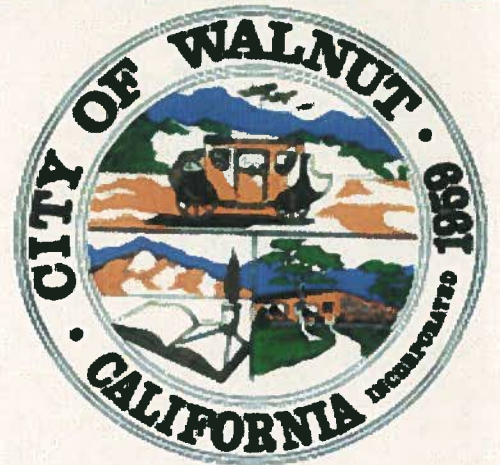


Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012



Walnut
CALIFORNIA





**Comprehensive Annual Financial Report
For the fiscal year ended
June 30, 2012**

**Prepared by:
City of Walnut Finance Department
Christine F. Londo
Finance Director/City Treasurer**

CITY OF WALNUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF WALNUT

December 3, 2012

Honorable Mayor and
Members of the City Council
City of Walnut
Walnut, California 91788-0682

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the City of Walnut for the fiscal year ended June 30, 2012. The report has been prepared to comply with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The financial reporting model completely changed the format of the City's financial statements. It is intended to improve financial reporting by adding significant additional information not previously available in local government financial statements.

In addition to the fund-by-fund financial information previously presented in the city's financial statements, there are now government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual methods used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These statements combined with the other information are further analyzed in a narrative section called Management's Discussion and Analysis (MDA). The MDA provides financial highlights and is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation including all disclosures rests with the City. It is our opinion that the data presented is 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 the maximum understanding of the City's financial affairs have been included.

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 for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Walnut has received a Certificate of Achievement for the last twenty three consecutive years (fiscal years ended 1989-2011). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Independent Audit. The accounting firm of Lance Soll & Lunghard, CPAs 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 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.

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 of Walnut is the primary government. The component units are the Walnut Improvement Agency (component unit from 07/01/11 to 01/31/12), the Walnut Financing Authority and the Walnut Housing Authority.

The Walnut Improvement Agency was established December 26, 1979, with the objective of providing within the City of Walnut the required facilities to remove existing and future negative influences that result in a city with modern and well designed residential, commercial, industrial, public and recreational facilities.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 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. As of January 31, 2012, the Redevelopment Agency has been dissolved, and the City of Walnut has elected to become the Successor Agency to wind down the remaining activities of the dissolved Redevelopment Agency in accordance with the Bill. In depth information on the dissolution is included on Note 11 of the Notes to the financial statements.

The Walnut Public Financing Authority was established on November 9, 1988 by a joint powers agreement between the City and the Improvement Agency. Under 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.

THE PROFILE OF THE CITY OF WALNUT

The City of Walnut provides a full range of services to its residents with a total permanent full-time staff of 38 employees and through contractual arrangements for major services such as engineering, building, public safety, trash collection and street sweeping services.

The City of Walnut's Public Safety services are provided by the Los Angeles County Sheriff's Department and the Los Angeles County Fire District. The City's expenditures for the Sheriff's Department services are listed in the Budgetary Comparison Statement under Public Safety Administration, General Law Enforcement, Helicopter Services, Crime Prevention, and Volunteers on Patrol. All funding for the Los Angeles County Fire District services is independent of the City. These funds are collected through the

property tax bills and disbursed directly to the Los Angeles County Fire District by the Los Angeles County Tax Collector's office.

INTERNAL CONTROLS

In developing, enhancing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are implemented by the City to provide reasonable assurance that (1) assets are safeguarded against loss from unauthorized use or disposition; and that (2) the City's financial records used for preparing financial statements are maintained in a reliable fashion. The concept of reasonable assurance recognizes that the cost of these controls should not exceed the benefits derived from them. The City's internal controls accomplish these objectives.

BUDGETARY CONTROLS

The City of Walnut, as part of its progress in budget development, prepares a modified program budget by department and project. This is done in order to develop a comprehensive management and fiscal system aimed at achieving the objectives of each operating level consistent with those that have been set for the community by the City Council.

Each department manager is directly responsible, not only to accomplish his/her particular goals within each program, but also to monitor the use of the budget allocation consistent with the guidelines set by the City Manager and the Finance Director. The department manager accomplishes budgetary control at the department or project level within each fund.

Budgetary control is maintained through the use of an encumbrance system. As purchase orders are issued, corresponding amounts of appropriations are reserved by the use of encumbrances for later payment so that appropriations may not be over spent.

FISCAL POLICY

The City of Walnut adopted the Fiscal Policy to guide the City Council and staff through the budget decision-making process. The policy provides funding to maintain the safety of the citizens of Walnut 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 programs 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. On April 13, 2011, the City Council adopted the updated Fiscal Policy. Some of the major items in the Fiscal Policy are as follows: 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 Capital Improvement Fund.

With the City of Walnut implementation of GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City Council adopted the Fund Balance Policy on June 8, 2011. As 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 funds to Three Oaks Recreation Facility construction and for maintenance and operations of city services.

GANN LIMIT VS. APPROPRIATIONS SUBJECT TO LIMIT

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and Proposition 111 was passed in 1990 and are intended to limit government appropriations. The appropriations limit is calculated each year based upon fiscal year 1978-79 appropriations which are adjusted using the growth of

population and inflation factors which have occurred in subsequent years. City appropriations have consistently remained far below the appropriation limits, and are not expected to approach the Gann limitations in the near future. The principal reason that the City will not reach its appropriation limit in the foreseeable future is that the City of Walnut is a low property tax city, receiving only an estimated seven percent of the property tax collected by the County.

DEBT ADMINISTRATION

As a general law city, the City of Walnut cannot incur general obligation indebtedness that exceeds 3.75% of the total assessed valuation of all real and personal property within the city. On June 30, 2012 the City's debt limit was in excess of \$149 million. The City has no tax supported general obligation bonds, or authorized but unissued general obligation bonds, outstanding at June 30, 2012.

WALNUT - HISTORY, SIGNIFICANT ACCOMPLISHMENTS AND FUTURE OUTLOOK

History. Walnut was founded in 1940 and incorporated on January 19, 1959, with a population of 1,000. The vote was 241 to 24 for approval. At the time of incorporation with a Council-Manager form of government, the size of the City was 7.5 miles. The City was named after the largest ranch, El Rancho de los Nogales (nogales meaning walnuts in Spanish).

The City government is directed by a five-member City Council elected by the community at large. This legislative body selects from among its members the Mayor and appoints a City Manager to administer the affairs of the City.

Walnut is situated in the greater Walnut Valley, nestled in an area between the 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 Walnut with its unique atmosphere, a pleasant mixture of country living with urban convenience.

Significant Accomplishments. The following is a list of the significant activities, which occurred during the fiscal year:

Various improvement projects were completed during the year. These projects included Temple Avenue resurfacing, sidewalk replacement, and trail project. These projects were funded by various sources including state and federal awards.

In addition, the City of Walnut continued the Housing Rehabilitation Program. This program provides for residents who own their home and who qualify as low-moderate income, to apply for funds that will assist them in fixing up their home. There are grants up to \$7,500 plus loans up to \$30,000. The Walnut Housing Authority and the Community Development Block Grant are funding this project.

Future Outlook. The accompanying financial statements reflect an excellent financial condition. However, maintaining this condition in the future will not be an easy task. The City of Walnut population increased as compared to the previous years due to the completed Three Oaks housing development which, in turn, has resulted in an increased demand for service and maintenance including: street maintenance, street sweeping, street repairs and resurfacing, added traffic signals, signs, signing and striping, code enforcement, parks maintenance and recreation service.

The effects of diminishing population growth as the City approaches buildout along with the loss of 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.

ACKNOWLEDGEMENTS

The financial results of the City could not be presented without the capable finance staff of dedicated professionals including: Marie Santos, Deputy Finance Director; Gail Russell and Derrick Womble, Finance Analysts; Vilma Esguerra, Deborah Crowe, and Yvette Meza, Accounting Assistants. Appreciation is also expressed to the City Council and City Manager for their interest and support, which made this presentation possible; and finally to the City's auditing firm of Lance, Soll & Lunghard for their professional assistance.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'CFL', is written over the typed name.

Christine F. Londo
Finance Director/City Treasurer

CFL:wp

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey R. Enos

Executive Director

**CITY OF WALNUT
OFFICIALS**

June 30, 2012

CITY COUNCIL

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

WALNUT IMPROVEMENT AGENCY

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

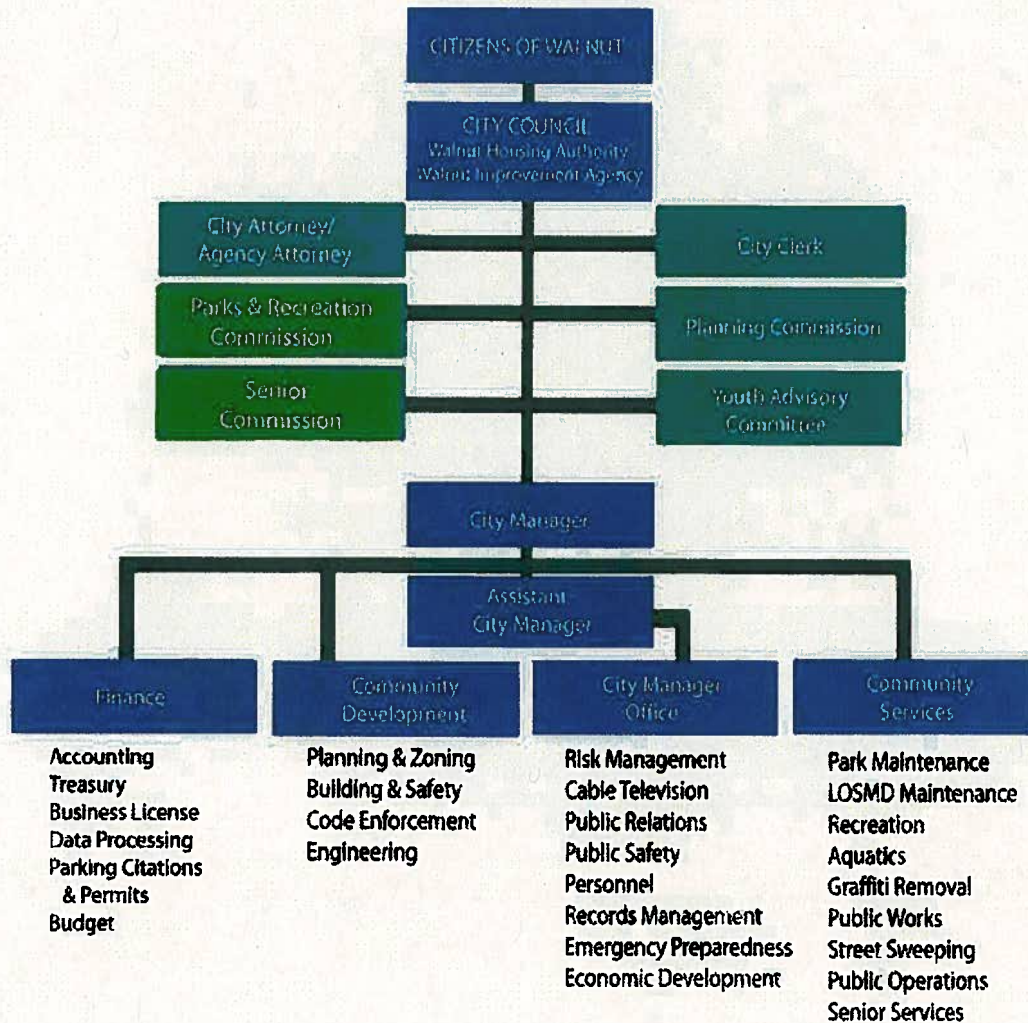
CITY OFFICIALS

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

WALNUT IMPROVEMENT AGENCY OFFICIALS

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

City of Walnut Organizational Chart

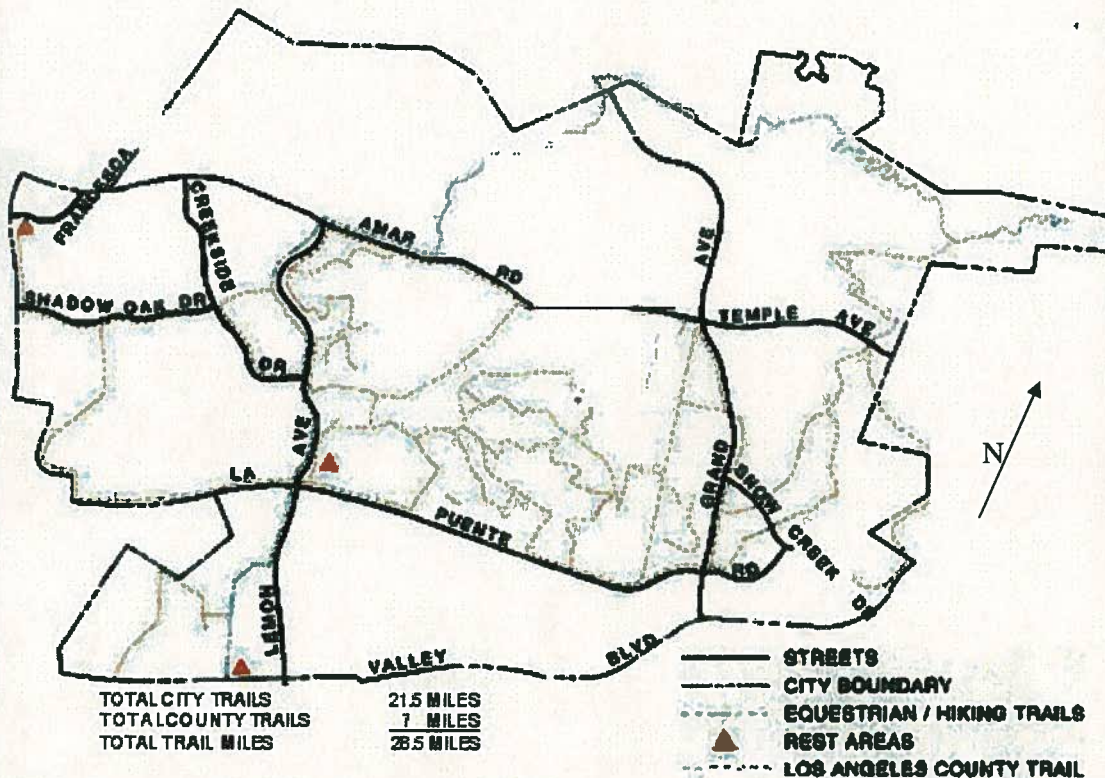


City of Walnut Trail Map

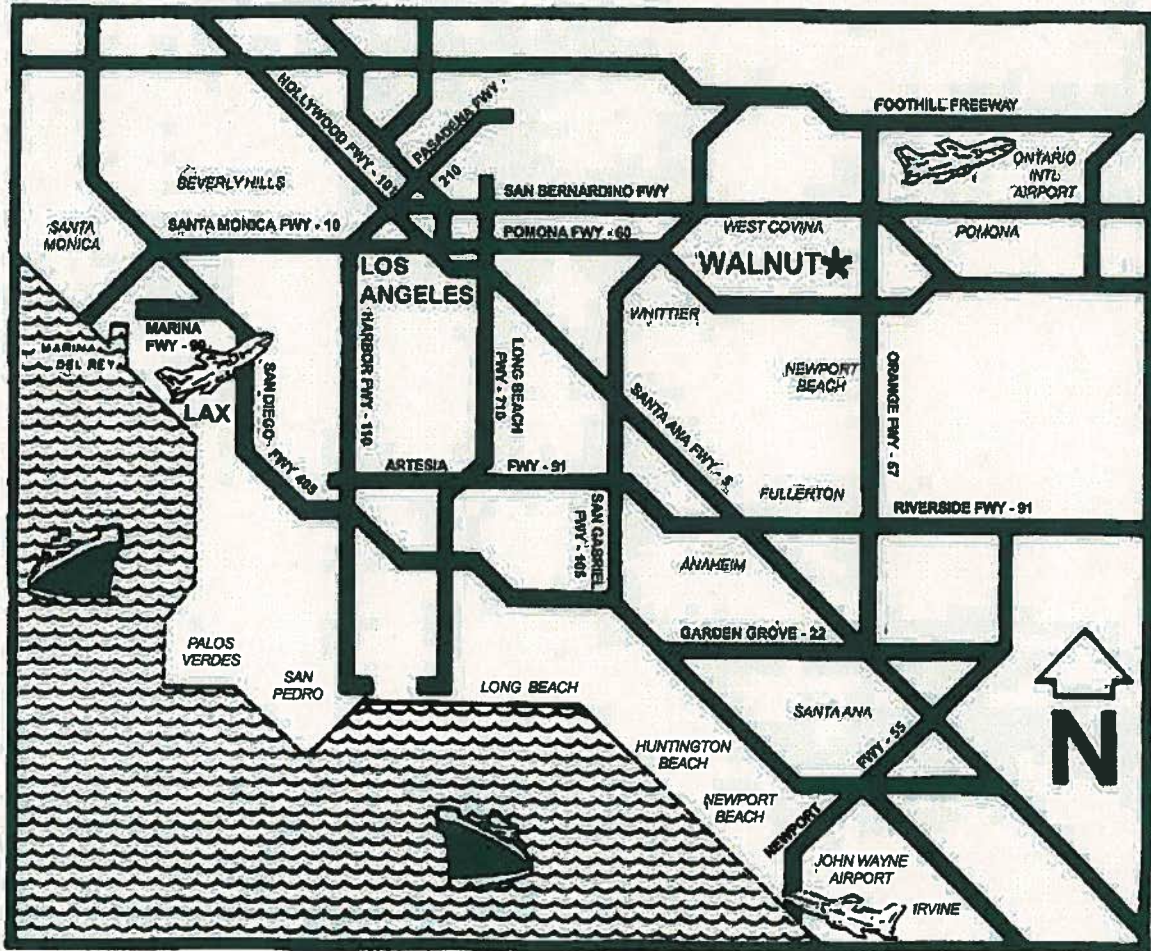


City of Walnut
 21201 La Puente Road
 Walnut, CA 91789
 (909) 395-7543

There are 28.5 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.



Southern California City of Walnut





CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Walnut, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Walnut, California's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Walnut, California, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, Community Development Block Grant, LOSMD, Walnut Housing Authority, and LACMTA Exchange for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 11 – "Successor Agency Trust for Assets of Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the City of Walnut, California'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 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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



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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walnut, California's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Lane, Soll & Luyhard, LLP

Brea, California
November 21, 2012

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, 2012. 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's assets exceeded its liabilities at year end by \$113,529,459 (net assets).
- The General Fund has a fund balance of \$14 million.
- The General Fund actual resources available for appropriation (revenue inflows and fund balance) exceeded final budget by \$354,764 while actual appropriations (outflows) were \$934,944 less than budget.
- On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 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. Upon dissolution, the City of Walnut and the Walnut Housing Authority elected to become the Successor Agencies for the Walnut Improvement Agency in accordance with the Bill.

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 assets presents information on all of the City of Walnut's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement 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 (government 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 Improvement Agency, 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.

During the year, per AB 1X 26, the Walnut Improvement Agency, a component unit of the City, 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 dissolution, the City of Walnut elected to become the Successor Agency for the former Walnut Improvement Agency and the remaining assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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 statements, governmental fund financial statements focus on near-term 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 evaluating a government's near-term financing requirements.

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

The City of Walnut maintains 22 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, four special revenue funds, one capital project fund and the WIA debt service fund (through February 1, 2012), 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 elsewhere in 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 the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Walnut's own programs. There are two fiduciary funds. Upon dissolution of the Walnut Improvement Agency effective February 1, 2012, the remaining balances of the assets and obligations were transferred to a private purpose trust fund, which will account for all the financial transactions of the dissolved redevelopment agency.

Notes to the financial statements. The notes provide additional information that is essential to 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.

Government-wide Financial Analysis

Our analysis focuses on the net assets and changes in net assets of the City's governmental activities.

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 37,804	\$ 41,127
Capital assets	<u>78,094</u>	<u>79,650</u>
Total assets	115,898	120,777
Long-term debt outstanding	583	31,951
Other liabilities	<u>1,786</u>	<u>2,633</u>
Total liabilities	2,369	34,584
Net assets:		
Invested in capital assets, net of debt	78,094	48,252
Restricted	14,388	13,095
Unrestricted	<u>21,047</u>	<u>24,846</u>
Total net assets	<u>\$ 113,529</u>	<u>\$ 86,193</u>

The City's net assets exceed liabilities by \$113,529,459. The increase in net assets of \$27,336,514 over last year is mainly due to the transfer of assets and obligations of the former Walnut Improvement Agency as well as changes as a result of operations as recorded in the Statement of Activities and reflected in the Statement of Net Assets. The following is an explanation of the major changes:

- Capital assets decreased \$1,555,694 net of depreciation. The decrease was attributed to the infrastructure, furniture, and equipment that were fully depreciated and retired during the year. The Temple Avenue reconstruction, speed feedback signs, flashing beacon, and bus shelter lighting are the capital assets completed during the year. The changes are as follows:

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

Buildings and Improvements	\$ (464)
Furniture and Equipment	(153)
Infrastructure	<u>(939)</u>
Capital asset net increase	<u>\$ (1,556)</u>

- The City of Walnut uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- Other assets decreased by \$3,323,212. Cash and investments were lower due to payments for Temple Avenue street reconstruction, sidewalk replacement project, Zen Center legal fees, election, July 4th fireworks, and Meadowpass Road mitigation expenses. Accounts receivable decreased because dog license revenues were received monthly instead of annually. Accrued interest receivable decreased due to the continued market decline. Deferred loans increased due to the five new loans processed during the year; however, notes and loans receivable increased \$1,955,626 due to the transfer of the SERAF loan to the Walnut Housing Authority, the Housing Successor Agency for the Low and Moderate Housing assets of the former Walnut Improvement Agency.

- Long-term debt outstanding decreased \$31,368,371 due to the long-term debt principal payments made during the year of \$1,935,000, recording amortization of bond discount/premium of \$41,963, other post-employment benefit obligation \$(52,322), and compensated absences \$22,391. In addition, the major decrease is due to the transfer of the former Walnut Improvement Agency balances on the long term debt principal of \$28,660,000 and the unamortized bond premium/discount of \$761,339, to the Successor Agency of the former Walnut Improvement Agency, which is accounted for as a private purpose trust fund.

Government Activities. Governmental activities increased the City of Walnut's net assets by \$27,336,514. Key elements of the changes are as follows:

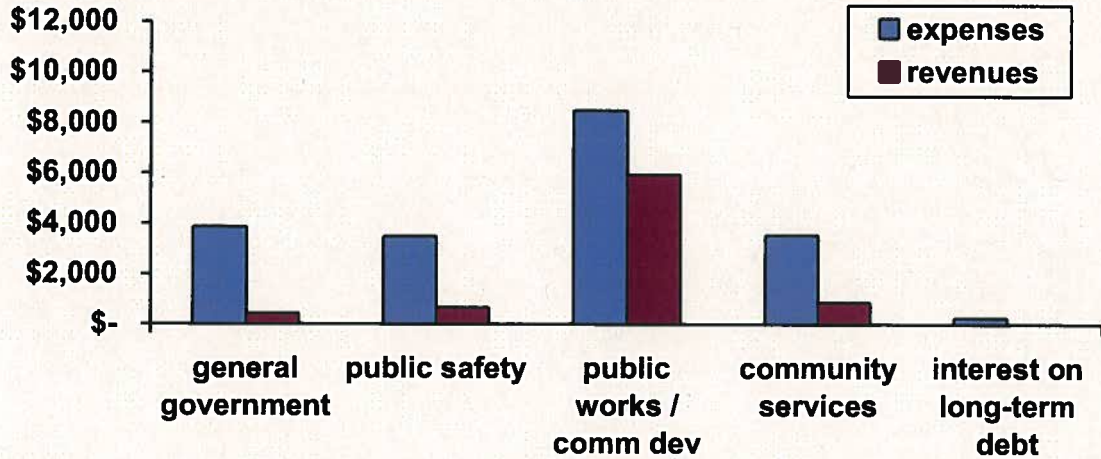
**City of Walnut Changes in Net Assets
(In Thousands)**

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$5,128	\$5,808
Operating contributions and grants	1,338	1,509
Capital contributions and grants	1,383	1,270
General Revenues:		
Taxes:		
Property taxes	9,347	9,108
Sales taxes	1,323	1,410
Franchise taxes	873	851
Business license taxes	103	101
Other taxes	286	304
Motor vehicle in lieu	26	185
Use of money and property	496	477
Other	78	14
Extraordinary gain/(loss) on dissolution of Walnut Improvement Agency	26,520	-
Total revenues	46,901	21,037
Expenses		
General government	3,851	3,346
Public Safety	3,465	3,593
Community development	1,879	2,549
Community services	3,540	3,540
Public works	6,575	6,652
Interest on long-term debt	255	1,558
Total expenses	19,565	21,238
Increase in net assets	\$27,336	(\$201)

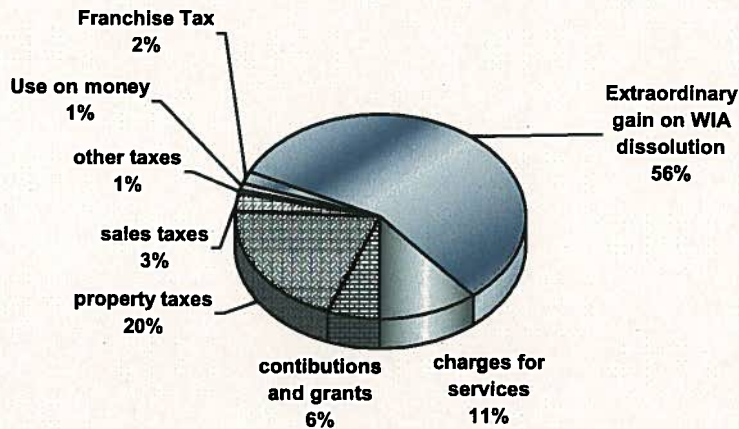
- The decrease of \$680,356 in charges for services is mainly due to the decrease in building and safety permits collected, since Three Oaks development was completed last year. In addition, code fines collected this year were lower as compared to the previous year. On the other hand, the creation of Zone 9 for the Three Oaks housing development provided increased revenues in the zones.

- The decrease of \$169,918 in operating contributions and grants is due to a decrease in revenues received from the Community Development Block Grant and Public Safety did not receive any one time grants this fiscal year.
- The capital contribution and grants increased by \$113,604 due to increased revenue received from Proposition A, Proposition R, and Proposition C during the year as compared to prior year. Several grants were received for the Temple Street reconstruction project and the grants came from the following agencies: The Department of Transportation (Caltrans) for the STPL grant, California Department of Resources Recycling (Cal-recycle) rubberized pavement grant program, and a one time contribution from Mount San Antonio College.
- Property tax increased by \$238,632 mainly due to the property tax collected from the new Three Oaks housing development and a slight increase in property values.
- Sales tax decreased by \$87,617 as a result of a decrease in gasoline sales, and retail sales.
- Motor vehicle in lieu decreased by \$158,533 as a result of the State of California's elimination of the motor vehicle license fees allocation.
- The increase of \$19,244 in use of money and property from last year is due to the higher revenue received on the telecommunication lease.
- Other revenues increased by \$64,198 due to the receipt of funds from the City of Lawndale for the exchange of CDBG funds for General funds as well as donation received from Goodwill and Walnut Women club for the Teen Center computer purchase.
- An extraordinary gain of \$26,520,101 was realized due to the transfer of Walnut Improvement Agency obligations after the dissolution of the redevelopment agency effective February 1, 2012
- The General government expenses increased by \$505,189 due to the municipal election held during the year, 4th of July celebration expenses, and Zen Center legal fees incurred during the year.
- The Community development operating expenses decreased by \$669,744 due to decrease in building and safety permits and inspection and the Community Development Block Grant expenses were lower due to no major improvement related expenses this year.
- The Public Works expenses decreased by \$77,609 mainly due to no slurry seal projects and the general street maintenance expenses decreased as well.
- Interest in long-term debt decreased by \$1,302,814 due to the Walnut Improvement Agency paid only seven months interest on the bonds and the remaining balance of interest due was transferred to the Successor Agency, who paid the remaining five months of interest on the bonds.

**City of Walnut Government Activities
Expenses and Program Revenues
(In Thousands)**



**City of Walnut Government Activities
Revenue by Source
(In Thousands)**



Financial Analysis of the City's Funds

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 balances 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 ending fund balances of \$35 million. Of this balance 35% are legally restricted to fund such areas as low and moderate housing projects, public safety, community services, and public works, 36% are committed to capital projects, other post employment benefits, disaster recovery, self-insurance and facility maintenance, 22% are assigned to Three Oaks Recreation Facility and maintenance and operations, 7% is reserved for notes and loans, advances to other funds, and prepaid cost, long term receivable and 0% is unassigned. These designations have been made to provide resources for the future.

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 \$14 million which is lower than last year due to legal expenses incurred on Zen Center litigation settlement.

The Capital Improvement Fund accounts for major capital outlay and infrastructure improvements for the City. The fund balance at the end of the year is \$7 million. Various projects completed were the Temple Street reconstruction, sidewalk replacements, and trail projects.

The WIA Debt Service Fund accounts for the payment of principal and interest on outstanding Redevelopment bonds. This represents the seven months of activities before the Walnut Improvement Agency was dissolved effective February 1, 2012.

General Fund Budgetary Highlights

The actual charges to appropriations for the General Fund at year end were \$934,944 less than the final budget. The budget to actual variance in appropriations was principally due to close control by management. Actual revenues compared favorably to the final budget with a \$354,764 excess. This positive variance was due to the increased revenues on property tax, developer contribution received from Standard Pacific for the construction of the community center, FEMA disaster reimbursement, and funds received from City of Lawndale for the CDBG exchange fund for general fund monies and increased revenues from recreation related programs. Budget amendments and supplemental appropriations were made during the year to increase appropriations for unanticipated expenditures after adoption of the original budget in the amount of \$1,200,240.

Capital Asset and Debt Administration

Capital Assets. At the end of the Fiscal Year 2012 the City had \$133 million invested in a broad range of capital assets, including land, buildings, infrastructure, and equipment. This amount represents a net increase of \$826,142 over last year. This increase is due to the addition of infrastructure assets and furniture and fixtures during the year.

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

	Government Activities	
	2012	2011
Land	\$ 10,873	\$ 10,873
Buildings and Improvements	14,881	15,344
Furniture and Equipment	882	1,035
Infrastructure	51,458	52,398
Totals	\$ 78,094	\$ 79,650

The City's five-year Capital Improvement Plan projects spending of \$15 million through fiscal year 2016-17. 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 Drive resurfacing, Kem way alley reconstruction, commercial street resurfacing, various street slurry seal projects, storm drain improvements and trail improvements.

Additional information on the capital assets can be found in note 4 on page 31-32 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 \$582,555. The Walnut Improvement Agency bonded debt of \$ 28,660,000 was transferred to the Successor Agency for the former Walnut Improvement Agency that was dissolved effective February 1, 2012.

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

	Government Activities	
	2012	2011
Tax allocation bonds	\$ -	\$ 30,595
OPEB Obligation	217	164
Accrued employee benefits	366	388
Totals	\$ 583	\$ 31,147

Additional information on long-term debt can be found in note 5 on page 32 of this report.

Economic Factors and Next Year's Budgets and Rates

The revenue and expenditure projections provided for the 2012-13 budget are 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 3% 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 decrease during fiscal year 2012-13 to reflect no large development within the City.

The assumptions used for forecasting expenditures included a projected increase of 2.1% 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's 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.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finance 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.

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CITY OF WALNUT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Cash and investments	\$ 32,629,719
Receivables:	
Accounts	376,974
Notes and loans	1,955,626
Accrued interest	39,135
Deferred loans	707,882
Prepaid costs	348,764
Due from other governments	1,191,987
Restricted assets:	
Cash with fiscal agent	554,000
Capital assets not being depreciated	10,873,076
Capital assets, net of depreciation	<u>67,221,419</u>
Total Assets	<u>115,898,582</u>
Liabilities:	
Accounts payable	678,391
Accrued liabilities	164,516
Unearned revenue	401,751
Due to other governments	541,910
Noncurrent liabilities:	
Due within one year	365,997
Due in more than one year	<u>216,558</u>
Total Liabilities	<u>2,369,123</u>
Net Assets:	
Invested in capital assets, net of related debt	78,094,495
Restricted for:	
Community development projects	12,032,149
Public safety	103,733
Community services	106,197
Public works	2,146,175
Unrestricted	<u>21,046,710</u>
Total Net Assets	<u>\$ 113,529,459</u>

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CITY OF WALNUT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Contributions and Grants		
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 3,850,781	\$ 343,681	\$ 73,901	\$ -	\$ (3,433,199)
Public safety	3,465,289	550,996	100,000	-	(2,814,293)
Community development	1,879,309	101,770	187,598	477,245	(1,112,696)
Community services	3,539,714	782,859	69,148	-	(2,687,707)
Public works	6,574,810	3,348,448	908,089	906,264	(1,412,009)
Interest on long-term debt	255,031	-	-	-	(255,031)
Total Governmental Activities	19,564,934	5,127,754	1,338,736	1,383,509	(11,714,935)
Total Primary Government	\$ 19,564,934	\$ 5,127,754	\$ 1,338,736	\$ 1,383,509	(11,714,935)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					9,347,081
Sales taxes					1,322,741
Franchise taxes					872,593
Business licenses taxes					102,540
Other taxes					285,819
Motor vehicle in lieu - unrestricted					25,938
Use of money and property					496,394
Other					78,242
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 11)					<u>26,520,101</u>
Total General Revenues and Extraordinary Items					<u>39,051,449</u>
Change in Net Assets					27,336,514
Net Assets at Beginning of Year					<u>86,192,945</u>
Net Assets at End of Year					<u>\$ 113,529,459</u>

CITY OF WALNUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Community Development Block Grant</u>	<u>LOSMD</u>
Assets:			
Pooled cash and investments	\$ 13,136,047	\$ -	\$ 1,157,844
Receivables:			
Accounts	275,212	-	-
Notes and loans	-	-	-
Accrued interest	33,828	-	-
Deferred loans	-	541,910	-
Prepaid costs	348,764	-	-
Due from other governments	772,745	36,737	89,644
Due from other funds	258,353	-	-
Advances to other funds	121,470	-	-
Restricted assets:			
Cash and investments with fiscal agents	554,000	-	-
Total Assets	<u>\$ 15,500,419</u>	<u>\$ 578,647</u>	<u>\$ 1,247,488</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 448,145	\$ 3,094	\$ 32,062
Accrued liabilities	160,560	-	-
Deferred revenues	340,817	-	-
Unearned revenues	334,921	-	-
Due to other governments	-	541,910	-
Due to other funds	-	33,643	-
Advances from other funds	-	-	121,470
Total Liabilities	<u>1,284,443</u>	<u>578,647</u>	<u>153,532</u>
Fund Balances:			
Nonspendable:			
Prepaid costs	348,764	-	-
Notes and loans	-	-	-
Advances to other funds	121,470	-	-
Long term receivable	95,948	-	-
Restricted for:			
Community development	-	-	-
Public safety	-	-	-
Community services	-	-	-
Public works	-	-	1,093,956
Committed to:			
Capital projects	-	-	-
Disaster recovery	1,000,000	-	-
Self-insurance	400,000	-	-
Other post-employment benefits	763,637	-	-
Facility maintenance	3,457,687	-	-
Assigned to:			
Community services	2,450,000	-	-
Maintenance and operations	5,489,465	-	-
Unassigned	89,005	-	-
Total Fund Balances	<u>14,215,976</u>	<u>-</u>	<u>1,093,956</u>
Total Liabilities and Fund Balances	<u>\$ 15,500,419</u>	<u>\$ 578,647</u>	<u>\$ 1,247,488</u>

CITY OF WALNUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds		Capital Projects Funds
	Walnut Housing Authority	LACMTA Exchange	Capital Improvement
Assets:			
Pooled cash and investments	\$ 8,881,924	\$ -	\$ 7,119,216
Receivables:			
Accounts	-	-	11,029
Notes and loans	1,955,626	-	-
Accrued interest	5,307	-	-
Deferred loans	165,972	-	-
Prepaid costs	-	-	-
Due from other governments	-	151,000	-
Due from other funds	-	-	-
Advances to other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 11,008,829	\$ 151,000	\$ 7,130,245
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 57,773
Accrued liabilities	-	-	-
Deferred revenues	-	151,000	-
Unearned revenues	-	-	-
Due to other governments	-	-	-
Due to other funds	30,417	151,000	-
Advances from other funds	-	-	-
Total Liabilities	30,417	302,000	57,773
Fund Balances:			
Nonspendable:			
Prepaid costs	-	-	-
Notes and loans	2,121,598	-	-
Advances to other funds	-	-	-
Long term receivable	-	-	-
Restricted for:			
Community development	8,856,814	-	-
Public safety	-	-	-
Community services	-	-	-
Public works	-	-	-
Committed to:			
Capital projects	-	-	7,072,472
Disaster recovery	-	-	-
Self-insurance	-	-	-
Other post-employment benefits	-	-	-
Facility maintenance	-	-	-
Assigned to:			
Community services	-	-	-
Maintenance and operations	-	-	-
Unassigned	-	(151,000)	-
Total Fund Balances	10,978,412	(151,000)	7,072,472
Total Liabilities and Fund Balances	\$ 11,008,829	\$ 151,000	\$ 7,130,245

CITY OF WALNUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Debt Service Funds		Total Governmental Funds
	WIA Debt Service	Other Governmental Funds	
Assets:			
Pooled cash and investments	\$ -	\$ 2,334,688	\$ 32,629,719
Receivables:			
Accounts	-	90,733	376,974
Notes and loans	-	-	1,955,626
Accrued interest	-	-	39,135
Deferred loans	-	-	707,882
Prepaid costs	-	-	348,764
Due from other governments	-	141,861	1,191,987
Due from other funds	-	-	258,353
Advances to other funds	-	-	121,470
Restricted assets:			
Cash and investments with fiscal agents	-	-	554,000
Total Assets	\$ -	\$ 2,567,282	\$ 38,183,910
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 137,317	\$ 678,391
Accrued liabilities	-	3,956	164,516
Deferred revenues	-	39,021	530,838
Unearned revenues	-	66,830	401,751
Due to other governments	-	-	541,910
Due to other funds	-	43,293	258,353
Advances from other funds	-	-	121,470
Total Liabilities	-	290,417	2,697,229
Fund Balances:			
Nonspendable:			
Prepaid costs	-	-	348,764
Notes and loans	-	-	2,121,598
Advances to other funds	-	-	121,470
Long term receivable	-	-	95,948
Restricted for:			
Community development	-	1,053,737	9,910,551
Public safety	-	103,733	103,733
Community services	-	106,197	106,197
Public works	-	1,052,219	2,146,175
Committed to:			
Capital projects	-	-	7,072,472
Disaster recovery	-	-	1,000,000
Self-insurance	-	-	400,000
Other post-employment benefits	-	-	763,637
Facility maintenance	-	-	3,457,687
Assigned to:			
Community services	-	-	2,450,000
Maintenance and operations	-	-	5,489,465
Unassigned	-	(39,021)	(101,016)
Total Fund Balances	-	2,276,865	35,486,681
Total Liabilities and Fund Balances	\$ -	\$ 2,567,282	\$ 38,183,910

CITY OF WALNUT

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds	\$ 35,486,681
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	78,094,495
Compensated absences have not been included in the governmental fund activity	(365,997)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(216,558)
Revenues reported as deferred 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>530,838</u>
Net assets of governmental activities	<u>\$ 113,529,459</u>

CITY OF WALNUT

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		
	General	Community Development Block Grant	LOSMD
Revenues:			
Taxes	\$ 7,948,178	\$ -	\$ -
Assessments	-	-	2,395,879
Licenses and permits	763,812	-	-
Intergovernmental	38,088	183,446	-
Charges for services	1,094,615	-	-
Use of money and property	385,067	-	-
Fines and forfeitures	160,637	-	-
Miscellaneous	465,257	-	-
Total Revenues	10,855,654	183,446	2,395,879
Expenditures:			
Current:			
General government	3,456,923	-	-
Public safety	3,340,604	-	-
Community development	949,247	183,446	-
Community services	3,036,556	-	-
Public works	1,077,593	-	1,790,116
Capital outlay	117,862	-	32,360
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	11,978,785	183,446	1,822,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,123,131)	-	573,403
Other Financing Sources (Uses):			
Transfers in	336,500	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	336,500	-	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	-	-	-
Net Change in Fund Balances	(786,631)	-	573,403
Fund Balances, Beginning of Year	15,002,607	-	520,553
Fund Balances, End of Year	\$ 14,215,976	\$ -	\$ 1,093,956

CITY OF WALNUT

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds		Capital Projects Funds
	Walnut Housing Authority	LACMTA Exchange	Capital Improvement
Revenues:			
Taxes	\$ -	\$ -	\$ -
Assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	70,328	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total Revenues	70,328	-	-
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	326,905	-	-
Community services	-	-	-
Public works	-	-	12,708
Capital outlay	-	151,000	566,436
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	326,905	151,000	579,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(256,577)	(151,000)	(579,144)
Other Financing Sources (Uses):			
Transfers in	5,899,913	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	5,899,913	-	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	1,955,626	-	-
Net Change in Fund Balances	7,598,962	(151,000)	(579,144)
Fund Balances, Beginning of Year	3,379,450	-	7,651,616
Fund Balances, End of Year	\$ 10,978,412	\$ (151,000)	\$ 7,072,472

CITY OF WALNUT

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>WIA Debt Service</u>		
Revenues:			
Taxes	\$ 3,925,000	\$ 75,000	\$ 11,948,178
Assessments	-	-	2,395,879
Licenses and permits	-	-	763,812
Intergovernmental	-	2,500,902	2,722,436
Charges for services	-	-	1,094,615
Use of money and property	(1,719)	42,718	496,394
Fines and forfeitures	-	252,218	412,855
Miscellaneous	-	131,213	596,470
Total Revenues	3,923,281	3,002,051	20,430,639
Expenditures:			
Current:			
General government	63,694	110,094	3,630,711
Public safety	-	95,567	3,436,171
Community development	-	419,711	1,879,309
Community services	-	69,148	3,105,704
Public works	-	856,623	3,737,040
Capital outlay	-	1,067,685	1,935,343
Debt service:			
Principal retirement	1,935,000	-	1,935,000
Interest and fiscal charges	776,240	-	776,240
Total Expenditures	2,774,934	2,618,828	20,435,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,148,347	383,223	(4,879)
Other Financing Sources (Uses):			
Transfers in	517,946	-	6,754,359
Transfers out	-	(6,754,359)	(6,754,359)
Total Other Financing Sources (Uses)	517,946	(6,754,359)	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	(2,008,837)	(2,154,089)	(2,207,300)
Net Change in Fund Balances	(342,544)	(8,525,225)	(2,212,179)
Fund Balances, Beginning of Year	342,544	10,802,090	37,698,860
Fund Balances, End of Year	\$ -	\$ 2,276,865	\$ 35,486,681

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, 2012**

Net change in fund balances - total governmental funds \$ (2,212,179)

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. (1,555,694)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of bond principal	\$ 1,935,000	
Amortization of bond discounts/premiums	<u>41,963</u>	1,976,963

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets. (38,248)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 517,494

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. 22,391

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. (52,322)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. (49,292)

Extraordinary gains and losses relating to capital assets and long term liabilities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Long-term liabilities	28,660,000	
Unamortized deferred charges	(693,938)	
Unamortized bond premiums/discounts	<u>761,339</u>	<u>28,727,401</u>

Change in net assets of governmental activities \$ 27,336,514

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,002,607	\$ 15,002,607	\$ 15,002,607	\$ -
Resources (Inflows):				
Taxes	7,333,000	7,333,000	7,948,178	615,178
Licenses and permits	568,550	568,550	763,812	195,262
Intergovernmental	130,290	160,090	38,088	(122,002)
Charges for services	1,006,500	1,006,500	1,094,615	88,115
Use of money and property	473,100	473,100	385,067	(88,033)
Fines and forfeitures	210,500	210,500	160,637	(49,863)
Miscellaneous	155,740	155,740	465,257	309,517
Transfers in	929,910	929,910	336,500	(593,410)
Amounts Available for Appropriation	25,810,197	25,839,997	26,194,761	354,764
Charges to Appropriation (Outflow):				
City council	200,056	208,633	206,629	2,004
City manager	264,410	268,410	268,225	185
Personnel	117,640	120,506	118,824	1,682
Risk management	249,685	353,623	353,623	-
City clerk	252,055	264,147	254,195	9,952
Elections	125,500	125,500	118,402	7,098
City treasurer	16,270	16,270	11,719	4,551
Finance	555,042	556,792	549,341	7,451
Computer services	580	-	-	-
City attorney	232,631	1,212,631	1,198,148	14,483
Administration	235,807	237,167	232,920	4,247
Community promotion	15,664	18,164	16,926	1,238
Family festival	40,000	40,000	34,258	5,742
Cable TV administration	92,180	94,766	93,713	1,053
Public safety administration	231,110	231,110	225,364	5,746
Business license enforcement	83,617	83,617	82,050	1,567
General law enforcement	2,860,746	2,794,998	2,740,181	54,817
Helicopter services	1,700	2,100	1,963	137
Crime prevention	125,520	125,520	120,242	5,278
Animal control	115,000	115,000	99,386	15,614
Emergency preparedness	40,360	40,360	30,547	9,813
Volunteers on patrol	700	700	80	620
Weed abatement	52,000	43,000	40,791	2,209
Hazard Mitigation	-	24,300	-	24,300
Planning	303,917	305,917	293,660	12,257
Code enforcement	119,872	112,222	108,582	3,640
Building and safety	281,395	281,395	342,824	(61,429)
Environmental	212,996	212,996	187,389	25,607
Economic Development	15,000	16,850	16,792	58
Recreation services	342,690	341,690	337,116	4,574
July 4 fireworks	-	40,000	27,302	12,698
Park maintenance	1,329,436	1,378,053	1,340,372	37,681
Equestrian trial maintenance	47,603	48,062	40,638	7,424
Special events	109,280	111,795	76,828	34,967
Aquatics	116,021	116,021	99,163	16,858

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Excursions	71,800	71,800	67,219	4,581
Sports & Gymnasium	507,940	490,369	461,649	28,720
Leisure classes	63,760	71,235	71,231	4
Senior citizens center	328,060	324,060	313,985	10,075
Teen Center	159,749	155,934	139,904	16,030
After school programs	68,400	68,400	61,149	7,251
Engineering and P.W.admin.	294,600	296,940	322,328	(25,388)
Street R-O-W maintenance	389,673	396,242	385,987	10,255
Building maintenance	332,710	340,341	339,478	863
Public works	-	29,800	29,800	-
Capital outlay	111,594	127,573	117,862	9,711
Transfers out	598,720	598,720	-	598,720
Total Charges to Appropriations	11,713,489	12,913,729	11,978,785	934,944
Budgetary Fund Balance, June 30	\$ 14,096,708	\$ 12,926,268	\$ 14,215,976	\$ 1,289,708

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2012**

	<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	224,370	224,370	183,446	(40,924)
Amounts Available for Appropriation	224,370	224,370	183,446	(40,924)
Charges to Appropriation (Outflow):				
Community development	267,792	267,792	183,446	84,346
Total Charges to Appropriations	267,792	267,792	183,446	84,346
Budgetary Fund Balance, June 30	\$ (43,422)	\$ (43,422)	\$ -	\$ 43,422

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
LOSMD
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 520,553	\$ 520,553	\$ 520,553	\$ -
Resources (Inflows):				
Assessments	3,060,680	3,060,680	2,395,879	(664,801)
Amounts Available for Appropriation	3,581,233	3,581,233	2,916,432	(664,801)
Charges to Appropriation (Outflow):				
Public works	1,819,850	1,846,499	1,790,116	56,383
Capital outlay	55,610	51,061	32,360	18,701
Total Charges to Appropriations	1,875,460	1,897,560	1,822,476	75,084
Budgetary Fund Balance, June 30	\$ 1,705,773	\$ 1,683,673	\$ 1,093,956	\$ (589,717)

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
WALNUT HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,379,450	\$ 3,379,450	\$ 3,379,450	\$ -
Resources (Inflows):				
Use of money and property	-	-	70,328	70,328
Transfers in	-	-	5,899,913	5,899,913
Extraordinary loss on dissolution of redevelopment agency	-	-	1,955,626	1,955,626
Amounts Available for Appropriation	3,379,450	3,379,450	11,305,317	7,925,867
Charges to Appropriation (Outflow):				
Community development	341,130	341,130	326,905	14,225
Total Charges to Appropriations	341,130	341,130	326,905	14,225
Budgetary Fund Balance, June 30	\$ 3,038,320	\$ 3,038,320	\$ 10,978,412	\$ 7,940,092

CITY OF WALNUT

**BUDGETARY COMPARISON STATEMENT
LACMTA EXCHANGE
YEAR ENDED JUNE 30, 2012**

	<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	\$ -	\$ -	\$ -	\$ -
Charges to Appropriation (Outflow):				
Capital outlay	195,000	381,000	151,000	230,000
Total Charges to Appropriations	195,000	381,000	151,000	230,000
Budgetary Fund Balance, June 30	\$ (195,000)	\$ (381,000)	\$ (151,000)	\$ 230,000

CITY OF WALNUT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Fund	Private Purpose Trust Fund Successor Agency of the Former RDA
Assets:		
Pooled cash and investments	\$ 510,103	\$ 598,548
Receivables:		
Accrued interest	-	1,685
Restricted assets:		
Cash and investments with fiscal agents	-	2,751,401
Deferred charges	-	666,615
Total Assets	\$ 510,103	4,018,249
Liabilities:		
Accounts payable	\$ 2,633	2,453.00
Accrued interest	-	490,934
Deposits payable	507,470	-
Long-term liabilities:		
Due in one year	-	2,015,000
Due on more than one year	-	29,331,992
Total Liabilities	\$ 510,103	31,840,379
Net Assets:		
Held in trust for other purposes		(27,822,130)
Total Net Assets		\$ (27,822,130)

CITY OF WALNUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Fund</u>
	<u>Successor Agency of the Former RDA</u>
Additions:	
Interest and change in fair value of investments	\$ 4,993
Total Additions	<u>4,993</u>
Deductions:	
Administrative expenses	818,530
Interest expense	488,284
Contractual services	208
Total Deductions	<u>1,307,022</u>
Extraordinary gain/(loss) on dissolution of improvement agency (Note 12)	<u>(26,520,101)</u>
Changes in Net Assets	(27,822,130)
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u>\$ (27,822,130)</u>

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CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 Improvement Agency
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 Improvement Agency was established on December 26, 1979, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Walnut. The improvement agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 10 for more information on the dissolution.

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 Improvement Agency, 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

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 Public Financing Authority are included within the Improvement Agency's funds, and 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. The Improvement Agency is a component unit of the City. 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. The specific criterion used in determining that the Improvement Agency is a component unit of the City is that the members of the City Council are the same as the members of the Improvement Agency's governing board and all administrative and operational matters are performed by the City's staff acting on behalf of the Improvement Agency. The activities of the Improvement Agency are included within the Capital Projects Fund and Debt Service Fund.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 are 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 Los Angeles County Metropolitan Transportation Authority (LACMTA) Exchanges accounts for the receipt of federal stimulus funds.
- The Capital Improvement Fund accounts for purchases of land, major capital outlay and infrastructure improvements.
- The Walnut Improvement Agency (WIA) Debt Service Fund accounts for the payment of principal and interest of bond indebtedness. It accounts for tax increment received by the Agency that is restricted for repayment of indebtedness.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

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.

e. Assets, Liabilities and Net Assets 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 fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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, 2012, 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.

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:

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

<u>Assets</u>	<u>Years</u>
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. 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.

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.

6. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

7. Fund Equity

The City Council adopts and amends committed fund balance amounts through a resolution or 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 assets of governmental activities as reported in 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 (\$1,555,694) difference is as follows:

Capital outlay	\$ 1,454,572
Depreciation expense	(2,999,334)
Loss on disposal of capital assets	<u>(10,932)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,555,694)</u>

g. Unearned Revenue

Revenues totaling \$334,921 which were received in the General Fund and \$66,830 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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.

A budgetary comparison schedule is not presented for the Park Improvement Special Revenue Fund as there was no legally adopted budget for the current fiscal year.

Budget Basis of Accounting

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

b. Excesses of Expenditures over Appropriations

Excesses of expenditures over appropriations in individual funds are as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Building and safety*	\$ 342,824	\$ 281,395	\$ 61,429
Engineering and PW*	322,328	296,940	25,388

*The excess of expenditures over appropriations were offset by increased revenues resulting from an increase in inspection activities during the current year.

c. Deficit Fund Balances

The following non-major funds had a fund balance deficit at June 30, 2012:

Non-major Governmental Funds:	
Special Revenue Funds	
State Park Grant	\$ (34,869)
Used Oil Recycling Grant	(4,152)

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 32,629,719
Cash with fiscal agent	554,000
Statement of Fiduciary Net Assets:	
Cash and investments	1,108,651
Cash with fiscal agent	2,751,401
	<hr/>
Total cash and investments	\$ 37,043,771
	<hr/>

Cash and investments as of June 30, 2012, consists of the following:

Cash on hand	\$ 639,765
Deposits with financial institutions	3,305,401
Investments	33,098,605
	<hr/>
Total cash and investments	\$ 37,043,771
	<hr/>

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.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporary covered by this provision.

Cash Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$639,765, and the bank balance was \$1,128,533. The \$488,768 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

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.

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 to ratings issued by nationally recognized statistical rating organizations. As of June 30, 2012, 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, 2012, 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, 2012, 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, 2012, 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	\$5,049,569	14%

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, 2012

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, 2012, 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	\$ -	\$ -	\$ 1,022,280	\$ 4,027,289	\$ 5,049,569
Federal Farm Credit Bank	-	-	-	1,000,961	1,000,961
Fannie Mae	-	-	-	1,003,229	1,003,229
Los Angeles County Investment Pool	9,350,113	-	-	-	9,350,113
California Local Agency Investment Fund	16,694,733	-	-	-	16,694,733
Cash with Fiscal Agents:					
Federal Home Loan Bank	-	-	-	554,000	554,000
Money Market	2,751,401	-	-	-	2,751,401
	<u>\$ 28,796,247</u>	<u>\$ -</u>	<u>\$ 1,022,280</u>	<u>\$ 6,585,479</u>	<u>\$ 36,404,006</u>

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012, 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	\$ -	\$ -	\$ -	\$ 10,873,076
Total Capital Assets, Not Being Depreciated	10,873,076	-	10,873,076	-	-	-	10,873,076
Capital assets, being depreciated:							
Buildings and improvements	20,922,724	-	20,922,724	54,918	-	-	20,977,642
Furniture, fixtures and equipment	4,072,615	-	4,072,615	81,243	73,179	-	4,080,679
Infrastructure	96,361,378	(129,687) *	96,231,691	1,318,411	425,564	-	97,124,538
Total Capital Assets, Being Depreciated	121,356,717	(129,687)	121,227,030	1,454,572	498,743	-	122,182,859
Less accumulated depreciation:							
Buildings and improvements	5,578,450	-	5,578,450	518,640	-	-	6,097,090
Furniture, fixtures and equipment	3,037,547	-	3,037,547	223,003	62,247	-	3,198,303
Infrastructure	43,963,607	(129,687) *	43,833,920	2,257,691	425,564	-	45,666,047
Total Accumulated Depreciation	52,579,604	(129,687)	52,449,917	2,999,334	487,811	-	54,961,440
Total Capital Assets, Being Depreciated, Net	68,777,113	-	68,777,113	(1,544,762)	10,932	-	67,221,419
Governmental Activities Capital Assets, Net	\$ 79,650,189	\$ -	\$ 79,650,189	\$ (1,544,762)	\$ 10,932	\$ -	\$ 78,094,495

*The adjustment relates to an infrastructure valuation.

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

Governmental Activities:	
General government	\$ 185,648
Public works	2,366,139
Public safety	13,537
Community services	434,010
Total Depreciation Expense - Governmental Activities	\$ 2,999,334

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets (Continued)

A summary of capital assets by sources follows:

General Fund	\$ 90,947,563
Gas Tax	21,453
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	22,219,648
Park Grants Fund	695,020
LLEBG	83,546
Recycling Grant	40,265
Cable TV Education Fund	76,666
Walnut Housing Authority	<u>14,867,271</u>
Total Investment in Capital Assets	<u>\$ 133,055,935</u>

Note 5: Long-Term Debt

Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance July 1, 2011	Additions	Deletions	Transferred to Successor Agency *	Ending Balance June 30, 2012	Due Within One Year
Governmental Activities:						
Tax Allocation Refunding Bonds, Series 1999A	\$ 10,840,000	\$ -	\$ 760,000	\$ (10,080,000)	\$ -	\$ -
Tax Allocation Revenue Bonds, Series 2002	19,755,000	-	1,175,000	(18,580,000)	-	-
OPEB Obligation	164,236	52,322		-	216,558	-
Accrued employee benefits	<u>388,388</u>	<u>281,673</u>	<u>304,064</u>	<u>-</u>	<u>365,997</u>	<u>365,997</u>
Total	<u>\$ 31,147,624</u>	<u>\$ 333,995</u>	<u>\$ 2,239,064</u>	<u>\$ (28,660,000)</u>	<u>\$ 582,555</u>	<u>\$ 365,997</u>

* As a result of the dissolution of the redevelopment agency, indebtedness of the former redevelopment agency was transferred to the Successor Agency. See Note 11 for disclosures for indebtedness.

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, 2012

IV. OTHER DISCLOSURES

Note 6: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Funds	Due From Other Funds	
	General Fund	Total
Due To Other Funds:		
CDBG	\$ 33,643	\$ 33,643
Walnut Housing Authority	30,417	30,417
LACMTA Exchange	151,000	151,000
Nonmajor Funds	43,293	43,293
Total	\$ 258,353	\$ 258,353

The due to the General Fund of \$258,353 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	
	Funds	Total
Transfers In:		
General	\$ 336,500	\$ 336,500
Walnut Housing Authority	5,899,913	5,899,913
WIA Debt Service	517,946	517,946
Total	\$ 6,754,359	\$ 6,754,359

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.

CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 6: Interfund Receivable, Payable and Transfers (Continued)

Funds	Advances From Other Funds	Total
	LOSMD	
Advances To Other Funds:		
General	\$ 121,470	\$ 121,470
Total	\$ 121,470	\$ 121,470

The purpose of the \$121,470 advance from the General Fund is to fund various expenditures in the LOSMD Fund.

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 11.751% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2012, the City's annual pension cost of \$342,535 for PERS 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 remaining amortization period at June 30, 2012 was 18 years for miscellaneous employees.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7: Pension Plan (Continued)

Fiscal Year	(Amounts in Thousands)	
	Required Contributions	Percentage Contributed
6/30/2010	\$ 303	100 %
6/30/2011	313	100 %
6/30/2012	343	100 %

For fiscal years 2003-2012, 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 \$22.40 and for active employees is \$108. Currently, the City has four retirees 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 \$763,637 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. 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.

CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 8: Postemployment Benefits (Continued)

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	8,212
Adjustment to ARC	<u>(5,866)</u>
Annual OPEB cost	52,714
Contributions	<u>392</u>
Increase (Decrease) in net OPEB obligation	52,322
Net OPEB obligation (asset) June 30, 2011	<u>164,236</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>\$ 216,558</u></u>

Annual OPEB Costs and Net OPEB Obligation (Asset)

For fiscal year 2011-2012, the City's annual OPEB cost (expense) was \$52,714. 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)
6/30/10	\$ 54,782	\$ -	0%	\$ 108,666
6/30/11	55,570	-	0%	164,236
6/30/12	52,714	392	0%	216,558

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, 2012**

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, 2012, was 26 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 123 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Risk Management (Continued)

b. Self-Insurance Programs of the Authority

Each member pays an annual contribution (formerly called the primary deposit) 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 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. 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. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (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 \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 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

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Risk Management (Continued)

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 \$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 \$27,203,640. 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 2011-12.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Risk Management (Continued)

The CJPIA has published its own financial report for the year ended June 30, 2012, which can be obtained from California Joint Powers Insurance Authority, La Palma, California.

Note 10: California Redevelopment Agency Dissolution

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB 1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB 1X 26 dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB 1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB 1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in *California Redevelopment Association v. Matosantos*. The court upheld AB 1X 26 which dissolves redevelopment agencies, but invalidated in its entirety AB 1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB 1X 26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The full text of AB 1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

As of January 31, 2012, the Redevelopment Agency has been dissolved and the City of Walnut has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

Note 11: 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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

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.

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.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

Total extraordinary loss reported in the governmental funds - increase to net assets of the Succesory Agency Trust Fund	\$ 2,207,300
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(28,727,401)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (26,520,101)</u>

a. Cash and investments

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

Cash and investments pooled with the City	\$ 598,548
Cash and investments with fiscal agent	<u>2,751,401</u>
	<u>\$ 3,349,949</u>

b. Long-term Debt

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance July 1, 2011	Transferred from the former RDA	Additions	Deletions	Ending Balance June 30, 2012	Due Within One Year
Fiduciary Activities:						
Tax Allocation Refunding Bonds, Series 1999A	\$ -	\$ 10,080,000	\$ -	\$ -	\$ 10,080,000	\$ 1,225,000
Tax Allocation Revenue Bonds, Series 2002	-	18,580,000	-	-	18,580,000	790,000
SERAF Loan	-	1,955,626	-	-	1,955,626	-
Unamortized Bond premiums/discounts	-	<u>761,339</u>	-	<u>29,973</u>	<u>731,366</u>	-
Total	<u>\$ -</u>	<u>\$ 31,376,965</u>	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 31,346,992</u>	<u>\$ 2,015,000</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, 2012 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.

CITY OF WALNUT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 11: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

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.

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. Supplemental Education Revenue Augmentation Fund (SERAF) Loan

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). In order to make this payment advances totaling \$1,955,626 were made from the Low and Moderate Housing fund to the Tax Increment Fund of the former Redevelopment Agency. The amounts advanced were \$333,617 for fiscal year 2010-2011 and \$1,622,009 for fiscal year 2009-2010. This liability was transferred to the Successor Agency upon dissolution of the improvement agency.

iv. 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
2013	\$ 790,000	\$ 464,653	\$ 1,225,000	\$ 957,847	\$ 2,015,000	\$ 1,422,500
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
2018-2022	4,765,000	831,006	9,465,000	1,975,709	14,230,000	2,806,715
2023-2027	1,000,000	25,000	2,305,000	61,947	3,305,000	86,947
Total	<u>\$ 10,080,000</u>	<u>\$ 2,794,699</u>	<u>\$ 18,580,000</u>	<u>\$ 6,113,697</u>	<u>\$ 28,660,000</u>	<u>\$ 8,908,396</u>

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

v. 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 \$37,568,396 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$4,000,000 and the debt service obligation on the bonds was \$3,447,642.

vi. 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, 2012</u>
Walnut Improvement Agency 1984 Commercial Revenue Bond	\$2,100,000	\$746,407

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.

CITY OF WALNUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

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. Commitments and Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

f. Subsequent Events

Assembly Bill 1484 Due Diligence Review

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report the payment in July 2012 was made in the amount of \$0, the Low-Moderate Income Housing Due Diligence Review currently resulted in an amount due of \$0 and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0, neither of which have been confirmed by the Department of Finance.

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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 **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.

The **Cable TV Education Fund** accounts for franchise and other fees designated for Cable TV.

The **Proposition R Fund** accounts for the city's portion of the 1/2 cent sales tax approved during the November 2008 election in Los Angeles County for transportation projects.

The **Federal Stimulus Fund** accounts for the federal monies received from ARRA (American Recovery and Reinvestment Act of 2009) through the California Energy Efficiency and Conservation Block Grant (EECBG) to be used for authorized projects.

The **WIA Project Fund** account for financial resources segregated for the acquisition of major capital facilities or projects and administrative costs. It also accounts for the financial resources segregated for the purposes of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs pursuant to Section 33670 of the Health and safety Code. It accounts for the prior seven months activities of the Walnut Improvement Agency before dissolution effective 02/01/12 as per AB1X26 of the State of California.

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Traffic Safety	Park Improvement	COPS
Assets:				
Pooled cash and investments	\$ 557,577	\$ -	\$ 5,143	\$ 110,408
Receivables:				
Accounts	-	14,612	-	-
Due from other governments	93,640	-	-	-
Total Assets	\$ 651,217	\$ 14,612	\$ 5,143	\$ 110,408
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 7,175	\$ 2,204	\$ -	\$ 6,675
Accrued liabilities	-	766	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	11,642	-	-
Total Liabilities	7,175	14,612	-	6,675
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	103,733
Community services	-	-	5,143	-
Public works	644,042	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	644,042	-	5,143	103,733
Total Liabilities and Fund Balances	\$ 651,217	\$ 14,612	\$ 5,143	\$ 110,408

CITY OF WALNUT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Air Quality Improvements	Waste Management Administration	Proposition C	Proposition A
Assets:				
Pooled cash and investments	\$ 115,503	\$ 15,000	\$ 460,292	\$ 172,472
Receivables:				
Accounts	-	35,000	34,421	-
Due from other governments	9,200	-	-	-
Total Assets	\$ 124,703	\$ 50,000	\$ 494,713	\$ 172,472
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 495	\$ -	\$ 84,233	\$ 33,017
Accrued liabilities	-	-	2,303	887
Deferred revenues	-	-	-	-
Unearned revenues	-	50,000	-	-
Due to other funds	-	-	-	-
Total Liabilities	495	50,000	86,536	33,904
Fund Balances:				
Restricted for:				
Community development	124,208	-	-	138,568
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	408,177	-
Unassigned	-	-	-	-
Total Fund Balances	124,208	-	408,177	138,568
Total Liabilities and Fund Balances	\$ 124,703	\$ 50,000	\$ 494,713	\$ 172,472

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>State Park Grant</u>	<u>Used Oil Recycling Grant</u>	<u>General Recycling Grant</u>	<u>Cable TV Education</u>
Assets:				
Pooled cash and investments	\$ -	\$ 4,776	\$ 8,202	\$ 94,354
Receivables:				
Accounts	-	-	-	6,700
Due from other governments	34,869	4,152	-	-
Total Assets	<u>\$ 34,869</u>	<u>\$ 8,928</u>	<u>\$ 8,202</u>	<u>\$ 101,054</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,218	\$ 300	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	34,869	4,152	-	-
Unearned revenues	-	8,628	8,202	-
Due to other funds	31,651	-	-	-
Total Liabilities	<u>69,738</u>	<u>13,080</u>	<u>8,202</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	101,054
Public works	-	-	-	-
Unassigned	<u>(34,869)</u>	<u>(4,152)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(34,869)</u>	<u>(4,152)</u>	<u>-</u>	<u>101,054</u>
Total Liabilities and Fund Balances	<u>\$ 34,869</u>	<u>\$ 8,928</u>	<u>\$ 8,202</u>	<u>\$ 101,054</u>

CITY OF WALNUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>Proposition "R"</u>	<u>Federal Stimulus</u>	<u>WIA Project</u>	
Assets:				
Pooled cash and investments	\$ 790,961	\$ -	\$ -	\$ 2,334,688
Receivables:				
Accounts	-	-	-	90,733
Due from other governments	-	-	-	141,861
Total Assets	\$ 790,961	\$ -	\$ -	\$ 2,567,282
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 137,317
Accrued liabilities	-	-	-	3,956
Deferred revenues	-	-	-	39,021
Unearned revenues	-	-	-	66,830
Due to other funds	-	-	-	43,293
Total Liabilities	-	-	-	290,417
Fund Balances:				
Restricted for:				
Community development	790,961	-	-	1,053,737
Public safety	-	-	-	103,733
Community services	-	-	-	106,197
Public works	-	-	-	1,052,219
Unassigned	-	-	-	(39,021)
Total Fund Balances	790,961	-	-	2,276,865
Total Liabilities and Fund Balances	\$ 790,961	\$ -	\$ -	\$ 2,567,282

CITY OF WALNUT

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Park Improvement</u>	<u>COPS</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	908,089	-	-	100,000
Use of money and property	6,437	-	-	1,447
Fines and forfeitures	-	252,218	-	-
Miscellaneous	-	-	-	-
Total Revenues	914,526	252,218	-	101,447
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	46,931	-	48,636
Community development	-	-	-	-
Community services	-	-	-	-
Public works	640,481	-	-	-
Capital outlay	-	-	27,500	-
Total Expenditures	640,481	46,931	27,500	48,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	274,045	205,287	(27,500)	52,811
Other Financing Sources (Uses):				
Transfers out	-	(205,287)	-	-
Total Other Financing Sources (Uses)	-	(205,287)	-	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	-	-	-	-
Net Change in Fund Balances	274,045	-	(27,500)	52,811
Fund Balances, Beginning of Year	369,997	-	32,643	50,922
Fund Balances, End of Year	\$ 644,042	\$ -	\$ 5,143	\$ 103,733

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Air Quality Improvements	Waste Management Administration	Proposition C	Proposition A
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	35,399	-	430,488	477,245
Use of money and property	1,456	-	12,538	2,183
Fines and forfeitures	-	-	-	-
Miscellaneous	-	131,213	-	-
Total Revenues	36,855	131,213	443,026	479,428
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	7,544	-	-	397,727
Community services	-	-	-	-
Public works	-	-	216,142	-
Capital outlay	-	-	1,007,042	-
Total Expenditures	7,544	-	1,223,184	397,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,311	131,213	(780,158)	81,701
Other Financing Sources (Uses):				
Transfers out	-	(131,213)	-	-
Total Other Financing Sources (Uses)	-	(131,213)	-	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	-	-	-	-
Net Change in Fund Balances	29,311	-	(780,158)	81,701
Fund Balances, Beginning of Year	94,897	-	1,188,335	56,867
Fund Balances, End of Year	\$ 124,208	\$ -	\$ 408,177	\$ 138,568

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	State Park Grant	Used Oil Recycling Grant	General Recycling Grant	Cable TV Education
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	34,279	10,288	8,828	29,056
Use of money and property	-	-	-	1,170
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	34,279	10,288	8,828	30,226
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	14,440	-	-
Community services	69,148	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	8,828	24,315
Total Expenditures	69,148	14,440	8,828	24,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,869)	(4,152)	-	5,911
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	-	-	-	-
Net Change in Fund Balances	(34,869)	(4,152)	-	5,911
Fund Balances, Beginning of Year	-	-	-	95,143
Fund Balances, End of Year	\$ (34,869)	\$ (4,152)	\$ -	\$ 101,054

CITY OF WALNUT

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		Capital Projects Funds	Total Governmental Funds
	Proposition "R"	Federal Stimulus	WIA Project	
Revenues:				
Taxes	\$ -	\$ -	\$ 75,000	\$ 75,000
Intergovernmental	294,976	172,254	-	2,500,902
Use of money and property	9,688	-	7,799	42,718
Fines and forfeitures	-	-	-	252,218
Miscellaneous	-	-	-	131,213
Total Revenues	304,664	172,254	82,799	3,002,051
Expenditures:				
Current:				
General government	-	-	110,094	110,094
Public safety	-	-	-	95,567
Community development	-	-	-	419,711
Community services	-	-	-	69,148
Public works	-	-	-	856,623
Capital outlay	-	-	-	1,067,685
Total Expenditures	-	-	110,094	2,618,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	304,664	172,254	(27,295)	383,223
Other Financing Sources (Uses):				
Transfers out	-	-	(6,417,859)	(6,754,359)
Total Other Financing Sources (Uses)	-	-	(6,417,859)	(6,754,359)
Extraordinary gain/(loss) on dissolution of improvement agency (Note 11)	-	-	(2,154,089)	(2,154,089)
Net Change in Fund Balances	304,664	172,254	(8,599,243)	(8,525,225)
Fund Balances, Beginning of Year	486,297	(172,254)	8,599,243	10,802,090
Fund Balances, End of Year	\$ 790,961	\$ -	\$ -	\$ 2,276,865

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 369,997	\$ 369,997	\$ 369,997	\$ -
Resources (Inflows):				
Intergovernmental	763,220	763,220	908,089	144,869
Use of money and property	400	400	6,437	6,037
Amounts Available for Appropriation	1,133,617	1,133,617	1,284,523	150,906
Charges to Appropriation (Outflow):				
Public works	721,290	721,290	640,481	80,809
Total Charges to Appropriations	721,290	721,290	640,481	80,809
Budgetary Fund Balance, June 30	\$ 412,327	\$ 412,327	\$ 644,042	\$ 231,715

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2012**

	<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	300,000	300,000	252,218	(47,782)
Amounts Available for Appropriation	300,000	300,000	252,218	(47,782)
Charges to Appropriation (Outflow):				
Public safety	50,810	50,810	46,931	3,879
Transfers out	249,190	249,190	205,287	43,903
Total Charges to Appropriations	300,000	300,000	252,218	47,782
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
PARK IMPROVEMENT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 32,643	\$ 32,643	\$ 32,643	\$ -
Resources (Inflows):				
Amounts Available for Appropriation	32,643	32,643	32,643	-
Charges to Appropriation (Outflow):				
Capital outlay	27,500	27,500	27,500	-
Total Charges to Appropriations	27,500	27,500	27,500	-
Budgetary Fund Balance, June 30	\$ 5,143	\$ 5,143	\$ 5,143	\$ -

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
COPS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 50,922	\$ 50,922	\$ 50,922	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	1,447	1,447
Amounts Available for Appropriation	150,922	150,922	152,369	1,447
Charges to Appropriation (Outflow):				
Public safety	99,980	99,980	48,636	51,344
Total Charges to Appropriations	99,980	99,980	48,636	51,344
Budgetary Fund Balance, June 30	\$ 50,942	\$ 50,942	\$ 103,733	\$ 52,791

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENTS
YEAR ENDED JUNE 30, 2012**

	<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	\$ 94,897	\$ 94,897	\$ 94,897	\$ -
Resources (Inflows):				
Intergovernmental	36,900	36,900	35,399	(1,501)
Use of money and property	100	100	1,456	1,356
Amounts Available for Appropriation	131,897	131,897	131,752	(145)
Charges to Appropriation (Outflow):				
Community development	15,100	15,100	7,544	7,556
Total Charges to Appropriations	15,100	15,100	7,544	7,556
Budgetary Fund Balance, June 30	\$ 116,797	\$ 116,797	\$ 124,208	\$ 7,411

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT ADMINISTRATION
YEAR ENDED JUNE 30, 2012**

	<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):				
Miscellaneous	82,000	82,000	131,213	49,213
Amounts Available for Appropriation	82,000	82,000	131,213	49,213
Charges to Appropriation (Outflow):				
Transfers out	82,000	82,000	131,213	(49,213)
Total Charges to Appropriations	82,000	82,000	131,213	(49,213)
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,188,335	\$ 1,188,335	\$ 1,188,335	\$ -
Resources (Inflows):				
Intergovernmental	363,000	363,000	430,488	67,488
Use of money and property	10,000	10,000	12,538	2,538
Amounts Available for Appropriation	1,561,335	1,561,335	1,631,361	70,026
Charges to Appropriation (Outflow):				
Public works	191,820	236,070	216,142	19,928
Capital outlay	1,217,000	1,217,000	1,007,042	209,958
Total Charges to Appropriations	1,408,820	1,453,070	1,223,184	229,886
Budgetary Fund Balance, June 30	\$ 152,515	\$ 108,265	\$ 408,177	\$ 299,912

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 56,867	\$ 56,867	\$ 56,867	\$ -
Resources (Inflows):				
Intergovernmental	437,000	437,000	477,245	40,245
Use of money and property	7,000	7,000	2,183	(4,817)
Amounts Available for Appropriation	500,867	500,867	536,295	35,428
Charges to Appropriation (Outflow):				
Community development	394,260	398,260	397,727	533
Total Charges to Appropriations	394,260	398,260	397,727	533
Budgetary Fund Balance, June 30	\$ 106,607	\$ 102,607	\$ 138,568	\$ 35,961

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
STATE PARK GRANT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	70,000	70,000	34,279	(35,721)
Amounts Available for Appropriation	70,000	70,000	34,279	(35,721)
Charges to Appropriation (Outflow):				
Community services	75,000	75,000	69,148	5,852
Total Charges to Appropriations	75,000	75,000	69,148	5,852
Budgetary Fund Balance, June 30	\$ (5,000)	\$ (5,000)	\$ (34,869)	\$ (29,869)

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
USED OIL RECYCLING GRANT
YEAR ENDED JUNE 30, 2012**

	<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	7,560	7,560	10,288	2,728
Amounts Available for Appropriation	7,560	7,560	10,288	2,728
Charges to Appropriation (Outflow):				
Community development	13,952	14,440	14,440	-
Total Charges to Appropriations	13,952	14,440	14,440	-
Budgetary Fund Balance, June 30	\$ (6,392)	\$ (6,880)	\$ (4,152)	\$ 2,728

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
GENERAL RECYCLING GRANT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	-	8,828	8,828
Amounts Available for Appropriation	-	-	8,828	8,828
Charges to Appropriation (Outflow):				
Capital outlay	8,828	8,828	8,828	-
Total Charges to Appropriations	8,828	8,828	8,828	-
Budgetary Fund Balance, June 30	\$ (8,828)	\$ (8,828)	\$ -	\$ 8,828

CITY OF WALNUT

BUDGETARY COMPARISON SCHEDULE
 CABLE TV EDUCATION
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 95,143	\$ 95,143	\$ 95,143	\$ -
Resources (Inflows):				
Intergovernmental	31,000	31,000	29,056	(1,944)
Use of money and property	500	500	1,170	670
Amounts Available for Appropriation	126,643	126,643	125,369	(1,274)
Charges to Appropriation (Outflow):				
Capital outlay	53,959	53,959	24,315	29,644
Total Charges to Appropriations	53,959	53,959	24,315	29,644
Budgetary Fund Balance, June 30	\$ 72,684	\$ 72,684	\$ 101,054	\$ 28,370

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION "R"
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 486,297	\$ 486,297	\$ 486,297	\$ -
Resources (Inflows):				
Intergovernmental	272,000	272,000	294,976	22,976
Use of money and property	1,500	1,500	9,688	8,188
Amounts Available for Appropriation	759,797	759,797	790,961	31,164
Charges to Appropriation (Outflow):				
Public works	694,250	650,000	-	650,000
Total Charges to Appropriations	694,250	650,000	-	650,000
Budgetary Fund Balance, June 30	\$ 65,547	\$ 109,797	\$ 790,961	\$ 681,164

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
FEDERAL STIMULUS
YEAR ENDED JUNE 30, 2012**

	<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	\$ (172,254)	\$ (172,254)	\$ (172,254)	\$ -
Resources (Inflows):				
Intergovernmental	195,000	195,000	172,254	(22,746)
Amounts Available for Appropriation	<u>22,746</u>	<u>22,746</u>	<u>-</u>	<u>(22,746)</u>
Budgetary Fund Balance, June 30	<u>\$ 22,746</u>	<u>\$ 22,746</u>	<u>\$ -</u>	<u>\$ (22,746)</u>

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2012**

	<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	\$ 7,651,616	\$ 7,651,616	\$ 7,651,616	\$ -
Resources (Inflows):				
Miscellaneous	6,000	6,000	-	(6,000)
Amounts Available for Appropriation	7,657,616	7,657,616	7,651,616	(6,000)
Charges to Appropriation (Outflow):				
Capital outlay	640,603	749,953	566,436	183,517
Total Charges to Appropriations	653,311	762,661	579,144	183,517
Budgetary Fund Balance, June 30	\$ 7,004,305	\$ 6,894,955	\$ 7,072,472	\$ 177,517

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
WIA PROJECT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,599,243	\$ 8,599,243	\$ 8,599,243	\$ -
Resources (Inflows):				
Taxes	75,000	75,000	75,000	-
Use of money and property	-	-	7,799	7,799
Amounts Available for Appropriation	8,674,243	8,674,243	8,682,042	7,799
Charges to Appropriation (Outflow):				
General government	114,188	114,188	110,094	4,094
Transfers out	-	-	6,417,859	(6,417,859)
Extraordinary loss on dissolution of redevelopment agency	-	-	2,154,089	-
Total Charges to Appropriations	114,188	114,188	8,682,042	(6,413,765)
Budgetary Fund Balance, June 30	\$ 8,560,055	\$ 8,560,055	\$ -	\$ (6,405,966)

CITY OF WALNUT

**BUDGETARY COMPARISON SCHEDULE
WIA DEBT SERVICE
YEAR ENDED JUNE 30, 2012**

	<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	\$ 342,544	\$ 342,544	\$ 342,544	\$ -
Resources (Inflows):				
Taxes	3,125,000	3,125,000	3,925,000	800,000
Use of money and property	10,000	10,000	(1,719)	(11,719)
Transfers in	-	-	517,946	517,946
Amounts Available for Appropriation	3,477,544	3,477,544	4,783,771	1,306,227
Charges to Appropriation (Outflow):				
General government	74,450	74,450	63,694	10,756
Debt service:				
Principal retirement	1,935,000	1,935,000	1,935,000	-
Interest and fiscal charges	1,512,642	1,512,642	776,240	736,402
Transfers out	-	-	-	-
Extraordinary loss on dissolution of redevelopment agency	-	-	2,008,837	-
Total Charges to Appropriations	3,522,092	3,522,092	4,783,771	747,158
Budgetary Fund Balance, June 30	\$ (44,548)	\$ (44,548)	\$ -	\$ 2,053,385

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 BALANCE SHEET
TRUST AND AGENCY FUND
JUNE 30, 2012**

	Trust and Agency
Assets:	
Pooled cash and investments	<u>\$ 510,103</u>
Total Assets	<u>\$ 510,103</u>
Accounts payable	\$ 2,633
Deposits payable	<u>507,470</u>
Total Liabilities	<u>\$ 510,103</u>

CITY OF WALNUT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 TRUST AND AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Trust and Agency</u>				
Assets:				
Pooled cash and investments	\$ 590,810	\$ 49,162	\$ 129,869	\$ 510,103
Receivables:				
Accounts	210	1,130	1,340	-
Total Assets	<u>\$ 591,020</u>	<u>\$ 50,292</u>	<u>\$ 131,209</u>	<u>\$ 510,103</u>
Liabilities:				
Accounts payable	\$ 1,200	\$ 118,831	\$ 117,398	\$ 2,633
Deposits payable	589,820	46,319	128,669	507,470
Total Liabilities	<u>\$ 591,020</u>	<u>\$ 165,150</u>	<u>\$ 246,067</u>	<u>\$ 510,103</u>

CITY OF WALNUT

Statistical Section

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CITY OF WALNUT

Net Assets by Component

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	2003	2004	2005	2006
Governmental Activities:				
Invested in capital assets, net of related debt ¹	62,440,235	63,005,008	62,081,438	35,902,801
Restricted	7,161,920	5,615,615	6,428,428	9,267,306
Unrestricted	6,980,822	5,794,747	8,052,317	32,432,673
Total governmental activities net assets	76,582,977	74,415,370	76,562,183	77,602,780
Primary government:				
Invested in capital assets, net of related debt	62,440,235	63,005,008	62,081,438	35,902,801
Restricted	7,161,920	5,615,615	6,428,428	9,267,306
Unrestricted	6,980,822	5,794,747	8,052,317	32,432,673
Total primary government net assets	76,582,977	74,415,370	76,562,183	77,602,780

¹Per 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.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
34,921,027	36,798,039	38,410,650	42,601,776	48,251,887	78,094,495
18,036,990	26,653,736	20,089,665	15,843,757	13,095,293	14,388,254
27,336,676	18,838,004	26,378,106	27,948,295	24,845,765	21,046,710
<u>80,294,693</u>	<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>

34,921,027	36,798,039	38,410,650	42,601,776	48,251,887	78,094,495
18,036,990	26,653,736	20,089,665	15,843,757	13,095,293	14,388,254
27,336,676	18,838,004	26,378,106	27,948,295	24,845,765	21,046,710
<u>80,294,693</u>	<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>

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

Fiscal Year	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	4,999,614	5,512,788	4,795,329	5,054,406
Public safety	2,928,440	2,674,586	2,770,104	2,989,829
Community development		45,837	45,837	45,838
Public works	8,048,527	6,098,817	10,062,618	8,835,467
Community services	2,695,609	2,751,021	2,952,865	3,023,509
Interest on long-term debt	4,056,471	1,978,475	1,986,861	1,894,069
Total governmental activities expenses	22,728,661	19,061,524	22,613,614	21,843,118
Total primary government expenses	22,728,661	19,061,524	22,613,614	21,843,118
Program revenues:				
Governmental activities:				
Charges for services:				
General government	385,499	349,373	1,179,294	593,366
Public safety	335,515	300,599	317,679	284,052
Community development	-	-	-	-
Public works	2,991,147	2,453,119	2,418,617	2,472,515
Community services	511,275	633,380	559,972	666,013
Operating contributions and grants	2,292,047	2,911,317	2,974,678	2,435,678
Capital contributions and grants	-	-	1,000,000	-
Total governmental activities program revenues	6,515,483	6,647,788	8,450,240	6,451,624
Total primary government program revenues	6,515,483	6,647,788	8,450,240	6,451,624
Net revenues (expenses):				
Governmental Activities	(16,213,178)	(12,413,736)	(14,163,374)	(15,391,494)
Total net revenues (expenses)	(16,213,178)	(12,413,736)	(14,163,374)	(15,391,494)

2007	2008	2009	2010	2011	2012
2,991,143	2,769,726	3,226,303	4,772,852	3,345,592	3,850,781
3,088,598	3,329,302	3,340,472	3,521,482	3,592,626	3,465,289
1,997,573	1,202,761	2,178,134	2,281,597	2,549,053	1,879,309
5,229,276	7,445,082	7,371,765	5,721,516	6,652,419	6,574,810
3,335,099	3,483,986	3,772,843	3,638,317	3,540,411	3,539,714
1,895,126	1,842,909	1,753,614	1,658,288	1,557,845	255,031
<u>18,536,815</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>18,536,815</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>
418,788	436,607	252,838	435,446	355,674	343,681
461,071	659,740	476,624	767,047	666,807	550,996
1,587	691	2,351,423	1,412	1,832	101,770
3,103,468	3,251,964	2,748,454	3,550,745	4,045,899	3,348,448
612,060	641,497	665,589	693,213	737,898	782,859
1,251,766	1,651,646	1,581,554	1,294,198	1,508,654	1,338,736
<u>1,103,303</u>	<u>1,396,095</u>	<u>2,816,128</u>	<u>2,116,179</u>	<u>1,269,905</u>	<u>1,383,509</u>
<u>6,952,043</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>6,952,043</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>
(11,584,772)	(12,035,526)	(10,750,521)	(12,735,812)	(12,651,277)	(11,714,935)
<u>(11,584,772)</u>	<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>

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

Fiscal Year	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes				
Property taxes	5,337,951	5,795,135	9,681,486	11,579,427
Sales tax	1,223,170	1,539,861	1,834,885	1,918,201
Franchise tax	629,100	690,493	726,561	770,143
Business license tax	108,758	109,088	106,027	97,711
Other taxes	264,723	322,475	460,276	324,366
Motor vehicle in lieu, unrestricted	1,815,742	1,417,410	2,644,095	217,427
Use of money and property	1,088,688	359,316	991,213	1,350,857
Gain/(loss) on sale of assets	-	-	-	(4,534)
Other general revenues	8,339	12,351	85,452	39,628
Transfers	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency ¹	-	-	-	-
Total governmental activities general revenues	<u>10,476,471</u>	<u>10,246,129</u>	<u>16,529,995</u>	<u>16,293,226</u>
Total primary government general revenues	<u>10,476,471</u>	<u>10,246,129</u>	<u>16,529,995</u>	<u>16,293,226</u>
Changes in net assets				
Governmental activities	<u>(5,736,707)</u>	<u>(2,167,607)</u>	<u>2,366,621</u>	<u>901,732</u>
Total primary government changes in Net Asset	<u>(5,736,707)</u>	<u>(2,167,607)</u>	<u>2,366,621</u>	<u>901,732</u>

¹The 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.

2007	2008	2009	2010	2011	2012
8,928,958	9,037,419	9,206,489	9,027,185	9,108,449	9,347,081
1,604,594	1,381,501	1,211,247	1,176,710	1,410,358	1,322,741
896,022	805,605	895,972	844,511	850,101	872,593
102,722	113,472	103,799	103,168	101,437	102,540
260,610	270,597	301,285	299,952	304,384	285,819
221,039	148,638	99,881	106,989	184,471	25,938
2,300,378	2,207,738	1,429,481	741,999	477,150	496,394
-	-	-	-	-	-
4,443	12,833	91,009	546,539	14,044	78,242
-	-	-	-	-	-
-	-	-	-	-	26,520,101
<u>14,318,766</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>14,318,766</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>2,733,994</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>2,733,994</u>	<u>1,942,277</u>	<u>2,588,642</u>	<u>111,241</u>	<u>(200,883)</u>	<u>27,336,514</u>

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

Fiscal Year	2003	2004	2005	2006
General Fund:				
Reserved	721,249	525,061	542,318	644,221
Unreserved	17,165,442	16,922,103	19,079,367	20,803,557
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>17,886,691</u>	<u>17,447,164</u>	<u>19,621,685</u>	<u>21,447,778</u>
All other governmental funds:				
Reserved	11,631,730	10,650,403	12,039,493	11,656,136
Unreserved, reported in:				
Special Revenue Funds	5,747,878	5,576,034	5,930,213	6,060,260
Debt Service Fund	1,838,835	1,587,083	1,778,184	1,921,620
Capital Project Funds	4,983,794	4,102,208	2,931,596	1,168,550
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>24,202,237</u>	<u>21,915,728</u>	<u>22,679,486</u>	<u>20,806,566</u>

¹ 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.

2007	2008	2009	2010	2011	2012
803,550	328,238	524,422			
17,627,999	19,240,088	21,171,230			
			363,158	343,093	348,764
			-	-	-
			114,690	121,470	121,470
			-	95,948	95,948
			1,000,000	1,000,000	1,000,000
			1,000,000	1,000,000	400,000
			775,000	774,840	763,637
			4,226,617	3,916,439	3,457,687
			2,350,000	2,350,000	2,450,000
			11,398,050	5,400,817	5,489,465
			724,857	-	89,005
<u>18,431,549</u>	<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>
7,916,720	8,622,231	8,529,296			
6,355,428	6,756,155	5,419,127			
1,926,700	2,056,878	2,148,160			
10,295,167	9,335,739	8,707,745			
			1,537	-	-
			220,188	165,972	2,121,598
			1,622,009	1,955,626	-
			13,302,416	10,495,156	9,910,551
			37,815	50,922	103,733
			95,835	127,786	106,197
			1,447,121	2,078,885	2,146,175
			359,673	-	-
			600,897	342,544	-
			4,199,124	7,651,616	7,072,472
			(77,080)	(172,254)	(190,021)
<u>26,494,015</u>	<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>

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

Fiscal Year	2003	2004	2005	2006	2007
Revenues:					
Taxes	7,163,702	7,792,052	8,714,370	13,091,332	11,518,871
Assessments	1,728,209	1,747,361	1,722,634	1,726,214	1,720,596
Licenses and permits	988,666	570,648	551,736	476,759	895,101
Fines and forfeitures	317,070	284,987	301,370	261,156	393,921
Use of money and property	1,088,688	359,316	991,213	1,350,857	2,300,378
Developer participation	-	-	-	-	-
Intergovernmental	4,591,934	5,085,172	9,677,688	4,313,520	2,875,705
Charges for services	721,250	717,247	643,289	917,215	1,165,393
Other	392,435	337,134	2,252,018	433,768	405,880
Total Revenues	<u>16,991,954</u>	<u>16,893,917</u>	<u>24,854,318</u>	<u>22,570,821</u>	<u>21,275,845</u>
Expenditures					
Current:					
General government	5,181,709	5,297,069	4,726,183	5,004,389	2,419,162
Public safety	2,929,829	2,664,777	2,758,997	2,922,965	3,073,687
Community development	-	-	-	-	1,997,573
Public works	11,186,914	5,735,303	7,958,589	7,940,572	3,101,371
Community services	2,653,150	2,374,394	2,580,272	2,968,011	2,937,080
Capital outlay	-	147,041	387,121	469,652	1,584,417
Debt service:					
Principal retirement	1,115,000	1,520,000	1,625,000	1,675,000	1,730,000
Interest ¹ and fiscal charges	2,070,169	2,047,091	2,056,771	1,964,745	1,920,805
Cost of issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow	916,741	-	-	-	-
Total expenditures	<u>26,053,512</u>	<u>19,785,675</u>	<u>22,092,933</u>	<u>22,945,334</u>	<u>18,764,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,061,558)</u>	<u>(2,891,758)</u>	<u>2,761,385</u>	<u>(374,513)</u>	<u>2,511,750</u>
Other financing sources (uses):					
Transfer in	14,523,568	887,708	900,325	2,159,266	6,726,187
Transfer out	(14,523,568)	(887,708)	(900,325)	(2,159,266)	(6,726,187)
Long-term debt	-	165,722	176,894	188,821	201,551
Refunding bonds issued	26,055,000	-	-	-	-
Other bonds issued	155,253	-	-	-	-
Payment to refunded bond agent	(17,511,590)	-	-	-	-
Premium on refunding bonds	1,549,212	-	-	-	-
Total other financing sources (uses)	<u>10,247,875</u>	<u>165,722</u>	<u>176,894</u>	<u>188,821</u>	<u>201,551</u>
Extraordinary gain/(loss) on dissolution of improvement agency²					
	-	-	-	-	-
Net change in fund balances	<u>1,186,317</u>	<u>(2,726,036)</u>	<u>2,938,279</u>	<u>(185,692)</u>	<u>2,713,301</u>
Debt service as a percentage of noncapital expenditures	15.72%	19.94%	17.06%	17.41%	20.82%

¹Interest payment made on the final seven months of redevelopment activities before the transfer of obligation to the Successor Agency.

²The 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.

2008	2009	2010	2011	2012
12,115,450	11,737,578	11,407,058	11,630,777	11,948,178
1,725,028	1,729,903	1,741,026	1,734,099	2,395,879
1,227,528	748,964	1,574,924	2,145,139	763,812
639,872	422,324	633,644	546,526	412,855
2,207,738	1,429,481	741,999	477,150	496,394
-	2,350,000	-	-	-
2,948,869	4,536,819	3,428,712	2,828,261	2,722,436
964,889	980,571	1,055,010	1,022,936	1,094,615
371,726	312,789	957,482	340,414	596,470
<u>22,201,100</u>	<u>24,248,429</u>	<u>21,539,855</u>	<u>20,725,302</u>	<u>20,430,639</u>
2,532,964	2,928,689	4,497,970	3,100,614	3,630,711
3,318,783	3,331,531	3,510,790	3,582,217	3,436,171
2,186,114	2,178,134	2,281,597	2,489,606	1,879,309
5,333,110	4,838,161	3,363,288	3,774,075	3,737,040
3,067,167	3,327,550	3,206,592	3,115,808	3,105,704
932,242	4,015,830	3,947,995	7,273,355	1,935,343
1,790,000	1,810,000	1,835,000	1,865,000	1,935,000
1,856,295	1,767,554	1,634,696	1,587,674	776,240
-	-	-	-	-
-	-	-	-	-
<u>21,016,675</u>	<u>24,197,449</u>	<u>24,277,928</u>	<u>26,788,349</u>	<u>20,435,518</u>
1,184,425	50,980	(2,738,073)	(6,063,047)	(4,879)
2,291,082	1,353,392	2,217,414	8,711,865	6,754,359
(2,291,082)	(1,353,392)	(2,217,414)	(8,711,865)	(6,754,359)
176,531	109,671	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>176,531</u>	<u>109,671</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	(2,207,300)
<u>1,360,956</u>	<u>160,651</u>	<u>(2,738,073)</u>	<u>(6,063,047)</u>	<u>(2,212,179)</u>
19.09%	17.44%	17.01%	17.14%	14.28%

CITY OF WALNUT
Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	2003	2004	2005	2006	2007
Residential	2,327,298	2,500,282	2,653,851	2,844,453	3,056,035
Commercial	87,523	90,341	109,080	118,690	123,929
Industrial	62,060	72,579	75,928	81,042	87,788
Government Owned	25	-	-	-	-
Institutional	5,420	10,653	12,558	11,308	7,656
Miscellaneous	101	225	153	251	371
Recreational	332	0	0	0	0
Vacant	9,972	7,811	10,035	14,194	13,527
SBE Nonunitary	991	1,199	1,199	1,199	1,199
Cross Reference	620	270	269	287	291
Unsecured	39,653	37,893	37,570	38,143	39,901
Exempt	[20,084]	[19,754]	[17,185]	[15,869]	[15,869]
Grand Total	2,533,995	2,721,253	2,900,643	3,109,567	3,330,697
Total Direct Rate	0.68494%	0.68189%	0.68141%	0.68599%	0.67863%

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

2008	2009	2010	2011	2012
3,227,492	3,391,832	3,406,167	3,477,315	3,593,986
145,469	151,021	156,814	161,741	164,172
90,332	94,007	-	95,932	96,149
-	-	-	-	-
7,809	7,965	10,708	10,682	15,638
379	386	394	393	396
0	0	0	0	0
13,645	16,254	17,812	17,762	72,477
101	101	168	168	168
434	420	243	147	181
37,943	41,880	39,920	37,997	35,539
[15,869]	[18,889]	[17,729]	[8,728]	[8,728]
<u>3,523,604</u>	<u>3,703,866</u>	<u>3,632,226</u>	<u>3,802,137</u>	<u>3,978,706</u>
0.67793%	0.66247%	0.65709%	0.65386%	0.63601%

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

Fiscal Year	2003	2004	2005	2006	2007
Assessment Billings	1,677,810	1,709,430	1,722,900	1,723,676	1,723,680
Assessment Collected	1,728,209	1,747,362	1,722,634	1,726,215	1,720,595
Percentage Collected	103.0%	102.2%	100.0%	100.1%	99.8%

Source: City Finance Department

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1,723,710	1,723,680	1,723,680	1,723,680	2,392,180
1,725,027	1,729,902	1,741,027	1,734,099	2,395,879
100.1%	100.4%	101.0%	100.6%	100.2%

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

Fiscal Years	2003	2004	2005	2006
City Direct Rates:				
General Levy ¹	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:				
Los Angeles County	0.00103	0.00099	0.00092	0.00080
Flood Control District	0.00088	0.00046	0.00025	0.00005
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520
Mt. San Antonio Community College	0.00000	0.00000	0.00000	0.02122
Covina Valley Unified School District	0.04405	0.03967	0.03745	0.03793
Pomona Valley Unified School District	0.12342	0.12633	0.12910	0.12488
Pomona Usd 2008 Series C		0.00000	0.00000	0.00000
Rowland Unified School District	0.03618	0.03780	0.03885	0.03633
Walnut Valley Unified School District	0.10086	0.09660	0.09515	0.09140
Total Direct and Overlapping² Tax Rates	1.31313	1.30796	1.30753	1.31779
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	1.00861	1.00755	1.00697	1.00604
Total Direct Rate⁵	0.68494%	0.68189%	0.68141%	0.68599%

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.

⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City of Walnut.

2007	2008	2009	2010	2011	2012
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
0.02184	0.01750		0.02571	0.02636	0.02642
0.08419	0.07870	0.07862	0.08592	0.09003	0.08999
0.12401	0.11379	0.11577	0.14546	0.17721	0.14943
0.00000	0.00000	0.00000	0.00000	0.00000	0.02421
0.07429	0.06943	0.07028	0.06769	0.07538	0.09195
0.08749	0.08463	0.11296	0.11674	0.11839	0.11735
<u>1.39723</u>	<u>1.36855</u>	<u>1.38193</u>	<u>1.44582</u>	<u>1.49107</u>	<u>1.50305</u>
0.05202	0.05202	0.05202	0.05202	0.05202	0.05202
-	-	-	-	-	-
1.00541	1.00450	1.00430	1.004300	1.003700	1.003700
0.67863%	0.67793%	0.66247%	0.65709%	0.65386%	0.63601%

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

<u>Taxpayer</u>	2012		2003		<u>Business Type</u>
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	
Essex CA WA Limited Partnership	21,783,857	0.55%	13,260,150	0.52%	Apartments
Snow Creek Village West Partners	20,827,780	0.52%		0.00%	Commercial
Walnut Tech Business Center	18,705,928	0.47%		0.00%	Light Industrial/Commercial
Vogel Properties, Inc.	18,201,596	0.46%	14,796,692	0.58%	Light Industrial/Commercial
Standard Pacific of Walnut Hills	12,970,969	0.33%		0.00%	Residential Housing
Ruey Chyr & Je Tsu Kao	12,793,022	0.32%	16,287,875	0.64%	Commercial (Stater Bros)
9429 Walnut Cake LLC	12,653,561	0.32%		0.00%	Commercial
Henns Investment Company	8,923,309	0.22%	7,438,533	0.29%	Industrial
Orange Grove Services	8,150,000	0.20%		0.00%	Commercial
Margaret Wang Trust	8,060,240	0.20%	6,434,868	0.25%	Commercial (Albertson's Store)
Walnut Hills Development			6,427,615	0.25%	Commercial (Stater Bros)
Edro Engineering			5,921,439	0.23%	Industrial
Fairway Molds				0.00%	Commercial
Gerstner Trust			4,441,000	0.18%	Commercial (Alamo Car Wash)
Mary E. Morrow Trust Walnut Hills Plaza				0.00%	Commercial
Vons Companies Inc.			5,054,649	0.20%	Commercial
Lucky 8 Investments			4,206,974	0.17%	Commercial (Albertson's Store)
Total	143,070,262	3.60%	84,269,795	3.33%	

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, HdI, Coren & Cone, L.A. County Assessor

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

Fiscal Year	2003	2004	2005	2006	2007
Taxes levied for the fiscal year	933,795	983,699	1,025,674	1,068,599	1,120,941
Collected within the fiscal year:					
Amount	922,657	925,893	833,409	984,350	943,478
Percent of Levy	99%	94%	81%	92%	84%
Total Tax Collection					
Amount	922,657	925,893	833,409	984,350	943,478
Delinquent Tax Collection	15,294	30,218	73,736	54,356	(2,560)

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

2008	2009	2010	2011	2012
1,152,549	1,199,873	1,211,478	1,226,747	1,278,806
978,703	1,029,059	1,056,079	1,125,382	1,117,322
85%	86%	87%	92%	87%
978,703	1,029,059	1,056,079	1,125,382	1,117,322
(1,552)	2,077	1,684	1,442	(22)

CITY OF WALNUT
Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007
Walnut Improvement Agency:					
Tax Allocation Refunding Bonds, Series 1999A	14,875,000	14,270,000	13,645,000	13,000,000	12,330,000
Walnut Public Financing Authority:					
Tax Allocation Revenue Bonds, Series 1992	2,457,966	2,623,688	2,800,582	2,989,403	3,190,953
Tax Allocation Revenue Bonds, Series 2002	26,055,000	25,140,000	24,140,000	23,110,000	22,050,000
Total Governmental Activities	43,387,966	42,033,688	40,585,582	39,099,403	37,570,953
Personal Income City of Walnut (in thousands)²	790,941	823,526	871,455	914,714	986,046
Ratio of outstanding debt	5.49%	5.10%	4.66%	4.27%	3.81%
Population	31,420	31,678	31,900	32,148	32,297
Total debt per capita	1,381	1,327	1,272	1,216	1,163

Note: Details regarding outstanding debt can be found on Note 5a of the notes to the financial statements on page 46.

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 11 of the notes to the financial statements on page 54-59 will provide in depth information on the redevelopment dissolution effective 02/01/12.

² See the Schedule of Demographics Statistics on page 114 for personal income data for calendar year 2011.

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

2008	2009	2010	2011	2012
12,085,000	11,830,000	11,570,000	10,840,000	-
2,197,484	1,137,155	-	-	-
<u>21,675,000</u>	<u>21,290,000</u>	<u>20,890,000</u>	<u>19,755,000</u>	<u>-</u>
35,957,484	34,257,155	32,460,000	30,595,000	-
1,025,427	1,037,202	1,017,320	1,022,357	985,249
3.51%	3.30%	3.19%	2.99%	0.00%
32,299	32,486	32,659	29,439	29,661
1,113	1,055	994	1,039	-

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CITY OF WALNUT
Direct and Overlapping Debt
June 30, 2012

	Percentage Applicable	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
Three Valley MWD- 1112 Debt Service*	0.184%	94,031,705	172,701
Mt. San Antonio CCD Debt Service 2001 Series 2004B	5.885%	6,200,000	364,856
Mt. San Antonio CCD Debt Service 2005 refunding bond	5.885%	48,600,843	2,860,051
Mt. San Antonio CCD Debt Service 2001, Series C 2006	5.885%	79,212,694	4,661,490
Mt. San Antonio CCS DS 2001 2008 Series D	5.885%	23,827,409	1,402,190
Pomona Unified School District DS Refunding 2000 Series A	0.008%	16,585,000	1,274
Pomona Unified School District DS Refunding 2001 Series A	0.008%	16,905,000	1,298
Pomona Unified School District DS 2002 Series A	0.008%	350,000	27
Pomona Unified School District DS 2002 Series B	0.008%	505,000	39
Pomona Unified School District DS 2002 Series C	0.008%	490,000	38
Pomona Unified School District DS 2002 Series D	0.008%	12,620,000	969
Pomona Unified School District DS 2002 Series E	0.008%	11,800,000	906
Pomona Unified School District DS 2007 & 2012 Ref Bds	0.008%	65,573,334	5,036
Pomona Unified School District DS 2008 Series A	0.008%	33,900,000	2,603
Pomona Unified School District DS 2008 Series B	0.008%	4,030,000	309
Pomona Unified School District DS 2008 Series C	0.008%	44,060,000	3,384
Rowland Heights Unified School District DS 2000 Series A	10.080%	2,514,562	253,474
Rowland Heights Unified School District DS 2000 Series B	9.837%	39,749,075	3,910,042
Rowland Heights Unified School District DS 2005 REF BDS	9.837%	13,852,686	1,362,663
Rowland Heights Unified School District DS 2006 Series A	9.837%	42,265,000	4,157,529
Rowland Heights Unified School District DS 2006 Series B	9.837%	31,667,549	3,115,078
Rowland Heights Unified School District DS 2006 Series B-BABS	9.837%	12,000,000	1,180,418
Rowland Heights Unified School District DS 2006 Series D QSCB	9.837%	25,000,000	2,459,203
Rowland Heights Unified School District DS 2006 Series E	9.837%	557,451	54,835
Walnut Valley Unified School District Refunding DS Series 97 A	33.470%	19,707,718	6,596,218
Walnut Valley Unified School District DS 2000 Ser E	33.470%	13,195,243	4,416,478
Walnut Valley Unified School District DS 2005 REF BDS	33.470%	10,885,000	3,643,234
Walnut Valley Unified School District DS 2007 Ser A (Measure S)	33.470%	6,001,837	2,008,828
Walnut Valley Unified School District DS 2007 Ser A (Measure Y)	33.470%	27,915,000	9,343,214
Walnut Valley USD 2011 Refunding	33.470%	13,190,000	4,414,735
Walnut Valley USD 2007 Series B Measure S	33.470%	6,715,887	2,247,829
Walnut Valley USD 2007 Series B Measure Y	33.470%	27,987,385	9,367,466
Total Direct and Overlapping Bonded Debt			68,008,412

2011/12 Assessed Valuation:

\$1,585,491,888 (after deducting \$2,393,214,492 Incremental value)

Debt to Assessed Valuation Ratios:

Direct Debt	0.00%
Overlapping Debt	4.29%
Total Debt	4.29%

*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: HdI, Coren & Cone, Los Angeles County Assessors Office

CITY OF WALNUT
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007
Assessed valuation	2,533,994,736	2,721,253,670	2,900,643,572	3,109,566,717	3,330,697,846
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	633,498,684	680,313,418	725,160,893	777,391,679	832,674,462
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	95,024,803	102,047,013	108,774,134	116,608,752	124,901,169
Total net debt applicable to limit: General Obligation bonds	-	-	-	-	-
Legal debt margin	<u>95,024,803</u>	<u>102,047,013</u>	<u>108,774,134</u>	<u>116,608,752</u>	<u>124,901,169</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

2008	2009	2010	2011	2012
3,523,603,651	3,703,865,728	3,728,485,982	3,802,137,343	3,978,706,380
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
880,900,913	925,966,432	932,121,496	950,534,336	994,676,595
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
132,135,137	138,894,965	139,818,224	142,580,150	149,201,489
-	-	-	-	-
<u>132,135,137</u>	<u>138,894,965</u>	<u>139,818,224</u>	<u>142,580,150</u>	<u>149,201,489</u>
0.0%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year	2003	2004	2005	2006	2007
Square Miles ¹	8.83	8.83	8.83	8.83	8.83
Number of Housing Units ²	8,480	8,481	8,481	8,589	8,597
Population (City of Walnut) ³	31,420	31,678	31,900	32,148	32,297
Personal Income City of Walnut (in thousands) ³	790,941	823,526	871,455	914,714	986,046
Per Capita Personal Income City of Walnut ³	25,623	26,263	27,595	28,880	30,789
Unemployment Rate City of Walnut ⁴	3.2%	3.3%	3.1%	2.5%	2.2%
Average Annual Population % change ²	1.7%	0.8%	0.7%	0.78%	0.46%

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.

2008	2009	2010	2011	2012
8.83	8.83	8.83	8.83	8.83
8,624	8,681	8,713	8,808	8,867
32,299	32,486	32,659	29,439	29,661
1,025,427	1,037,202	1,017,320	1,022,357	985,249
32,058	32,351	31,432	31,304	33,217
2.4%	3.6%	5.6%	6.2%	6.0%
0.01%	0.58%	0.53%	-9.86%	0.75%

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CITY OF WALNUT

Principal Employer

Current Year and Nine Years Ago

<u>Employer</u>	<u>2012</u>		<u>Product/Services</u>	<u>2003</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	3,103	45%	Community College	2,707	-
Ronsin Photocopy Inc.	115	2%	Photocopy Manufacturer	128	-
Ninas Mexican Foods, Inc.	114	2%	Manufacturer	-	-
Edro Engineering Company, Inc.	80	1%	Manufacture Mold Bases	98	-
Applebee's Neighborhood Grill	72	1%	Restaurant	-	-
Albertsons #6588	68	1%	Grocery Store	-	-
Stater Brothers	66	1%	Grocery Store	65	-
Fairway Injection Molding System	61	1%	Manufacture Mold Bases	99	-
Mwave.com	57	1%	Computer Wholesaler	100	-
Vons #2167	56	1%	Grocery Store	76	-
Primary Care Home Health	-	0%	Temporary Nursing Services	83	-
Temptrak Personnel Agency	-	0%	Temporary Employment Agency	800	-
Millie's Restaurant & Bakery	-	0%	Restaurant	85	-

Source: City Finance Department

Information for percent of employment for the 2003 year is not available.

CITY OF WALNUT
Full-time Employees
Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007
Function:					
General government	14	13	14	14	14
Public safety ¹	1	1	1	1	1
Public works	6	5	5	4	4
Community development	10	11	11	10	10
Community services	12	12	12	14	14
Total	42	42	43	43	43

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

Source: City Finance Department

2008	2009	2010	2011	2012
12	12	12	12	12
2	2	2	2	2
4	4	4	4	4
9	9	9	9	9
14	13	13	13	11
41	40	40	40	38

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

Fiscal Year	2003	2004	2005	2006	2007
Number of New Residential Units	137	8	12	8	33
Building Permit Valuation					
Residential	20,285,765	7,753,617	8,642,013	3,232,868	19,426,995
Non-Residential	8,405,254	1,609,196	776,665	560,430	1,504,145
Total	<u>28,691,019</u>	<u>9,362,813</u>	<u>9,418,678</u>	<u>3,793,298</u>	<u>20,931,140</u>
Number of Building Permit Issued	633	482	393	341	353
Bank Deposits	269,209,000	391,368,000	447,699,000	486,601,000	525,709,000

Source: City Finance Department, Building Department

2008	2009	2010	2011	2012
67	18	45	121	2
30,315,730	13,018,727	36,861,834	57,836,267	10,016,161
1,545,030	1,234,263	4,640,346	282,322	1,298,793
31,860,760	14,252,990	41,502,180	58,118,589	11,314,954
368	293	401	476	466
526,864,000	634,254,000	636,939,000	656,199,000	580,175,000

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CITY OF WALNUT

Insurance in Force

June 30, 2012

(Unaudited)

<u>CARRIER</u>	<u>POLICY #</u>	<u>COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>TERM</u>
Alliant Insurance	CRIME1112	Public Employees "O"	\$25,000 - \$1,000,000	07/01/11-06/30/12
		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	\$ 27,203,640	07/01/11-06/30/12
		Earthquake/Flood	\$ -	
		Automobile Damage	\$ 435,481	
California Joint Powers Insurance Authority		General Liability	\$ 50,000,000	07/01/11-06/30/12
		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	2003	2004	2005	2006	2007
Public Safety:					
Number of employees trained on Emergency Operation	42	42	17	2	42
Number of volunteers on patrol	-	20	20	14	14
Parking Citation Issued	3,016	4,932	3,285	3,360	2,877
Community Development:					
Planning Application Processed	259	158	131	158	125
Code Enforcement Complaint Response	571	450	580	421	462
Dial-A-Ride Members	-	-	2,925	3,131	3,481
Metrolink Pass Sold	2,165	2,361	2,451	2,603	2,699
Public Works:					
Street Resurfacing (square feet)	195,000	930,125	0	583,375	197,900
Parks and recreation:					
Number of recreation classes	200	275	215	240	264
Number of youth registered	4,267	5,200	5,800	4,800	4,800

Note: Some of the data from years 2003 - 2004 are not available.

Source: City Finance Department

2008	2009	2010	2011	2012
42	2	16	16	60
14	14	14	15	12
2,708	2,787	3,723	2,490	2,423
128	109	111	153	148
430	475	439	453	535
3,642	3,785	3,869	4,192	4,447
2,839	2,907	2,616	2,328	2,264
0	1,229,228	1,093,392	661,025	301,545
731	417	300	400	236
8,081	5,153	4,939	4,800	4,706

CITY OF WALNUT

Capital Assets Statistics
by Function

Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007
Public Works:					
Street (Miles) ¹	107	107	107	107	107
Street lights ²	-	-	-	1,754	1,755
Traffic signals	33	33	35	36	36
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	153	155	1,910	1,911

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

2008	2009	2010	2011	2012
111	111	111	112	112
1,771	1,785	1,784	1,814	1,831
38	38	38	39	40
11	11	11	11	11
1	1	1	1	1
1	1	1	1	1
1,933	1,947	1,946	1,978	1,996

CITY OF WALNUT

Miscellaneous Statistics

June 30, 2012

(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	29,661
Land Area	8.83 Square Miles
Number of Parks	11
Park Areas	95 Acres
Equestrian/Hiking Trails	28.5 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	38 Full-time
Cost per Capita	\$689

Source: City Finance Department

