solely from and secured by specific revenue sources described in the bond resolution and official statement of the respective issue. Neither the faith and credit nor the taxing power of the City, the Successor Agency for the former Walnut Improvement Agency, the State of California or any political subdivision thereof, is pledged for the payment of this bond:

<u>Title</u>	<u>Original Amount</u>	<u>Outstanding June 30, 2013</u>
Walnut Improvement Agency 1984 Commercial Revenue Bond	\$2,100,000	\$579,647

This bond was issued on December 1, 1984, to provide funding for the acquisition and development of certain commercial facilities located in the City of Walnut known as the Commercial Ventures Project.

c. Improvement Agency Contingency

The Walnut Improvement Agency has had an annual limitation on its tax increment of \$4,000,000 in its redevelopment plan since 1981. The State Controller's Office's legal counsel has indicated that annual limitations in the plan are not allowed and computed the SERAF payment on the total increment rather than the \$4,000,000. The Agency paid the SERAF for 2009-10 and 2010-11 based on the \$4,000,000 but the State Department of Finance and the State Controller's Office are requesting that they pay the SERAF on the total increment. The Agency is working with its legislator to intervene on its behalf or sponsor special legislation to eliminate the SERAF difference.

d. Insurance

The Successor Agency is covered under the City of Walnut's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 9.

e. Subsequent Events

Issuance of 2013 Tax Allocation Refunding Bond

On July 30, 2013, the Walnut Successor Agency issued the 2013 Tax Allocation Refunding Bond to refund and defease the \$26,645,000 outstanding 1999 Agency Tax Allocation Bond and the 2002 Authority Bond. The issuance of the Bond and the Indenture was authorized by the Successor Agency pursuant to Resolution No. SA 13-17 adopted on April 10, 2013 and by the Oversight Board for the Successor Agency pursuant to Resolution No. OB 2013-03 adopted on April 24, 2013, based on the positive assessment of the refunding opportunity which is estimated to result in a significant savings to be shared among all taxing agencies. The written notice of the Oversight Board resolution was sent to the Department of Finance (DOF) for review and approval. On June 7, 2013, the Department of Finance issued a letter to the Successor Agency stating that based on the DOF's review and application of the, the Oversight Board resolution approving the issuance of the bond is approved by the Department of Finance.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

The **Gas Tax Fund** accounts for the City's proportionate share of gas tax monies collected by the state of California, which are used for street construction and maintenance.

The **Traffic Safety Fund** accounts for the vehicle code fines expended for traffic safety enforcement.

The **Park Improvement Fund** accounts for fees charged to residential and commercial developers for park development purposes.

The **Citizen's Options for Public Safety (COPS) Fund** accounts for the distribution of funds to local agencies on a per capita basis for the purpose of first line law enforcement services. AB 3229 authorized this distribution in July, 1996.

The **Air Quality Improvements Fund** accounts for the City's portion of the imposition of an additional motor vehicle registration fee of two dollars to be used to reduce air pollution from motor vehicles as approved by the State of California.

The **Waste Management Administration Fund** accounts for funds received as part of the resident's refuse bill to fund the City's source reduction and recycling programs.

The **Proposition C Fund** accounts for the City's portion of the additional 1/2 cents sales tax approved in Los Angeles County for public transit purposes.

The **Bikeway Fund** accounts for Senate Bill 821 monies from the State for the construction of bikeways, ramps, and pedestrian facilities.

The **Proposition A Fund** accounts for the City's share of the 1/2 cent sales tax levied in Los Angeles County for local transit.

The **State Park Grant Fund** accounts for various grant monies restricted for park purposes.

The **Used Oil Recycling Grant Fund** accounts for monies received from the California Integrated Waste Management Board to be spent on used motor oil recycling and awareness programs.

The **General Recycling Grant Fund** accounts for monies received from the State Department of Conservation to be spent on recycling and waste reduction programs.

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Park Improvement</u>	<u>COPS</u>
Assets:				
Pooled cash and investments	\$ 415,746	\$ -	\$ 5,143	\$ 121,798
Receivables:				
Accounts	-	21,786	-	-
Due from other governments	66,154	-	-	-
Total Assets	<u>\$ 481,900</u>	<u>\$ 21,786</u>	<u>\$ 5,143</u>	<u>\$ 121,798</u>
Liabilities, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 67,155	\$ 1,667	\$ -	\$ 26,124
Accrued liabilities	-	710	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	19,409	-	-
Total Liabilities	<u>67,155</u>	<u>21,786</u>	<u>-</u>	<u>26,124</u>
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	95,674
Community services	-	-	5,143	-
Public works	414,745	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>414,745</u>	<u>-</u>	<u>5,143</u>	<u>95,674</u>
Total Liabilities, and Fund Balances	<u>\$ 481,900</u>	<u>\$ 21,786</u>	<u>\$ 5,143</u>	<u>\$ 121,798</u>

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

(Continued)

	Special Revenue Funds			
	Air Quality Improvements	Waste Management Administration	Proposition C	Bikeway
Assets:				
Pooled cash and investments	\$ 93,565	\$ 30,000	\$ 693,967	\$ -
Receivables:				
Accounts	-	20,000	-	-
Due from other governments	9,200	-	-	354
Total Assets	\$ 102,765	\$ 50,000	\$ 693,967	\$ 354
Liabilities, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 477	\$ -	\$ 6,528	\$ -
Accrued liabilities	-	-	1,082	-
Unearned revenues	-	50,000	-	-
Due to other funds	-	-	-	354
Total Liabilities	477	50,000	7,610	354
Fund Balances:				
Restricted for:				
Community development	102,288	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	686,357	-
Unassigned	-	-	-	-
Total Fund Balances	102,288	-	686,357	-
Total Liabilities, and Fund Balances	\$ 102,765	\$ 50,000	\$ 693,967	\$ 354

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Proposition A	State Park Grant	Used Oil Recycling Grant	General Recycling Grant
Assets:				
Pooled cash and investments	\$ 265,423	\$ -	\$ 8,532	\$ 7,097
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	32,534	-	-
Total Assets	<u>\$ 265,423</u>	<u>\$ 32,534</u>	<u>\$ 8,532</u>	<u>\$ 7,097</u>
Liabilities, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 33,834	\$ 3,099	\$ -	\$ -
Accrued liabilities	730	-	-	-
Unearned revenues	-	-	8,532	7,097
Due to other funds	-	29,435	-	-
Total Liabilities	<u>34,564</u>	<u>32,534</u>	<u>8,532</u>	<u>7,097</u>
Fund Balances:				
Restricted for:				
Community development	230,859	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>230,859</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, and Fund Balances	<u>\$ 265,423</u>	<u>\$ 32,534</u>	<u>\$ 8,532</u>	<u>\$ 7,097</u>

CITY OF WALNUT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	<u>Special Revenue Funds</u>			Total Governmental Funds
	Cable TV Education	LACMTA Exchange	Proposition "R"	
Assets:				
Pooled cash and investments	\$ 119,163	\$ -	\$ 470,862	\$ 2,231,296
Receivables:				
Accounts	6,600	-	-	48,386
Due from other governments	-	-	-	108,242
Total Assets	<u>\$ 125,763</u>	<u>\$ -</u>	<u>\$ 470,862</u>	<u>\$ 2,387,924</u>
Liabilities, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 52,075	\$ 190,959
Accrued liabilities	-	-	-	2,522
Unearned revenues	-	-	-	65,629
Due to other funds	-	-	-	49,198
Total Liabilities	<u>-</u>	<u>-</u>	<u>52,075</u>	<u>308,308</u>
Fund Balances:				
Restricted for:				
Community development	-	-	-	333,147
Public safety	-	-	-	95,674
Community services	125,763	-	-	130,906
Public works	-	-	418,787	1,519,889
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>125,763</u>	<u>-</u>	<u>418,787</u>	<u>2,079,616</u>
Total Liabilities, and Fund Balances	<u>\$ 125,763</u>	<u>\$ -</u>	<u>\$ 470,862</u>	<u>\$ 2,387,924</u>

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Gas Tax	Traffic Safety	Park Improvement	COPS
Revenues:				
Intergovernmental	\$ 738,351	\$ -	\$ -	\$ 100,000
Use of money and property	623	-	-	(256)
Fines and forfeitures	-	256,611	-	-
Miscellaneous	-	-	-	-
Total Revenues	738,974	256,611	-	99,744
Expenditures:				
Current:				
Public safety	-	47,947	-	88,646
Community development	-	-	-	-
Community services	-	-	-	-
Public works	957,912	-	-	-
Capital outlay	10,359	-	-	19,157
Total Expenditures	968,271	47,947	-	107,803
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229,297)	208,664	-	(8,059)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(208,664)	-	-
Total Other Financing Sources (Uses)	-	(208,664)	-	-
Net Change in Fund Balances	(229,297)	-	-	(8,059)
Fund Balances, Beginning of Year	644,042	-	5,143	103,733
Fund Balances, End of Year	\$ 414,745	\$ -	\$ 5,143	\$ 95,674

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

(Continued)

	Special Revenue Funds			
	Air Quality Improvements	Waste Management Administration	Proposition C	Bikeway
Revenues:				
Intergovernmental	\$ 35,528	\$ -	\$ 418,856	\$ 20,000
Use of money and property	(325)	-	(1,394)	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	82,945	-	-
Total Revenues	35,203	82,945	417,462	20,000
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	57,123	-	-	-
Community services	-	-	-	-
Public works	-	-	132,103	-
Capital outlay	-	-	7,179	20,000
Total Expenditures	57,123	-	139,282	20,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,920)	82,945	278,180	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(82,945)	-	-
Total Other Financing Sources (Uses)	-	(82,945)	-	-
Net Change in Fund Balances	(21,920)	-	278,180	-
Fund Balances, Beginning of Year	124,208	-	408,177	-
Fund Balances, End of Year	\$ 102,288	\$ -	\$ 686,357	\$ -

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Proposition A	State Park Grant	Used Oil Recycling Grant	General Recycling Grant
Revenues:				
Intergovernmental	\$ 504,662	\$ 104,189	\$ 12,780	\$ 1,105
Use of money and property	(574)	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	504,088	104,189	12,780	1,105
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	411,797	-	8,628	-
Community services	-	69,320	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	1,105
Total Expenditures	411,797	69,320	8,628	1,105
Excess (Deficiency) of Revenues Over (Under) Expenditures	92,291	34,869	4,152	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	92,291	34,869	4,152	-
Fund Balances, Beginning of Year	138,568	(34,869)	(4,152)	-
Fund Balances, End of Year	\$ 230,859	\$ -	\$ -	\$ -

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Total Governmental Funds
	Cable TV Education	LACMTA Exchange	Proposition "R"	
Revenues:				
Intergovernmental	\$ 27,353	\$ 151,000	\$ 313,576	\$ 2,427,400
Use of money and property	(223)	-	1,905	(244)
Fines and forfeitures	-	-	-	256,611
Miscellaneous	-	-	-	82,945
Total Revenues	27,130	151,000	315,481	2,766,712
Expenditures:				
Current:				
Public safety	-	-	-	136,593
Community development	-	-	-	477,548
Community services	-	-	-	69,320
Public works	-	-	687,655	1,777,670
Capital outlay	2,421	-	-	60,221
Total Expenditures	2,421	-	687,655	2,521,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,709	151,000	(372,174)	245,360
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(291,609)
Total Other Financing Sources (Uses)	-	-	-	(291,609)
Net Change in Fund Balances	24,709	151,000	(372,174)	(46,249)
Fund Balances, Beginning of Year	101,054	(151,000)	790,961	2,125,865
Fund Balances, End of Year	\$ 125,763	\$ -	\$ 418,787	\$ 2,079,616

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 644,042	\$ 644,042	\$ 644,042	\$ -
Resources (Inflows):				
Intergovernmental	855,270	855,270	738,351	(116,919)
Use of money and property	2,000	2,000	623	(1,377)
Amounts Available for Appropriation	1,501,312	1,501,312	1,383,016	(118,296)
Charges to Appropriation (Outflow):				
Public works	701,470	1,285,470	957,912	327,558
Capital outlay	-	-	10,359	(10,359)
Total Charges to Appropriations	701,470	1,285,470	968,271	317,199
Budgetary Fund Balance, June 30	\$ 799,842	\$ 215,842	\$ 414,745	\$ 198,903

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Fines and forfeitures	230,000	230,000	256,611	26,611
Amounts Available for Appropriation	230,000	230,000	256,611	26,611
Charges to Appropriation (Outflow):				
Public safety	51,140	52,780	47,947	4,833
Transfers out	-	-	208,664	(208,664)
Total Charges to Appropriations	51,140	52,780	256,611	(203,831)
Budgetary Fund Balance, June 30	\$ 178,860	\$ 177,220	\$ -	\$ (177,220)

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
 PARK IMPROVEMENT
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,143	\$ 5,143	\$ 5,143	\$ -
Resources (Inflows):				
Amounts Available for Appropriation	5,143	5,143	5,143	-
Budgetary Fund Balance, June 30	\$ 5,143	\$ 5,143	\$ 5,143	\$ -

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 COPS
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 103,733	\$ 103,733	\$ 103,733	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	500	500	(256)	(756)
Amounts Available for Appropriation	204,233	204,233	203,477	(756)
Charges to Appropriation (Outflow):				
Public safety	91,680	99,580	88,646	10,934
Capital outlay	-	50,000	19,157	30,843
Total Charges to Appropriations	91,680	149,580	107,803	41,777
Budgetary Fund Balance, June 30	\$ 112,553	\$ 54,653	\$ 95,674	\$ 41,021

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENTS
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 124,208	\$ 124,208	\$ 124,208	\$ -
Resources (Inflows):				
Intergovernmental	36,900	36,900	35,528	(1,372)
Use of money and property	1,000	1,000	(325)	(1,325)
Amounts Available for Appropriation	162,108	162,108	159,411	(2,697)
Charges to Appropriation (Outflow):				
Community development	62,360	62,360	57,123	5,237
Total Charges to Appropriations	62,360	62,360	57,123	5,237
Budgetary Fund Balance, June 30	\$ 99,748	\$ 99,748	\$ 102,288	\$ 2,540

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT ADMINISTRATION
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Miscellaneous	95,000	95,000	82,945	(12,055)
Amounts Available for Appropriation	95,000	95,000	82,945	(12,055)
Charges to Appropriation (Outflow):				
Transfers out	-	-	82,945	(82,945)
Total Charges to Appropriations	-	-	82,945	(82,945)
Budgetary Fund Balance, June 30	\$ 95,000	\$ 95,000	\$ -	\$ (95,000)

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 408,177	\$ 408,177	\$ 408,177	\$ -
Resources (Inflows):				
Intergovernmental	300,000	300,000	418,856	118,856
Use of money and property	1,000	1,000	(1,394)	(2,394)
Amounts Available for Appropriation	709,177	709,177	825,639	116,462
Charges to Appropriation (Outflow):				
Public works	171,140	150,940	132,103	18,837
Capital outlay	10,000	7,200	7,179	21
Total Charges to Appropriations	181,140	158,140	139,282	18,858
Budgetary Fund Balance, June 30	\$ 528,037	\$ 551,037	\$ 686,357	\$ 135,320

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
BIKEWAY
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	-	20,000	20,000
Amounts Available for Appropriation	-	-	20,000	20,000
Charges to Appropriation (Outflow):				
Capital outlay	-	20,000	20,000	-
Total Charges to Appropriations	-	20,000	20,000	-
Budgetary Fund Balance, June 30	\$ -	\$ (20,000)	\$ -	\$ 20,000

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 138,568	\$ 138,568	\$ 138,568	\$ -
Resources (Inflows):				
Intergovernmental	400,000	400,000	504,662	104,662
Use of money and property	1,000	1,000	(574)	(1,574)
Amounts Available for Appropriation	539,568	539,568	642,656	103,088
Charges to Appropriation (Outflow):				
Community development	416,440	436,440	411,797	24,643
Total Charges to Appropriations	416,440	436,440	411,797	24,643
Budgetary Fund Balance, June 30	\$ 123,128	\$ 103,128	\$ 230,859	\$ 127,731

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 STATE PARK GRANT
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (34,869)	\$ (34,869)	\$ (34,869)	\$ -
Resources (Inflows):				
Intergovernmental	82,990	82,990	104,189	21,199
Amounts Available for Appropriation	48,121	48,121	69,320	21,199
Charges to Appropriation (Outflow):				
Parks and recreation	82,990	82,990	69,320	13,670
Total Charges to Appropriations	82,990	82,990	69,320	13,670
Budgetary Fund Balance, June 30	\$ (34,869)	\$ (34,869)	\$ -	\$ 34,869

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
USED OIL RECYCLING GRANT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (4,152)	\$ (4,152)	\$ (4,152)	\$ -
Resources (Inflows):				
Intergovernmental	8,640	8,640	12,780	4,140
Amounts Available for Appropriation	4,488	4,488	8,628	4,140
Charges to Appropriation (Outflow):				
Community development	8,640	8,640	8,628	12
Total Charges to Appropriations	8,640	8,640	8,628	12
Budgetary Fund Balance, June 30	\$ (4,152)	\$ (4,152)	\$ -	\$ 4,152

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
GENERAL RECYCLING GRANT
YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	8,010	8,010	1,105	(6,905)
Amounts Available for Appropriation	8,010	8,010	1,105	(6,905)
Charges to Appropriation (Outflow):				
Capital outlay	8,010	8,202	1,105	7,097
Total Charges to Appropriations	8,010	8,202	1,105	7,097
Budgetary Fund Balance, June 30	\$ -	\$ (192)	\$ -	\$ 192

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 CABLE TV EDUCATION
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 101,054	\$ 101,054	\$ 101,054	\$ -
Resources (Inflows):				
Intergovernmental	30,000	30,000	27,353	(2,647)
Use of money and property	1,000	1,000	(223)	(1,223)
Amounts Available for Appropriation	132,054	132,054	128,184	(3,870)
Charges to Appropriation (Outflow):				
Capital outlay	30,000	32,892	2,421	30,471
Total Charges to Appropriations	30,000	32,892	2,421	30,471
Budgetary Fund Balance, June 30	\$ 102,054	\$ 99,162	\$ 125,763	\$ 26,601

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 LACMTA EXCHANGE
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (151,000)	\$ (151,000)	\$ (151,000)	\$ -
Resources (Inflows):				
Intergovernmental	-	-	151,000	151,000
Amounts Available for Appropriation	(151,000)	(151,000)	-	151,000
Charges to Appropriation (Outflow):				
Total Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30	\$ (151,000)	\$ (151,000)	\$ -	\$ 151,000

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION R
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 790,961	\$ 790,961	\$ 790,961	\$ -
Resources (Inflows):				
Intergovernmental	200,000	200,000	313,576	113,576
Use of money and property	1,000	1,000	1,905	905
Amounts Available for Appropriation	991,961	991,961	1,106,442	114,481
Charges to Appropriation (Outflow):				
Public works	-	700,000	687,655	12,345
Total Charges to Appropriations	-	700,000	687,655	12,345
Budgetary Fund Balance, June 30	\$ 991,961	\$ 291,961	\$ 418,787	\$ 126,826

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,072,472	\$ 7,072,472	\$ 7,072,472	\$ -
Resources (Inflows):				
Amounts Available for Appropriation	<u>7,072,472</u>	<u>7,072,472</u>	<u>7,072,472</u>	<u>-</u>
Charges to Appropriation (Outflow):				
Public works	57,000	57,000	7,000	50,000
Capital outlay	1,670,000	1,838,379	514,852	1,323,527
Total Charges to Appropriations	<u>1,727,000</u>	<u>1,895,379</u>	<u>521,852</u>	<u>1,373,527</u>
Budgetary Fund Balance, June 30	<u>\$ 5,345,472</u>	<u>\$ 5,177,093</u>	<u>\$ 6,550,620</u>	<u>\$ 1,373,527</u>

CITY OF WALNUT

COMBINING STATEMENT OF NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2013

	<u>Trust and Agency</u>
Assets:	
Pooled cash and investments	\$ 522,083
Receivables:	
Accounts	<u>420</u>
Total Assets	<u>\$ 522,503</u>
Liabilities:	
Accounts payable	\$ 1,232
Deposits payable	<u>521,271</u>
Total Liabilities	<u>\$ 522,503</u>

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AGENCY FUNDS

Agency Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations, other governmental units and/or other funds.

The Trust and Agency Fund accounts for various refundable deposits.

CITY OF WALNUT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 TRUST AND AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2013</u>
<u>Trust and Agency</u>				
Assets:				
Pooled cash and investments	\$ 510,103	\$ 91,811	\$ 79,831	\$ 522,083
Receivables:				
Accounts	-	1,360	940	420
Total Assets	<u>\$ 510,103</u>	<u>\$ 93,171</u>	<u>\$ 80,771</u>	<u>\$ 522,503</u>
Liabilities:				
Accounts payable	\$ 2,633	\$ 24,313	\$ 25,714	\$ 1,232
Deposits payable	507,470	111,000	97,199	521,271
Total Liabilities	<u>\$ 510,103</u>	<u>\$ 135,313</u>	<u>\$ 122,913</u>	<u>\$ 522,503</u>

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CITY OF WALNUT

Statistical Section

Financial Trends Information - These schedules contain trend information to assist the reader understand how the City of Walnut financial position has changed over time.

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Demographic and Economic Information – These schedules contain trend information to assist reader understand the socioeconomic environment within which the City of Walnut operates and facilitates comparison of financial information over time and among governments.

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CITY OF WALNUT
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	2004	2005	2006	2007
Governmental Activities:				
Net investment in capital assets	63,005,008	62,081,438	35,902,801	34,921,027
Restricted	5,615,615	6,428,428	9,267,306	18,036,990
Unrestricted	5,794,747	8,052,317	32,432,673	27,336,676
Total governmental activities net position	74,415,370	76,562,183	77,602,780	80,294,693
 Primary government:				
Net investment in capital assets	63,005,008	62,081,438	35,902,801	34,921,027
Restricted	5,615,615	6,428,428	9,267,306	18,036,990
Unrestricted	5,794,747	8,052,317	32,432,673	27,336,676
Total primary government net position	74,415,370	76,562,183	77,602,780	80,294,693

Note:

- 1 In fiscal year 2011-2012, Per State of California AB 1X26 all redevelopment agency in California was dissolved effective February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City of Walnut as the Successor Agency for the Walnut Improvement Agency.
- 2 The City of Walnut implemented GASB 63 for the fiscal year ended 06/30/13.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
36,798,039	38,410,650	42,601,776	48,251,887	78,094,495	75,278,786
26,653,736	20,089,665	15,843,757	13,095,293	14,388,254	13,482,909
18,838,004	26,378,106	27,948,295	24,845,765	21,046,710	22,272,577
<u>82,289,779</u>	<u>84,878,421</u>	<u>86,393,828</u>	<u>86,192,945</u>	<u>113,529,459</u>	<u>111,034,272</u>

36,798,039	38,410,650	42,601,776	48,251,887	78,094,495	75,278,786
26,653,736	20,089,665	15,843,757	13,095,293	14,388,254	13,482,909
18,838,004	26,378,106	27,948,295	24,845,765	21,046,710	22,272,577
<u>82,289,779</u>	<u>84,878,421</u>	<u>86,393,828</u>	<u>86,192,945</u>	<u>113,529,459</u>	<u>111,034,272</u>

CITY OF WALNUT
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	2004	2005	2006	2007
Expenses:				
Governmental activities:				
General government	5,512,788	4,795,329	5,054,406	2,991,143
Public safety	2,674,586	2,770,104	2,989,829	3,088,598
Community development	45,837	45,837	45,838	1,997,573
Public works	6,098,817	10,062,618	8,835,467	5,229,276
Community services	2,751,021	2,952,865	3,023,509	3,335,099
Interest on long-term debt	1,978,475	1,986,861	1,894,069	1,895,126
Total governmental activities	<u>19,061,524</u>	<u>22,613,614</u>	<u>21,843,118</u>	<u>18,536,815</u>
Total expenses	<u>19,061,524</u>	<u>22,613,614</u>	<u>21,843,118</u>	<u>18,536,815</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	349,373	1,179,294	593,366	418,788
Public safety	300,599	317,679	284,052	461,071
Community development	-	-	-	1,587
Public works	2,453,119	2,418,617	2,472,515	3,103,468
Community services	633,380	559,972	666,013	612,060
Operating contributions and grants	2,911,317	2,974,678	2,435,678	1,251,766
Capital contributions and grants	-	1,000,000	-	1,103,303
Total governmental activities	<u>6,647,788</u>	<u>8,450,240</u>	<u>6,451,624</u>	<u>6,952,043</u>
Total program revenues	<u>6,647,788</u>	<u>8,450,240</u>	<u>6,451,624</u>	<u>6,952,043</u>
Net (expenses) revenues				
Governmental Activities	(12,413,736)	(14,163,374)	(15,391,494)	(11,584,772)
Total Net Expense	<u>(12,413,736)</u>	<u>(14,163,374)</u>	<u>(15,391,494)</u>	<u>(11,584,772)</u>

2008	2009	2010	2011	2012	2013
2,769,726	3,226,303	4,772,852	3,345,592	3,850,781	2,408,514
3,329,302	3,340,472	3,521,482	3,592,626	3,465,289	3,613,692
1,202,761	2,178,134	2,281,597	2,549,053	1,879,309	1,936,171
7,445,082	7,371,765	5,721,516	6,652,419	6,574,810	7,910,304
3,483,986	3,772,843	3,638,317	3,540,411	3,539,714	3,527,499
1,842,909	1,753,614	1,658,288	1,557,845	255,031	-
<u>20,073,766</u>	<u>21,643,131</u>	<u>21,594,052</u>	<u>21,237,946</u>	<u>19,564,934</u>	<u>19,396,180</u>
<u>20,073,766</u>	<u>21,643,131</u>	<u>21,594,052</u>	<u>21,237,946</u>	<u>19,564,934</u>	<u>19,396,180</u>
436,607	252,838	435,446	355,674	343,681	688,295
659,740	476,624	767,047	666,807	550,996	645,562
691	2,351,423	1,412	1,832	101,770	351,829
3,251,964	2,748,454	3,550,745	4,045,899	3,348,448	3,302,673
641,497	665,589	693,213	737,898	782,859	770,891
1,651,646	1,581,554	1,294,198	1,508,654	1,338,736	1,339,739
1,396,095	2,816,128	2,116,179	1,269,905	1,383,509	1,207,294
<u>8,038,240</u>	<u>10,892,610</u>	<u>8,858,240</u>	<u>8,586,669</u>	<u>7,849,999</u>	<u>8,306,283</u>
<u>8,038,240</u>	<u>10,892,610</u>	<u>8,858,240</u>	<u>8,586,669</u>	<u>7,849,999</u>	<u>8,306,283</u>
(12,035,526)	(10,750,521)	(12,735,812)	(12,651,277)	(11,714,935)	(11,089,897)
<u>(12,035,526)</u>	<u>(10,750,521)</u>	<u>(12,735,812)</u>	<u>(12,651,277)</u>	<u>(11,714,935)</u>	<u>(11,089,897)</u>

CITY OF WALNUT
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	2004	2005	2006	2007
General revenues				
Governmental activities:				
Taxes				
Property taxes	5,795,135	9,681,486	11,579,427	8,928,958
Sales tax	1,539,861	1,834,885	1,918,201	1,604,594
Franchise tax	690,493	726,561	770,143	896,022
Business license tax	109,088	106,027	97,711	102,722
Other taxes	322,475	460,276	324,366	260,610
Motor vehicle in lieu, unrestricted	1,417,410	2,644,095	217,427	221,039
Use of money and property	359,316	991,213	1,350,857	2,300,378
Gain/(loss) on sale of assets	-	-	(4,534)	-
Other general revenues	12,351	85,452	39,628	4,443
Transfers	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency ¹	-	-	-	-
Total general revenues, transfers, and special item	<u>10,246,129</u>	<u>16,529,995</u>	<u>16,293,226</u>	<u>14,318,766</u>
Total primary government	<u>10,246,129</u>	<u>16,529,995</u>	<u>16,293,226</u>	<u>14,318,766</u>
Change in net position				
Governmental activities	<u>(2,167,607)</u>	<u>2,366,621</u>	<u>901,732</u>	<u>2,733,994</u>
Total Change in net position	<u>(2,167,607)</u>	<u>2,366,621</u>	<u>901,732</u>	<u>2,733,994</u>

¹In fiscal year 2011-2012, the extraordinary gain/(loss) is mainly due to the transfer of assets and obligations of the former Walnut Improvement Agency that was dissolved on 02/01/2012 per AB1X26 of the State of California dissolution of all redevelopment agency. The City of Walnut elected to become the Successor Agency for the dissolved Walnut Improvement Agency.

Note:

The City of Walnut implemented GASB 63 for the fiscal year ended 06/30/13.

2008	2009	2010	2011	2012	2013
9,037,419	9,206,489	9,027,185	9,108,449	9,347,081	5,641,664
1,381,501	1,211,247	1,176,710	1,410,358	1,322,741	1,413,944
805,605	895,972	844,511	850,101	872,593	902,198
113,472	103,799	103,168	101,437	102,540	105,198
270,597	301,285	299,952	304,384	285,819	316,607
148,638	99,881	106,989	184,471	25,938	24,158
2,207,738	1,429,481	741,999	477,150	496,394	158,230
-	-	-	-	-	-
12,833	91,009	546,539	14,044	78,242	32,711
-	-	-	-	-	-
-	-	-	-	26,520,101	-
<u>13,977,803</u>	<u>13,339,163</u>	<u>12,847,053</u>	<u>12,450,394</u>	<u>39,051,449</u>	<u>8,594,710</u>
<u>13,977,803</u>	<u>13,339,163</u>	<u>12,847,053</u>	<u>12,450,394</u>	<u>39,051,449</u>	<u>8,594,710</u>
<u>1,942,277</u>	<u>2,588,642</u>	<u>111,241</u>	<u>(200,883)</u>	<u>27,336,514</u>	<u>(2,495,187)</u>
<u>1,942,277</u>	<u>2,588,642</u>	<u>111,241</u>	<u>(200,883)</u>	<u>27,336,514</u>	<u>(2,495,187)</u>

CITY OF WALNUT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	2004	2005	2006	2007
General Fund:				
Reserved	525,061	542,318	644,221	803,550
Unreserved	16,922,103	19,079,367	20,803,557	17,627,999
Nonspendable:				
Prepaid costs				
Notes and loans				
Advances to other Funds				
Long term receivable				
Committed to:				
Disaster recovery				
Self-insurance				
Other post-employment benefits				
Facility maintenance				
Assigned to:				
Three Oaks Recreation Facility				
Maintenance and operations				
Unassigned				
Total General Fund	<u>17,447,164</u>	<u>19,621,685</u>	<u>21,447,778</u>	<u>18,431,549</u>
All other governmental funds:				
Reserved	10,650,403	12,039,493	11,656,136	7,916,720
Unreserved, reported in:				
Special Revenue Funds	5,576,034	5,930,213	6,060,260	6,355,428
Debt Service Fund	1,587,083	1,778,184	1,921,620	1,926,700
Capital Project Funds	4,102,208	2,931,596	1,168,550	10,295,167
Nonspendable:				
Prepaid costs				
Notes and loans				
Advances to other Funds ¹				
Restricted for:				
Community development				
Public safety				
Community services				
Public works				
Capital projects				
Debt service ¹				
Committed to:				
Capital projects				
Unassigned				
Total all other governmental funds	<u>21,915,728</u>	<u>22,679,486</u>	<u>20,806,566</u>	<u>26,494,015</u>

¹ In fiscal year 2011-2012, Upon dissolution of the redevelopment agency on 02/01/12. The non-spendable Advances to other funds and the restricted for debt service fund balances were transferred to the Successor Agency private-purpose trust fund in the City financial statement.

The City of Walnut implemented GASB 54 for the fiscal year ended 06/30/10. Information prior to the implementation of GASB 54 is not available.

2008	2009	2010	2011	2012	2013
328,238	524,422				
19,240,088	21,171,230				
		363,158	343,093	348,764	363,096
		-	-	-	-
		114,690	121,470	121,470	146,470
		-	95,948	95,948	95,948
		1,000,000	1,000,000	1,000,000	1,000,000
		1,000,000	1,000,000	400,000	1,000,000
		775,000	774,840	763,637	763,331
		4,226,617	3,916,439	3,457,687	2,922,039
		2,350,000	2,350,000	2,450,000	2,800,000
		11,398,050	5,400,817	5,489,465	5,682,585
		724,857	-	89,005	670,835
<u>19,568,326</u>	<u>21,695,652</u>	<u>21,952,372</u>	<u>15,002,607</u>	<u>14,215,976</u>	<u>15,444,304</u>
8,622,231	8,529,296				
6,756,155	5,419,127				
2,056,878	2,148,160				
9,335,739	8,707,745				
		1,537	-	-	-
		220,188	165,972	2,121,598	2,111,948
		1,622,009	1,955,626	-	-
		13,302,416	10,495,156	9,910,551	9,054,401
		37,815	50,922	103,733	95,674
		95,835	127,786	106,197	130,906
		1,447,121	2,078,885	2,146,175	2,640,498
		359,673	-	-	-
		600,897	342,544	-	-
		4,199,124	7,651,616	7,072,472	6,630,620
		(77,080)	(172,254)	(190,021)	-
<u>26,771,003</u>	<u>24,804,328</u>	<u>21,809,535</u>	<u>22,696,253</u>	<u>21,270,705</u>	<u>20,664,047</u>

CITY OF WALNUT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	2004	2005	2006	2007	2008
Revenues:					
Taxes	7,792,052	8,714,370	13,091,332	11,518,871	12,115,450
Assessments	1,747,361	1,722,634	1,726,214	1,720,596	1,725,028
Licenses and permits	570,648	551,736	476,759	895,101	1,227,528
Fines and forfeitures	284,987	301,370	261,156	393,921	639,872
Use of money and property	359,316	991,213	1,350,857	2,300,378	2,207,738
Developer participation	-	-	-	-	-
Intergovernmental	5,085,172	9,677,688	4,313,520	2,875,705	2,948,869
Charges for services	717,247	643,289	917,215	1,165,393	964,889
Other	337,134	2,252,018	433,768	405,880	371,726
Total Revenues	<u>16,893,917</u>	<u>24,854,318</u>	<u>22,570,821</u>	<u>21,275,845</u>	<u>22,201,100</u>
Expenditures					
Current:					
General government	5,297,069	4,726,183	5,004,389	2,419,162	2,532,964
Public safety	2,664,777	2,758,997	2,922,965	3,073,687	3,318,783
Community development	-	-	-	1,997,573	2,186,114
Public works	5,735,303	7,958,589	7,940,572	3,101,371	5,333,110
Community services	2,374,394	2,580,272	2,968,011	2,937,080	3,067,167
Debt service:					
Principal	1,520,000	1,625,000	1,675,000	1,730,000	1,790,000
Interest ¹ and fiscal charges	2,047,091	2,056,771	1,964,745	1,920,805	1,856,295
Refunding bond issuance costs	-	-	-	-	-
Capital outlay	147,041	387,121	469,652	1,584,417	932,242
Total Expenditures	<u>19,785,675</u>	<u>22,092,933</u>	<u>22,945,334</u>	<u>18,764,095</u>	<u>21,016,675</u>
Excess (deficiency) of Revenues over Expenditures	<u>(2,891,758)</u>	<u>2,761,385</u>	<u>(374,513)</u>	<u>2,511,750</u>	<u>1,184,425</u>
Other financing sources (uses):					
Transfer in	887,708	900,325	2,159,266	6,726,187	2,291,082
Transfer out	(887,708)	(900,325)	(2,159,266)	(6,726,187)	(2,291,082)
Long-term debt	165,722	176,894	188,821	201,551	176,531
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>165,722</u>	<u>176,894</u>	<u>188,821</u>	<u>201,551</u>	<u>176,531</u>
Extraordinary gain/(loss) on dissolution of improvement agency²					
	-	-	-	-	-
Net change in fund balances	<u>(2,726,036)</u>	<u>2,938,279</u>	<u>(185,692)</u>	<u>2,713,301</u>	<u>1,360,956</u>
Debt service as a percentage of non-capital expenditures	19.94%	17.06%	17.41%	20.82%	19.09%

¹ In fiscal year 2011-2012, this is the Interest payment made on the final seven months of redevelopment activities before the transfer of obligation to the Successor Agency.

² In fiscal year 2011-2012, this is the extraordinary gain/(loss), is mainly due to the transfer of assets and obligations of the former Walnut Improvement Agency that was dissolved on 02/01/2012 per AB1X26 of the State of California dissolution of all redevelopment agency. The City of Walnut elected to become the Successor Agency for the dissolved Walnut Improvement

Note:

The City of Walnut implemented GASB 63 for the fiscal year ended 06/30/13.

2009	2010	2011	2012	2013
11,737,578	11,407,058	11,630,777	11,948,178	8,401,800
1,729,903	1,741,026	1,734,099	2,395,879	2,528,470
748,964	1,574,924	2,145,139	763,812	551,181
422,324	633,644	546,526	412,855	513,458
1,429,481	741,999	477,150	496,394	158,230
2,350,000	-	-	-	-
4,536,819	3,428,712	2,828,261	2,722,436	2,818,365
980,571	1,055,010	1,022,936	1,094,615	1,374,600
312,789	957,482	340,414	596,470	796,899
24,248,429	21,539,855	20,725,302	20,430,639	17,143,003

2,928,689	4,497,970	3,100,614	3,630,711	2,176,693
3,331,531	3,510,790	3,582,217	3,436,171	3,552,795
2,178,134	2,281,597	2,489,606	1,879,309	1,874,757
4,838,161	3,363,288	3,774,075	3,737,040	5,099,226
3,327,550	3,206,592	3,115,808	3,105,704	3,122,136
1,810,000	1,835,000	1,865,000	1,935,000	-
1,767,554	1,634,696	1,587,674	776,240	-
-	-	-	-	-
4,015,830	3,947,995	7,273,355	1,935,343	695,726
24,197,449	24,277,928	26,788,349	20,435,518	16,521,333

50,980	(2,738,073)	(6,063,047)	(4,879)	621,670
--------	-------------	-------------	---------	---------

1,353,392	2,217,414	8,711,865	6,754,359	291,609
(1,353,392)	(2,217,414)	(8,711,865)	(6,754,359)	(291,609)
109,671	-	-	-	-
-	-	-	-	-
-	-	-	-	-
109,671	-	-	-	-

-	-	-	(2,207,300)	-
---	---	---	-------------	---

160,651	(2,738,073)	(6,063,047)	(2,212,179)	621,670
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17.44%	17.01%	17.14%	14.28%	0.00%
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CITY OF WALNUT
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	2004	2005	2006	2007	2008
Residential	2,500,282	2,653,851	2,844,453	3,056,035	3,227,492
Commercial	90,341	109,080	118,690	123,929	145,469
Industrial	72,579	75,928	81,042	87,788	90,332
Government Owned	-	-	-	-	-
Institutional	10,653	12,558	11,308	7,656	7,809
Miscellaneous	225	153	251	371	379
Recreational	0	0	0	0	0
Vacant	7,811	10,035	14,194	13,527	13,645
SBE Nonunitary	1,199	1,199	1,199	1,199	101
Cross Reference	270	269	287	291	434
Unsecured	37,893	37,570	38,143	39,901	37,943
Exempt	[19,754]	[17,185]	[15,869]	[15,869]	[15,869]
Grand Total	<u>2,721,253</u>	<u>2,900,643</u>	<u>3,109,567</u>	<u>3,330,697</u>	<u>3,523,604</u>
Total Direct Rate	0.68189%	0.68141%	0.68599%	0.67863%	0.67793%

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 assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to 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.

Includes City and Successor Agency Project Area

Source: Hdl, Coren & Cone, Los Angeles County Assessor Combined Tax Rolls

2009	2010	2011	2012	2013
3,391,832	3,406,167	3,477,315	3,593,986	3,754,176
151,021	156,814	161,741	164,172	163,934
94,007	-	95,932	96,149	97,942
-	-	-	-	-
7,965	10,708	10,682	15,638	11,375
386	394	393	396	710
0	0	0	0	0
16,254	17,812	17,762	72,477	57,513
101	168	168	168	168
420	243	147	181	628
41,880	39,920	37,997	35,539	37,569
[18,889]	[17,729]	[8,728]	[8,728]	[8,728]
<u>3,703,866</u>	<u>3,632,226</u>	<u>3,802,137</u>	<u>3,978,706</u>	<u>4,124,015</u>
0.66247%	0.65709%	0.65386%	0.63601%	0.62656%

CITY OF WALNUT
Special Benefit Assessment Billings and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	2004	2005	2006	2007	2008
Assessment Billings	1,709,430	1,722,900	1,723,676	1,723,680	1,723,710
Assessment Collected	1,747,362	1,722,634	1,726,215	1,720,595	1,725,027
Percentage Collected	102.2%	100.0%	100.1%	99.8%	100.1%

Source: City Finance Department

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1,723,680	1,723,680	1,723,680	2,392,180	2,522,580
1,729,902	1,741,027	1,734,099	2,395,879	2,538,270
100.4%	101.0%	100.6%	100.2%	100.6%

CITY OF WALNUT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Years	2004	2005	2006	2007
City Direct Rates:				
General Levy ¹	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:				
Los Angeles County	0.00099	0.00092	0.00080	0.00066
Flood Control District	0.00046	0.00025	0.00005	0.00005
Metropolitan Water District	0.00610	0.00580	0.00520	0.00470
Mt. San Antonio Community College	0.00000	0.00000	0.02122	0.02184
Covina Valley Unified School District	0.03967	0.03745	0.03793	0.08419
Pomona Valley Unified School District	0.12633	0.12910	0.12488	0.12401
Pomona Usd 2008 Series C	0.00000	0.00000	0.00000	0.00000
Rowland Unified School District	0.03780	0.03885	0.03633	0.07429
Walnut Valley Unified School District	0.09660	0.09515	0.09140	0.08749
Total Direct and Overlapping² Tax Rates	1.30796	1.30753	1.31779	1.39723
City's Share of 1% Levy Per Prop 13 ³	0.05202	0.05202	0.05202	0.05202
General Obligation Debt Rate	-	-	-	-
Redevelopment Rate ⁴	1.00755	1.00697	1.00604	1.00541
Total Direct Rate⁵	0.68189%	0.68141%	0.68599%	0.67863%

Notes:

¹In 1978, California voters passed Proposition 13 which sets 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 City of Walnut. Not all overlapping rates apply to all City of Walnut property owners .

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

⁴RDA rate is based on the largest RDA tax rate area (TRA) and includes only 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 AB1X 26 eliminated Redevelopment from State of California for the fiscal year 2012/13 and years thereafter.

⁵Because basic and debt rates vary by tax rate area individual rates cannot be summed. Total Direct Rate is the weighted average of all individual direct rates applied by the City of Walnut.

Source: Hdl, Coren & Cone, L.A County Assessor 2003/04-2012/13 Tax Rate Table

2008	2009	2010	2011	2012	2013
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
0.01750		0.02571	0.02636	0.02642	0.02896
0.07870	0.07862	0.08592	0.09003	0.08999	0.09500
0.11379	0.11577	0.14546	0.17721	0.14943	0.18488
0.00000	0.00000	0.00000	0.00000	0.02421	
0.06943	0.07028	0.06769	0.07538	0.09195	0.10053
0.08463	0.11296	0.11674	0.11839	0.11735	0.12554
1.36855	1.38193	1.44582	1.49107	1.50305	1.53841
0.05202	0.05202	0.05202	0.05202	0.05202	0.05202
-	-	-	-	-	-
1.00450	1.00430	1.004300	1.003700	1.003700	-
0.67793%	0.66247%	0.65709%	0.65386%	0.63601%	0.62656%

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CITY OF WALNUT
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2013		2004		Business Type
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	
Essex CA WA Limited Partnership	22,599,539	0.55%	13,625,150	0.50%	Apartments
Snow Creek Village West Partners	21,244,327	0.52%		0.00%	Commercial
Ruey Chyr & Je Tsu Kao	19,156,941	0.46%	16,613,630	0.61%	Commercial (Stater Bros)
Walnut Tech Business Center	19,080,042	0.46%		0.00%	Light Industrial/Commercial
Vogel Properties, Inc.	18,571,118	0.45%	14,796,692	0.54%	Light Industrial/Commercial
9429 Walnut Cake LLC	12,906,628	0.31%		0.00%	Commercial
Henns Investment Company	9,152,771	0.22%	7,587,301	0.28%	Industrial
Margaret Wang Trust	8,221,443	0.20%		0.00%	Commercial (Albertson's Store)
Orange Grove Services	8,150,000	0.20%		0.00%	Commercial
Extra Space Properties Twenty One LLC	7,278,067	0.18%		0.00%	Residential Housing
Vons Companies			5,054,649	0.19%	Grocery Store
Walnut Hills Development 268 LLC			8,535,534	0.31%	Vacant
Edro Engineering			5,921,439	0.22%	Industrial
Signal Walnut Partneship Limited			4,633,223	0.17%	Commercial
Patrizio Rossi Trust			6,563,561	0.24%	Commercial
Roman Catholic Archbishop of L.A.			4,648,150	0.17%	Light Industrial/Commercial
Total	146,360,876	3.55%	87,979,329	3.23%	

The amounts shown above include assessed value data for both the City and the Successor Agency.

Per State of California AB 1X26 all redevelopment agency in California was dissolved effective February 1, 2012.

Source: City Finance Department, Hdl, Coren & Cone, L.A. County Assessor

CITY OF WALNUT
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Taxes levied for the fiscal year	983,699	1,025,674	1,068,599	1,120,941	1,152,549
Collected within the fiscal year:					
Amount	925,893	833,409	984,350	943,478	978,703
Percent of Levy	94%	81%	92%	84%	85%
Total Tax Collection					
Amount	925,893	833,409	984,350	943,478	978,703
Delinquent Tax Collection	30,218	73,736	54,356	(2,560)	(1,552)

Note: The amounts presented include City Property taxes, not Successor Agency property taxes.

Per State of California AB 1X26 all redevelopment agency in California was dissolved effective February 1, 2012.

Source: County of Los Angeles, Auditor-Controller

2009	2010	2011	2012	2013
1,199,873	1,211,478	1,226,747	1,278,806	1,315,489
1,029,059	1,056,079	1,125,382	1,117,322	1,260,893
86%	87%	92%	87%	96%
1,029,059	1,056,079	1,125,382	1,117,322	1,260,893
2,077	1,684	1,442	(22)	1,651

CITY OF WALNUT
Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Walnut Improvement Agency:¹					
Tax Allocation Refunding Bonds, Series 1999A	14,270,000	13,645,000	13,000,000	12,330,000	12,085,000
Walnut Public Financing Authority:					
Tax Allocation Revenue Bonds, Series 1992	2,623,688	2,800,582	2,989,403	3,190,953	2,197,484
Tax Allocation Revenue Bonds, Series 2002	25,140,000	24,140,000	23,110,000	22,050,000	21,675,000
Total Governmental Activities	42,033,688	40,585,582	39,099,403	37,570,953	35,957,484
Personal Income City of Walnut (in thousands) ²	823,526	871,455	914,714	986,046	1,025,427
Ratio of outstanding debt	5.10%	4.66%	4.27%	3.81%	3.51%
Population	31,678	31,900	32,148	32,297	32,299
Total debt per capita	1,327	1,272	1,216	1,163	1,113

Note: Details regarding outstanding debt can be found on Note 5 of the notes to the financial statements on page 44.

¹ As a result of the dissolution of all the redevelopment agency in California, indebtedness of the former Walnut Improvement Agency was transferred to the Successor Agency. Note 10 of the notes to the financial statements on page 52-55 will provide in depth information on the Successor Agency Trust for assets of former redevelopment agency.

² See the Schedule of Demographics Statistics on page 110 for personal income data for calendar year 2012.

Source: City Finance Department, U.S. Bureau of Census decennial census data, Hdl, Coren & Cone

2009	2010	2011	2012	2013
11,830,000	11,570,000	10,840,000	-	-
1,137,155	-	-	-	-
<u>21,290,000</u>	<u>20,890,000</u>	<u>19,755,000</u>	-	-
<u>34,257,155</u>	<u>32,460,000</u>	<u>30,595,000</u>	-	-
1,037,202	1,017,320	1,022,357	985,249	996,456
3.30%	3.19%	2.99%	0.00%	0.00%
32,486	32,659	29,439	29,661	29,947
1,055	994	1,039	-	-

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CITY OF WALNUT
Direct and Overlapping Debt
June 30, 2013

	Percentage Applicable	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
Three Valley MWD- 1112 Debt Service*	0.189%	79,696,126	150,965
Mt. San Antonio CCD Debt Service 2001 Series 2004B	6.015%	4,225,000	254,137
Mt. San Antonio CCD Debt Service 2005 refunding bond	6.034%	41,010,843	2,474,594
Mt. San Antonio CCD Debt Service 2001, Series C 2006	6.015%	78,755,000	4,737,182
Mt. San Antonio CCS DS 2001 2008 Series D	6.015%	23,086,083	1,388,648
Pomona Unified School District DS Refunding 2000 Series A	0.008%	16,030,000	1,249
Pomona Unified School District DS Refunding 2001 Series A	0.008%	16,095,000	1,254
Pomona Unified School District DS 2002 Series D	0.008%	12,135,000	946
Pomona Unified School District DS 2002 Series E	0.008%	11,530,000	898
Pomona Unified School District DS 2007 & 2012 Ref Bds	0.008%	8,246,872	643
Pomona Unified School District DS 2008 Series A	0.008%	33,055,000	2,576
Pomona Unified School District DS 2008 Series B	0.008%	3,890,000	303
Pomona Unified School District DS 2008 Series C	0.008%	57,400,000	4,472
Pomona USD DS 2012 Refunding Bond Series A	0.008%	24,655,000	1,921
Pomona USD DS 2012 Refunding Bond Series B	0.008%	29,595,000	2,306
Pomona USD DS 2008 Series D QSCBS	0.008%	20,970,000	1,634
Rowland Heights Unified School District DS 2000 Series B	10.302%	2,514,562	259,052
Rowland Heights Unified School District DS 2005 REF BDS	10.302%	12,323,442	1,269,570
Rowland Heights Unified School District DS 2006 Series A	10.302%	39,499,075	4,069,223
Rowland Heights Unified School District DS 2006 Series B	10.302%	42,040,000	4,330,991
Rowland Heights Unified School District DS 2006 Series B-BABS	10.302%	12,000,000	1,236,249
Rowland Heights Unified School District DS 2006 Series D QSCB	10.302%	23,900,000	2,462,195
Rowland Heights Unified School District DS 2006 Series E	10.302%	31,430,000	3,237,941
Walnut Valley Unified School District Refunding DS Series 97 A	33.633%	10,330,000	3,474,326
Walnut Valley Unified School District DS 2000 Series D	33.633%	12,570,543	4,227,896
Walnut Valley Unified School District DS 2000 Ser E	33.633%	6,001,837	2,018,619
Walnut Valley Unified School District DS 2005 REF BDS	33.633%	12,925,000	4,347,112
Walnut Valley Unified School District DS 2007 Ser A (Measure S)	33.633%	27,735,000	9,328,212
Walnut Valley Unified School District DS 2007 Ser A (Measure Y)	33.633%	6,575,887	2,211,692
Walnut Valley USD 2011 Refunding	33.633%	20,720,000	6,968,832
Walnut Valley USD 2007 Series B Measure S	33.633%	19,996,838	6,725,609
Walnut Valley USD 2007 Series B Measure Y	33.633%	7,990,547	2,687,489
Total Direct and Overlapping Bonded Debt			67,878,737

2012/13 Assessed Valuation:

\$1,672,012,568 after deducting \$2,452,002,549 Incremental value

Debt to Assessed Valuation Ratios:

Direct Debt	0.00%
Overlapping Debt	4.06%
Total Debt	4.06%

*This fund is a portion of a larger agency, and is responsible for debt in areas outside of the City of Walnut.

This report reflects debt which is being repaid through voter-approved tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the City of Walnut.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Walnut. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City of Walnut boundaries and dividing it by each unit's total taxable assessed value.

Source: Hdl, Coren & Cone, Los Angeles County Assessors Office

CITY OF WALNUT
 Legal Debt Margin Information
 Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Assessed valuation	2,721,253,670	2,900,643,572	3,109,566,717	3,330,697,846	3,523,603,651
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	680,313,418	725,160,893	777,391,679	832,674,462	880,900,913
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	102,047,013	108,774,134	116,608,752	124,901,169	132,135,137
Total net debt applicable to limit: General Obligation bonds	-	-	-	-	-
Legal debt margin	<u>102,047,013</u>	<u>108,774,134</u>	<u>116,608,752</u>	<u>124,901,169</u>	<u>132,135,137</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state. This is 3.75% of full market value.

The City of Walnut has no bonded indebtedness.

Source: City Finance Department, L.A. County Assessor

2009	2010	2011	2012	2013
3,703,865,728	3,728,485,982	3,802,137,343	3,978,706,380	4,124,015,117
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
925,966,432	932,121,496	950,534,336	994,676,595	1,031,003,779
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
138,894,965	139,818,224	142,580,150	149,201,489	154,650,567
-	-	-	-	-
<u>138,894,965</u>	<u>139,818,224</u>	<u>142,580,150</u>	<u>149,201,489</u>	<u>154,650,567</u>
0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF WALNUT
Demographics Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	2004	2005	2006	2007	2008
Square Miles ¹	8.83	8.83	8.83	8.83	8.83
Number of Housing Units ²	8,481	8,481	8,589	8,597	8,624
Population (City of Walnut) ²	31,678	31,900	32,148	32,297	32,299
Personal Income City of Walnut (in thousands) ³	823,526	871,455	914,714	986,046	1,025,427
Per Capita Personal Income City of Walnut ³	26,263	27,595	28,880	30,789	32,058
Unemployment Rate City of Walnut ⁴	3.3%	3.1%	2.5%	2.2%	2.4%
Average Annual Population % change ²	0.8%	0.7%	0.78%	0.46%	0.01%

Sources:

¹ City Finance Department

² State Department of Finance. The population decrease due to new 2010 census information.

³ U.S. Bureau of Census decennial census data. ESRI-Demographic Estimates are based on the last available census from calendar 2010. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries.

⁴ State of California Employment Development Department.

2009	2010	2011	2012	2013
8.83	8.83	8.83	8.83	8.83
8,681	8,713	8,808	8,867	8,908
32,486	32,659	29,439	29,661	29,947
1,037,202	1,017,320	1,022,357	985,249	996,456
32,351	31,432	31,304	33,217	33,274
3.6%	5.6%	6.2%	6.0%	4.5%
0.58%	0.53%	-9.86%	0.75%	0.96%

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CITY OF WALNUT
Principal Employer
Current Year and Nine Years Ago

<u>Employer</u>	<u>2013</u>		<u>Product/Services</u>	<u>2004</u>	
	<u>Number of Employees</u>	<u>Percent of Employment</u>		<u>Number of Employees</u>	<u>Percent of Employment</u>
Mount San Antonio College	3,217	43%	Community College	2,679	-
Ninas Mexican Foods, Inc.	114	2%	Manufacturer	64	-
Ronsin Photocopy Inc.	113	2%	Photocopy Manufacturer	119	-
Edro Engineering Company, Inc.	89	1%	Manufacture Mold Bases	95	-
Fairway Injection Molding System	71	1%	Manufacture Mold Bases	96	-
Stater Brothers	70	1%	Grocery Store	-	-
Albertsons #6588	68	1%	Grocery Store	64	-
McDonald	60	1%	Fastfood	-	-
Vons #2167	60	1%	Grocery Store	73	-
Applebee's Neighborhood Grill	58	1%	Restaurant	-	-
Primary Care Home Health	-	0%	Temporary Nursing Services	110	-
Select Personnel Agency	-	0%	Temporary Employment Agency	103	-
Millie's Restaurant & Bakery	-	0%	Restaurant	-	-
Mwave.com/Multiwave			Computer Wholesales	110	

Source: City Finance Department

Information for percent of employment for the 2004 year is not available.

CITY OF WALNUT
Full-time Employees
Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Function:					
General government	13	14	14	14	12
Public safety ¹	1	1	1	1	2
Public works	5	5	4	4	4
Community development	11	11	10	10	9
Community services	12	12	14	14	14
Total	42	43	43	43	41

¹ Police and fire services were provided by the Los Angeles County.

Source: City Finance Department

2009	2010	2011	2012	2013
12	12	12	12	11
2	2	2	2	2
4	4	4	4	4
9	9	9	9	9
13	13	13	11	11
40	40	40	38	37

CITY OF WALNUT
 Construction and Bank Deposit Activity
 Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Number of New Residential Units	8	12	8	33	67
Building Permit Valuation					
Residential	7,753,617	8,642,013	3,232,868	19,426,995	30,315,730
Non-Residential	1,609,196	776,665	560,430	1,504,145	1,545,030
Total	9,362,813	9,418,678	3,793,298	20,931,140	31,860,760
Number of Building Permit Issued	482	393	341	353	368
Bank Deposits	391,368,000	447,699,000	486,601,000	525,709,000	526,864,000

Source: City Finance Department, Building Department

2009	2010	2011	2012	2013
18	45	121	2	3
13,018,727	36,861,834	57,836,267	10,016,161	7,162,387
1,234,263	4,640,346	282,322	1,298,793	652,506
14,252,990	41,502,180	58,118,589	11,314,954	7,814,893
293	401	476	466	450
634,254,000	636,939,000	656,199,000	580,175,000	689,651,000

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CITY OF WALNUT

Insurance in Force

June 30, 2013

(Unaudited)

<u>CARRIER</u>	<u>POLICY #</u>	<u>COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>TERM</u>
Alliant Insurance	CRIME1213	Public Employees "O"	\$25,000 - \$1,000,000	07/01/12-06/30/13
		Theft "C"	\$25,000 - \$1,000,000	
		Forgery "B"	\$25,000 - \$1,000,000	
		Computer Fraud "F"	\$25,000 - \$1,000,000	
California Joint Powers Insurance Authority		Real & Personal Property	\$ 27,876,341	07/01/12-06/30/13
		Earthquake/Flood	\$ -	
		Automobile Damage	\$ 414,414	
California Joint Powers Insurance Authority		General Liability	\$ 50,000,000	07/01/12-06/30/13
		Auto Liability	\$ 50,000,000	
		Workers' Compensation	\$ 10,000,000	
		Environmental/Pollution	\$ -	

Source: City Risk Management

CITY OF WALNUT
 Operating Indicators
 by Function
 Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Public Safety:					
Number of employees trained on Emergency Operation	42	17	2	42	42
Number of volunteers on patrol	20	20	14	14	14
Parking Citation Issued	4,932	3,285	3,360	2,877	2,708
Community Development:					
Planning Application Processed	158	131	158	125	128
Code Enforcement Complaint Response	450	580	421	462	430
Dial-A-Ride Members	-	2,925	3,131	3,481	3,642
Metrolink Pass Sold	2,361	2,451	2,603	2,699	2,839
Public Works:					
Street Resurfacing (square feet)	930,125	0	583,375	197,900	0
Parks and recreation:					
Number of recreation classes	275	215	240	264	731
Number of youth registered	5,200	5,800	4,800	4,800	8,081

Source: City Finance Department

2009	2010	2011	2012	2013
2	16	16	60	60
14	14	15	12	9
2,787	3,723	2,490	2,423	1,779
109	111	153	148	136
475	439	453	535	601
3,785	3,869	4,192	4,447	4,618
2,907	2,616	2,328	2,264	2,028
1,229,228	1,093,392	661,025	301,545	21,000
417	300	400	236	500
5,153	4,939	4,800	4,706	6,000

CITY OF WALNUT
 Capital Assets Statistics
 by Function
 Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Public Works:					
Street (Miles) ¹	107	107	107	107	111
Street lights ²	-	-	1,754	1,755	1,771
Traffic signals	33	35	36	36	38
Parks and recreation:					
Parks	11	11	11	11	11
Teen Center	1	1	1	1	1
Senior Center	1	1	1	1	1
Total	153	155	1,910	1,911	1,933

¹ Information from Pavement Management System Report provided by RKA Civil Engineers, Inc.

Source: City Finance Department, RKA Civil Engineers, Inc. Southern California Edison Company

2009	2010	2011	2012	2013
111	111	112	112	112
1,785	1,784	1,814	1,831	1,835
38	38	39	40	40
11	11	11	11	11
1	1	1	1	1
1	1	1	1	1
1,947	1,946	1,978	1,996	2,000

CITY OF WALNUT

Miscellaneous Statistics

June 30, 2013
(Unaudited)

Walnut incorporated January 19, 1959 is situated in the greater Walnut Valley, nestled in the area between the San Jose Hills to the north and the Puente Hills to the south, 20 miles east of downtown Los Angeles.

The climate of Walnut is mild and dry, with the average temperatures ranging from 54 degrees in the winter to 72 degrees in the summer. The annual rainfall for the area is 20 inches.

Elevation is 519 feet above sea level with gently rolling hills in the south rising to the rugged, steep hills of 1,375 to the north. The impressive backdrop of the Walnut Valley is the towering San Gabriel mountain range, with snow-capped Mt. Baldy as well as the San Gorgonio and San Jacinto ranges.

Type of City	General Law-January 19, 1959
Form of Government	Council/Manager
Population	29,947
Land Area	8.83 Square Miles
Number of Parks	11
Park Areas	95 Acres
Equestrian/Hiking Trails	30 Miles
Water Utility	Walnut Valley Water District Suburban Water Systems Golden State Water Company
Electric Utility	Southern California Edison Company
Gas Utility	Southern California Gas Company
Employees	37 Full-time
Cost per Capita	\$552

Source: City Finance Department