



City of Walnut Creek California

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (Prepared by the Administrative Services Department)



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City of Walnut Creek
Basic Financial Statements, Continued
For the year ended June 30, 2011
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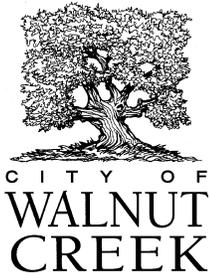
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January 25, 2012

Honorable Mayor, City Council and Citizens of Walnut Creek:

We are pleased to present the City of Walnut Creek (City) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. The information in this Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an unqualified opinion on the report by the City's independent certified public accountants. Although we rely on the standards and expertise of these external authorities, the responsibility for the accuracy and fairness of this report rests with the City.



For those readers interested in a more detailed review of the City's financial statements, a narrative section called the Management's Discussion and Analysis (MD&A) has also been included as part of the Financial Section. The MD&A reports on the financial highlights of the City and provides additional analysis on the variances and trends reported as part of the financial statements. The MD&A also discloses significant items affecting the financial condition of the City and is designed to be read in conjunction with this Letter of Transmittal.

CITY PROFILE

The City was incorporated in 1914 and is located in Contra Costa County, a growing region in the eastern portion of the San Francisco Bay Area. The City has a permanent staff of approximately 336 City employees and serves approximately 65,000 residents in a land area of 19.45 square miles. The City continues to show strength as a major employer, a successful retail and entertainment hub, and a safe community with attractive residential neighborhoods.

The City operates utilizing the Council-Manager form of government. Five at-large Council Members are elected to staggered four-year terms to govern the City. The City Treasurer is also elected to a four-year term. The Mayor and Mayor Pro Tem are elected by the Council from their own membership and serve one-year terms. The City Council is responsible for adopting City ordinances, resolutions, the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for implementing the Council's policies, ordinances and directives, for overseeing the day-to-day operations of the City, and for appointing the directors of the City's departments. City departments and areas of responsibility follow:

Administrative Services includes Finance, Information Technology, Human Resources and Risk Management

Arts, Recreation and Community Services includes Recreation and Civic Arts Education Programs, the Leshner Center for the Arts and the Bedford Gallery, and the City's gyms, aquatics centers and Boundary Oak Golf Course

Community Development includes Building, Planning, Housing, and Transportation Planning

General Government includes staff and activities associated with the City Council, City Treasurer, City Manager's Office, City Clerk's Office, and City Attorney's Office

Public Safety includes Communications, Patrol, Investigations, and Community Policing, and Traffic and Parking Enforcement

Public Services includes Engineering, Parks Maintenance, Transportation Planning, Open Space Management and Building/Street Maintenance

The City also oversees the Redevelopment Agency and the enterprise funds associated with Boundary Oak Golf Course, all of which have been incorporated into this CAFR. The City does not provide fire services, water or sewer utilities; these services are provided by separate special districts. Library services are provided by Contra Costa County.

The City of Walnut Creek is located at the intersection of Highways 680 and 24, approximately 25 miles east of San Francisco. The City has a range of housing types available to meet the needs of workers employed by various businesses and agencies throughout the region. Walnut Creek's large retail base serves local residents as well as those in surrounding communities. The largest employment sectors include: **corporate offices** such as Bank of the West and the *Contra Costa Times*; **medical services** including John Muir Medical Center, Kaiser Permanente Medical Center, and Children's Hospital of the Bay Area; **retailers** such as Nordstrom, Macy's, Apple, Tiffany and Company, Safeway, and Target; **auto sales and maintenance** such as Honda, Toyota, Mercedes-Benz, Ford, Volkswagen, Cadillac, Jeep / Eagle, Mazda, Porsche, Volvo and Jaguar / Land Rover; and **restaurants** including Cheesecake Factory, Scotts Seafood Grill, P.F. Chang's, and Ruth's Chris Steak House.

ECONOMIC CONDITION AND OUTLOOK

In an increasingly interconnected world, global events have had a profound impact on the U.S. economy. Fiscal year 2010-11 was plagued by global economic and political instability, a natural disaster in Japan, and the European financial crisis. Closer to home, the State of California's legislators continue to rely on local revenues to balance the State of California's budget and that has meant layoffs for some cities and overall belt-tightening for most others. Add to those factors a sputtering U.S. economy, the Federal debt ceiling drama and stubbornly high jobless rates, and it's no surprise that the net result was consumer uncertainty and extraordinary volatility across all markets.



But the news for Walnut Creek wasn't all bad. According to California's Employment Development Department, the City's June 2011 unemployment rate of 7.5% fared much better than the State's unemployment rate of 12.1%. Sales tax revenue in fiscal year 2010-11 was \$17.7 million, an increase of 13% over the amount received in the prior year (but still well below our peak of \$21 million in fiscal year 2005-06). Tax revenue projections for fiscal year 2011-12 remain relatively flat – small growth in sales tax revenues offset by a decline in property tax revenues.

The City is able to achieve a balanced budget for fiscal period 2011-12 and maintain adequate reserves for the General Fund through a combination of measures, including the following:

- Negotiating new labor agreements with employee groups to reduce compensation costs;
- Operating with staffing levels well below optimal for service delivery; and
- Using budget savings ("carry forward") from prior fiscal years.

LONG-TERM FINANCIAL PLANNING

When the two-year budget for fiscal years 2010-12 was adopted, Council requested that staff create a Long-Term Financial Plan (LTFP) for the General Fund that covers the current budget cycle and the next several budget cycles. With the volatility of revenues and continually increasing costs, a LTFP enhances our ability to anticipate our financial status in future years and better positions the City to make changes that keep operations stable and to plan for infrastructure needs. The LTFP that was presented to the City Council in November 2011 reflects Council's direction to discontinue the past practice of using budget savings from prior years to fill any gaps between revenues and expenditures. In other words, annual operations will be funded by that same year's revenues. Revenue projections are conservative based on a variety of information including economic factors, reports from tax revenue consulting firms, trends analysis, and expected major developments. Being a service organization, staffing costs represent approximately 75% of the City budget. Expenditure projections are based on current contracts with employee groups. A small increase was included for non-personnel costs. Based on these conservative assumptions, the LTFP shows expenditures that continue to outpace projected revenues until the

end of the decade. The City recognizes that future budgets will require reduced costs, increased revenues or both.

Past annual operating budgets have reflected prudent reserve policies. In June 2011, the City Council adopted the Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. With this action, the Council established new classifications of Fund Balance and revised some of the existing fund balance policies, formerly known as "Reserve Policies." The current Fund Balance Policies include the following:

Committed Fund Balance	Funding Policy
Catastrophic Emergency	To be used in the event of actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within the City caused by such conditions as fire, flood, storm, epidemic, riot, earthquake, nuclear disaster, tornado, or terrorism. Minimum set at 10% of annual General Fund budgeted operating expenditures.
Compensated Absences	To fund payouts of accumulated leave due to separation from City employment. Policy is to set an amount equal to the projected one-year liability based on the previous year's experience.
Dental Claims	To fund dental self-insurance program claims. Policy is to set an amount equal to six months of budgeted dental expenses.
Fiscal Emergency	To cover declines of more than 5% of property tax, sales tax or departmental revenue or increase of more than 10% in PERS, medical costs, utility (electric, gas and water), or fuel. Policy is to set aside 10% of the annual General Fund revenue budget listed above and 10% of the annual General Fund expenditure for PERS and medical costs.
Legal Claims	To fund claims awarded against the City. Policy is to set an amount with either the higher of the City's five-year claim history or \$3 million.
PERS Liability	Set aside funds for PERS costs either to pay down future liabilities or smooth large increases anticipated for the next budget cycle.
Radio Communication	Set aside funds for the City's upcoming purchase of radios for police and public services staff and investment in infrastructure needed to facilitate emergency response and communication on a regional basis.
Workers' Compensation	To pay workers' compensation awards. Policy is to fund the higher of twice the annual expenses paid out over the previous five years or \$2 million.

The City has also established several internal service funds to provide funding necessary for replacement of facilities and equipment in the future.

MAJOR INITIATIVES AND PROJECTS ACCOMPLISHED 2010-11

Walnut Creek is an active and vibrant community, with a municipal government that is proactive and prepared to respond to changing community needs. Many projects have been accomplished through partnerships among the City and other agencies, private groups, and individuals. Through these creative partnerships, the City is able to provide its citizens with services and amenities beyond those available in other communities.

As part of the budget preparation process, the City Council adopts goals and objectives for the two-year period and evaluates the progress made on the goals established as part of the previous budget. The following section highlights some of the most significant accomplishments in fiscal year 2010-11:

- Opening of the new Walnut Creek Library – the facility was constructed in partnership with the Walnut Creek Library Foundation and the Friends of the Walnut Creek Library, and has received many awards including the Sapphire Award from the International Partnering Institute, and the Action for Beauty Council Award for Outstanding Community Facility. In addition, the library was certified as meeting the criteria for LEED Gold demonstrating leadership in energy and environmental design.
- Replaced the operating and ticketing system in all three City-owned garages with central cashiering technology to improve customer service and garage efficiency and reduce operating costs.
- Adopted the Bicycle Master Plan.

- Created the Community Blue Ribbon Task Force on Fiscal Health to provide an analysis of the City's current financial condition and evaluate prospective courses of action that could be adopted by the City to improve its financial base.
- Initiated or completed a number of "green" capital projects including the installation of solar panels on City Hall, retrofitting streetlights with energy-saving LEDs (light emitting diodes) and other energy efficiency upgrades to facilities and equipment.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Note 1 in the Basic Financial Statements provides a detailed explanation of the City's significant accounting policies. In developing and evaluating the City's accounting system, consideration is given to the adequacy of controls. Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss, accuracy and reliability of accounting data, and adherence to prescribed policies. The concept of reasonable assurance recognizes that the cost of a control measure should not exceed benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

The City adopts a budget biennially to be effective July 1 for the ensuing two-year period, including annual budgets for each of the two years. Typically, public hearings are conducted on the proposed budget to review all appropriations and sources of financing. As part of developing the 2010-12 Biennial Operating Budget, the City embarked on a proactive, community-based process designed to match City resources to goals determined by the City Council and defined by the community; this process was called "Balancing for the Future." A key component was the introduction of Priority-Based Budgeting (PBB) which the City continues to use for developing the 2012-14 Budget.

Capital projects are budgeted by the City over the term of the individual projects. Expenditures are controlled at the fund level for all budgeted departments within the City. At this level, expenditures may not legally exceed appropriations. The budgets are adopted on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP). Any significant amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council.

AWARDS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the Fiscal Year ended June 30, 2010. A copy of this award is included in this report. This award represents the fourth year that the City's report was recognized by the GFOA in its awards' program. In order to be recognized for this award, the City was required to produce a report that met their high standards for reporting, as well as one that adhered to Generally Accepted Accounting Principles (GAAP).



A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for recognition for 2011.

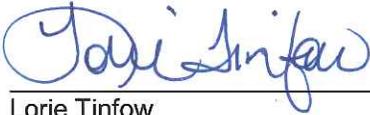
In addition, the City also received its second GFOA's Distinguished Budget Presentation Award for its two-year budget document. The award covers the biennium beginning July 1, 2010. In order to qualify for the Award, the City's budget document had to meet specific criteria as a policy document, a financial plan, an operations guide and a communications device.

ACKNOWLEDGMENTS

This CAFR was prepared by the dedicated staff of the Finance Division. Special thanks to Cindy Mosser, Roselyn Taormina, Jennifer Wakeman, Sydney Erdle and Anna Barnett for their assistance in preparing this report. This report is representative of Walnut Creek staff's ongoing commitment to provide excellent services and products to Walnut Creek citizens.

Thanks also to the City Council, City Manager and City Treasurer for their continued stewardship and commitment to ensuring the long-term fiscal health of Walnut Creek and to the independent auditors of Burr Pilger Mayer, Inc., for their review of this report.

Respectfully submitted,



Lorie Tinfow
Assistant City Manager / Administrative Services Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Walnut Creek
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.

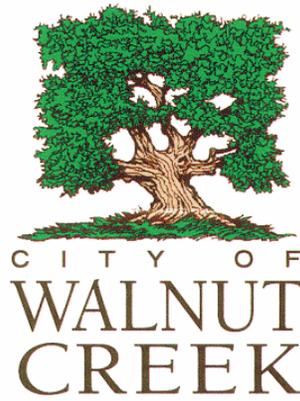


Linda C. Davison

President

Jeffrey R. Emer

Executive Director



OUR MISSION

The City of Walnut Creek, working in partnership with the community, is committed to enhancing our quality of life by promoting:

- A positive environment where people live, work and play;
- A vibrant local economy to enhance and sustain long-term fiscal stability;
- A progressive workplace where dedicated employees make a difference.

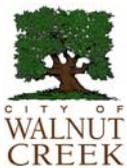
OUR VISION

A balanced community meeting tomorrow's needs while protecting the quality and character we value today.

OUR VALUES

We accomplish our mission and realize our vision by living these values:

Respect • Integrity • Excellence • Teamwork • Creativity



City of Walnut Creek Organizational Chart

Citizens of Walnut Creek

City Council /
RDA Agency Board

City Treasurer

City Commissions

City Manager

City Attorney

City Departments

Administrative Services

(Includes Finance, Human Resources, Risk Management,
Business Licenses and Information Technology)

Arts, Recreation and Community Services

(Includes Aquatics, Bedford Gallery, Civic Arts, Leshar Theater,
Classes, Camps & Preschool, Social Services and Sports/Teens)

Community Development

(Includes Building, Housing, Planning and
Transportation Planning)

General Government

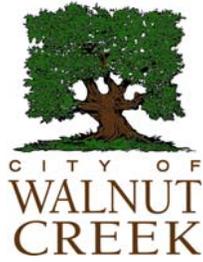
(Includes Public Information, Interagency Relations,
Community Outreach, City Clerk and
Economic Development)

Police

(Includes Services and Investigation Bureaus,
Patrol and Operations Management)

Public Services

(Includes Engineering, Maintenance Services,
Garages, Parks and Open Space)



PRINCIPAL OFFICERS

June 30, 2011



**Cindy Silva
Mayor**

**Bob Simmons
Mayor Pro Tem**

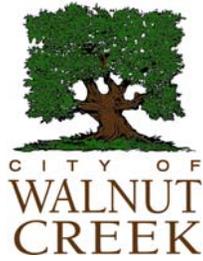


**Kish Rajan
Council Member**

**Gary Skrel
Council Member**



**Kristina Lawson
Council Member**



ADMINISTRATION PERSONNEL

June 30, 2011



Ken Nordhoff
City Manager



Bryan Wenter
City Attorney



Lorie Tinfow
**Assistant City Manager / Administrative Services
Director**



Barry Gordon
Arts, Recreation and Community Services Director



Sandra Meyer
Community Development Director



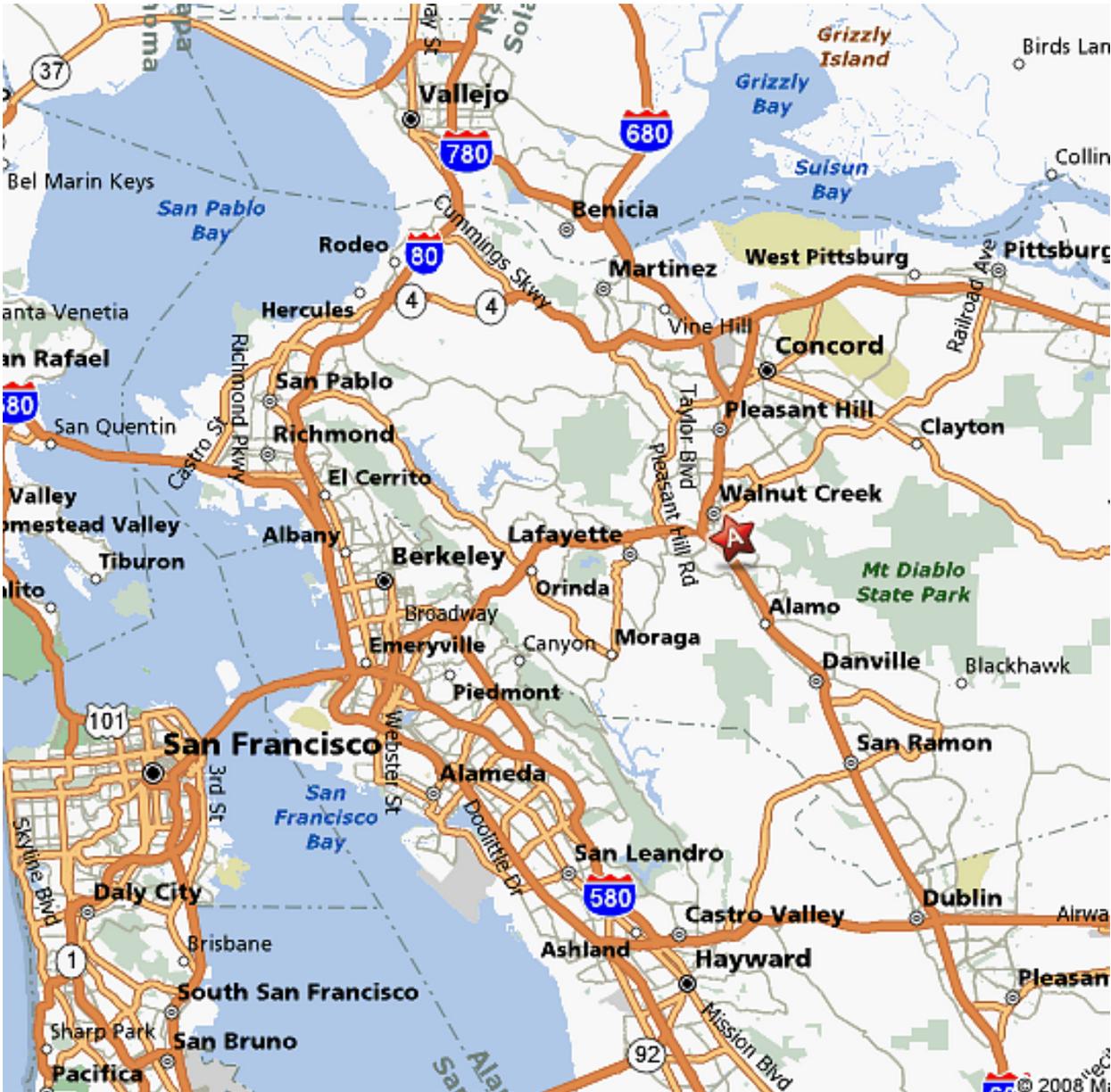
Joel Bryden
Chief of Police



Heather Ballenger
Public Services Director

Regional Map of Walnut Creek and Nearby Cities

3





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

City Council
City of Walnut Creek, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walnut Creek, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Walnut Creek. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Walnut Creek for the year ended June 30, 2010, which was audited by other auditors and whose report dated January 11, 2011, expressed an unqualified opinion on these financial statements.

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 of America. 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Walnut Creek, California, as of June 30, 2011, and the respective changes in financial position of the City of Walnut Creek for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 16, the closure of the City's Redevelopment Agency (a material component unit in the City's financial statements) is described as a result certain legislative actions enacted by the California State Legislature.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis*, *Required Supplementary Information* and *Other Information* are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules and statistical table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, in our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical table have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

Burr Pilger Mayer, Inc.

San Jose, California
January 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Walnut Creek

Management's Discussion and Analysis

For the year ended June 30, 2011

The management staff of the City of Walnut Creek (City), offers readers of the City's financial statements this narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2011, which has been designed in accordance with standards established by the Governmental Accounting Standards Board. Please read this overview in conjunction with the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components:

- **Government-Wide Financial Statements** - These include the *Statement of Net Assets* and *Statement of Activities*. These statements provide information about the activities of the City as a whole and about the overall financial condition of the City in a manner similar to a private-sector business.
- **Fund Financial Statements** - These statements provide additional information about the City's major funds, including how services were financed in the short term and fund balances available for financing future projects.
- **Notes to the Financial Statements** - The notes provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including budgetary comparison information on the City's General Fund.

FINANCIAL HIGHLIGHTS

Financial highlights of the year ended June 30, 2011 include the following:

Government-wide:

- The City's total net assets were \$337.5 million at June 30, 2011, of which \$338.5 million were in Governmental Activities and a \$1.0 million deficit was in Business-type Activities. Of total net assets, \$252.9 million relates to the City's net investment in capital assets and is not available for future appropriation (see tables 1 and 4 for additional information).
- Total City revenues were \$78.8 million, of which \$26.4 million were derived from Governmental Activities, \$3.8 million were derived from Business-type Activities and \$48.6 million from General Revenues (see tables 2 and 5 for additional information). Existing reserves were used to cover an additional \$1.7 million of expenditures.
- Total City expenses were \$80.5 million, of which Governmental Activities incurred \$76.6 million and Business-type Activities incurred \$3.9 million (see tables 2 and 5 for additional information).



City of Walnut Creek

Management's Discussion and Analysis, Continued

For the year ended June 30, 2011

FINANCIAL HIGHLIGHTS, Continued

Fund Level:

Governmental fund balances totaled \$74.3 million, the Enterprise funds had a \$1.0 million net asset deficit, and there was a cumulative net asset surplus of \$9.3 million in the Internal Service Funds, of which \$3.7 million relates to the City's net investment in capital assets. Governmental fund revenues were \$74.6 million, while Governmental fund expenditures totaled \$73.4 million.

- Proprietary Fund operating revenues were \$3.8 million in the Enterprise Funds and \$2.1 million in the Internal Service Funds.
- Proprietary Fund operating expenses were \$3.8 million in the Enterprise funds and \$1.0 million in the Internal Service Funds.
- Net non-operating revenues were approximately \$95,000 in the Enterprise Funds and net non-operating expenses were \$1.4 million in the Internal Service Funds.



General Fund:

- General Fund revenues were \$61.2 million and expenditures were \$58.8 million.
- Net transfers into the General Fund were \$881,500.
- The fund balance of the General Fund was \$30.4 million at June 30, 2011, all have been classified into the one of the five new components of fund balance required by Governmental Accounting Standards Board No. 54.

RDA Housing Special Revenue Fund:

- Fund revenues were \$74,000 and expenditures were \$547,000.
- Net transfers into the Fund were \$775,000.
- The fund balance of the Fund was \$1.2 million at June 30, 2011; the total amount is classified as restricted for future affordable housing programs and projects.

Major Capital Project Funds:

- Revenues were as follows: Capital Investment Program - \$2.6 million, Downtown Parking and Enhancement - \$857,000, and Traffic Impact Mitigation - \$347,000.
- Expenditures were as follows: Capital Investment Program - \$7.4 million, Downtown Parking and Enhancement - \$239,000, and Traffic Impact Mitigation - \$1,000.
- Net transfers in (out) were as follows: Capital Investment Program Fund - \$3.4 million, Downtown Parking and Enhancement Fund - (\$700,000), and Traffic Impact Mitigation Fund - (\$1.2) million.

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All current year revenues and expenses are accounted for regardless of when the cash is paid or received.

These statements report the City's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the City's financial position. Over time, increases or decreases in net assets are among indicators used to assess whether the financial condition of the City is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

City's property tax values and sales tax outlets, and the condition of the City's infrastructure (i.e. parks and streets), to accurately assess the overall health of the City.

The Government-wide statements present information about the City's activities. These include services provided by police, community development, public services and arts, recreation and community services. These services are funded from monies received from property, sales and other taxes, direct charges for services provided, grants, contributions from other agencies and impact fees collected from new development. The analysis on the following page focuses on the net assets and changes in net assets of the City's Governmental Activities (Tables 1, 2 and 3) and Business-Type Activities (Tables 4 and 5) presented in the Government-wide *Statement of Net Assets* and *Statement of Activities*.

Governmental Activities

The City's net assets from governmental activities, representing the difference between total assets and total liabilities, were \$338.5 million at June 30, 2011, a decrease of \$2.3 million (0.7%) from the balance at June 30, 2010. This decrease resulted primarily from lower program revenues. The table below summarizes the City's net assets.

Table 1
Governmental Net Assets (In Millions) at June 30,

	<u>2011</u>	<u>2010</u>
Cash and investments	\$ 67.9	\$ 67.8
Other assets	36.4	36.6
Capital assets	255.5	261.6
Total assets	<u>359.8</u>	<u>366.0</u>
Current liabilities	11.7	13.3
Non-current liabilities	9.6	11.9
Total liabilities	<u>21.3</u>	<u>25.2</u>
Net Assets		
Invested in capital assets, net of debt	251.5	255.1
Restricted	47.8	58.7
Unrestricted	39.2	27.0
Total net assets	<u>\$ 338.5</u>	<u>\$ 340.8</u>

A significant portion of the City's net assets (\$251.5 million, or 74.3%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The City's total liabilities of \$21.3 million represent obligations outstanding for operations, capital projects, deposits held for development projects and long-term debt.

The restricted portion of net assets at June 30, 2011 represent resources that are subject to external restrictions, set by outside agencies and state regulations, on how they may be used. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors and mostly consist of the unreserved



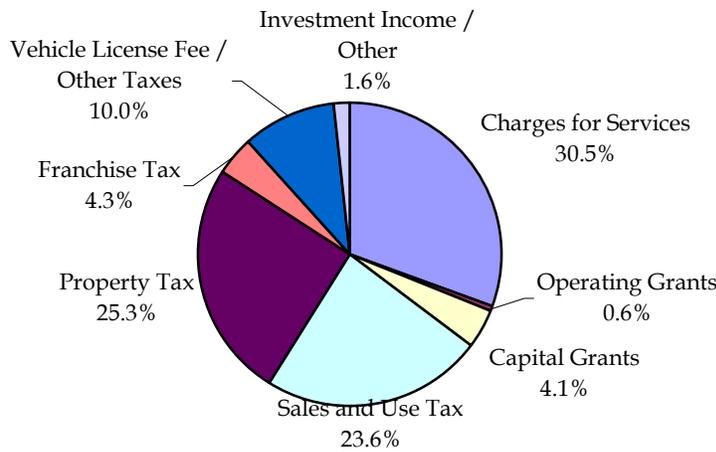
City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

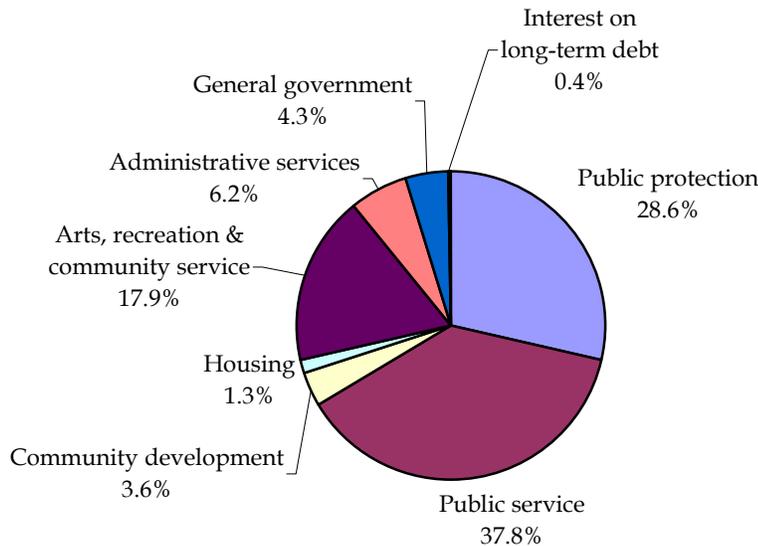
portions of the City's General Fund and Internal Service Fund balances, which have either been designated for future vehicle and equipment replacement, a new library and parking garage, major roadway reconstruction and for economic uncertainties.

The charts below summarize general City revenues available for funding all City programs and major expenditure program categories, as well as program revenues used to fund specific expenditure programs. For fiscal year 2010-11, total revenues from all sources relating to governmental activities were \$75.2 million and total expenditures for all City programs relating to governmental activities were \$76.6 million. Existing reserves were used to fund \$1.6 million of the expenditures.

Sources of Revenues
(excluding transfers to Business activities)
2010-11



Sources of Expenses
(by Governmental activity)
2010-11





City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Table 2
Change in Net Assets - Governmental Activities at June 30,
(In Millions)

Revenues	2011	2010
Program revenues		
Charges for service	\$ 22.8	\$ 22.1
Operating contributions and grants	0.5	0.8
Capital grants	3.1	4.9
Total program revenues	<u>26.4</u>	<u>27.8</u>
General revenues		
Taxes:		
Sales and use	17.7	16.6
Property	18.9	20.4
Franchise	3.2	3.2
Other taxes	7.4	7.0
Miscellaneous	0.5	0.3
Investment income	0.7	1.1
Total general revenues	<u>48.4</u>	<u>48.6</u>
Total revenues	<u>74.8</u>	<u>76.4</u>
Expenses		
Public protection	21.9	22.0
Public service	28.9	25.1
Community development	2.8	4.4
Housing	1.0	3.1
Arts, recreation & community service	13.7	14.1
Administrative services	4.7	5.9
General government	3.3	2.7
Interest on long-term debt *	0.3	0.3
Total expenses	<u>76.6</u>	<u>77.6</u>
Excess (deficiency) before transfers	(1.8)	(1.2)
Transfers	0.4	-
Change in net assets - Governmental Activities	<u>\$ (1.4)</u>	<u>\$ (1.2)</u>

* Associated with the Redevelopment Agency Debt Service



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Table 2, presented on the prior page, shows that governmental expenses, which totaled \$76.6 million, were offset in part by program revenues for governmental activities of \$26.4 million. These program revenues included \$22.8 million in charges for services, \$450,000 in operating grants and contributions, and \$3.1 million in capital grants and contributions. Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and admission fees charged for cultural events. Operating grants and contributions include amounts contributed by developers that can only go toward operations-related expenses, while capital grants and contributions are required to go toward capital investments. General revenues, as shown in Table 2 on the previous page, are available to pay for expenses not fully covered by program generated revenues.



Table 3 presents the program revenues and net expense of each of the City's largest programs. Net expense is defined as total program cost less the revenues generated by those specific activities.

Table 3
Governmental Activities
Program Revenues and Net (Expense) Revenue From Services at June 30,
(In Millions)

	Program Revenues		Net (Expense) Revenue	
	2011	2010	2011	2010
Public protection	\$ 2.4	\$ 2.3	\$ (19.5)	\$ (19.7)
Public service	8.4	6.5	(20.5)	(18.6)
Community development	3.3	2.8	0.5	(1.7)
Housing	0.3	1.6	(0.7)	(1.4)
Arts, recreation & community service	9.8	10.0	(3.9)	(4.1)
Administrative service	1.7	3.8	(3.0)	(2.1)
General government	0.5	0.8	(2.8)	(1.9)
Interest on long-term debt	-	-	(0.3)	(0.3)
Totals	\$ 26.4	\$ 27.8	\$ (50.2)	\$ (49.8)

Business-type Activities

The net deficit of business-type activities was \$1.0 million at June 30, 2011. Assets included a total of \$1.0 million in cash and investments, \$3,000 in receivables, \$2.5 million in capital assets and \$117,000 in other assets, offset by \$2.9 million in internal balances (representing the net amount due from business-type activities to governmental activities). Liabilities include \$1.1 million in long-term debt and \$658,000 in current liabilities. Total revenues and transfers for business-type activities totaled \$3.7 million for fiscal year 2010-11 while expenses totaled \$3.9 million.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Business-type Activities, Continued

Table 4
Business -Type Net Assets at June 30,
(In Millions)

	<u>2011</u>	<u>2010</u>
Cash and investments	\$ 1.0	\$ 1.0
Other assets	(2.8)	(2.5)
Capital assets	2.5	2.7
Total assets	<u>0.7</u>	<u>1.2</u>
Long-term debt outstanding	1.1	1.3
Other liabilities	0.6	0.7
Total liabilities	<u>1.7</u>	<u>2.0</u>
Net Assets		
Invested in capital assets, net of debt	1.4	1.3
Restricted	-	-
Unrestricted	(2.4)	(2.1)
Total net assets	<u>\$ (1.0)</u>	<u>\$ (0.8)</u>

Table 5
Change in Net Assets - Business-type Activities at June 30,
(In Millions)

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for service	\$ 3.8	\$ 3.5
Capital grants		
Total program revenues	<u>3.8</u>	<u>3.5</u>
General revenues		
Investment income	0.2	0.2
Total revenues	<u>\$ 4.0</u>	<u>\$ 3.7</u>
Expenses		
Golf Course and Clubhouse	\$ 3.9	\$ 4.0
Total expenses	<u>3.9</u>	<u>4.0</u>
Excess (deficiency) before transfers	<u>0.1</u>	<u>(0.3)</u>
Transfers	(0.3)	-
Change in net assets - Business-Type Activities	<u>\$ (0.2)</u>	<u>\$ (0.3)</u>



City of Walnut Creek

Management's Discussion and Analysis, Continued

For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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



Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Housing Fund and three Capital Projects Funds; the Capital Investment Program Fund, the Downtown Parking and Enhancement Fund and the Traffic Impact Mitigation Fund. The City has classified these funds as major funds.

The City adopts an annual appropriated budget for its General Fund and Redevelopment Agency Housing Special Revenue Fund. Budgetary comparison statements have been provided in the Required Supplementary Information section for these funds that demonstrates compliance with their budgets.

Proprietary funds

The City maintains two types of proprietary funds, Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its golf course and related clubhouse, which are classified as major funds in the City's Statement of Net Assets. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions and to build up reserves for future replacement of capital assets. The City uses internal service funds to account for its fleet of vehicles, computer systems, other furniture and equipment, improvements to City buildings and major roadway reconstruction. Because these services solely benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

Proprietary funds, Continued

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All eight internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental Information section of this report.

Fiduciary Funds

The City is the agent for certain agencies and assessment districts, holding amounts collected which await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Agency Funds Statement of Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Summary Analysis of Governmental Funds

At June 30, 2011, the City's governmental fund balances were \$74.3 million, which is a net increase of \$250,000, or less than 1%, from the balance in the prior fiscal year which does not include a prior period adjustment relating to a sales tax adjustment for the prior year. The following describe the specifics related to this variance:

- An increase of \$3.1 million in the General Fund, due to lower transfers out to other funds and the prior period adjustment of sales tax revenues for fiscal year ending June 30, 2010;
- An increase of \$300,000 in the Agency Housing Fund, due to lower expenditures incurred for new affordable housing projects;
- A decrease of \$1.4 million in the Capital Investment Program Fund, due to expenditures incurred for various new construction and maintenance projects;
- A decrease of \$82,000 in the Downtown Parking and Enhancement Fund, due to higher expenditures for the capital lease on the parking access control systems;
- A decrease of \$864,000 in the Traffic Impact Mitigation Fund, due to increased transfers for capital projects, and;
- A decrease of \$727,000 in the City's non-major governmental funds, primarily due to increases in the amounts transferred to the Capital Investment Program Fund from the In-Lieu Park Fund and the Measure J Fund, as well as, increases in the amounts transferred from the Redevelopment Agency project funds for the partial redemption of debt.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

Summary Analysis of Governmental Funds, Continued

Table 6
Change in Fund Balance- Governmental Funds at June 30,
(In Millions)

Revenues	2011	2010
Taxes:		
Sales and use	\$ 17.7	\$ 16.6
Property	18.9	20.4
Business license	1.9	2.0
Franchise	3.2	3.1
Transient occupancy	1.3	1.1
Other taxes	2.2	2.0
Intergovernmental	4.9	5.6
Investment and rental income	2.5	2.6
Charges for services	13.1	12.6
Licenses, permits and fees	2.6	2.2
Fines, forfeitures and penalties	5.0	4.4
Other revenue	1.3	2.7
Transfers	(0.6)	(0.2)
Total revenues	<u>\$ 74.0</u>	<u>\$ 75.1</u>
 Expenses		
Public protection	\$ 21.5	\$ 21.7
Public services	20.2	17.3
Community development	4.1	4.7
Housing	1.0	3.3
Arts, recreation & community service	13.6	14.0
Administrative services	4.7	5.9
General government	3.4	2.7
Capital outlay	2.3	20.0
Debt service	2.6	1.3
Total expenses	<u>\$ 73.4</u>	<u>\$ 90.9</u>



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

Detailed Analysis of Major Governmental Funds by Fund

General Fund

The General Fund is the chief operating fund of the City. For the year ending June 30, 2011, total fund balance was \$30.4 million, which has been reserved or designated for contingencies, claims, encumbrances, advances to other funds and other City projects.

Revenues were \$897,000 more in fiscal year 2010-11 compared to last fiscal year, a change of 1.5%. Expenditures decreased \$1.7 million in fiscal year 2010-11 compared to last fiscal year, a change of -2.7%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:

Revenues

Sales Taxes increased by \$1.1 million (6.9%) compared to the prior year resulting from an improvement in the local economy. This increase does not include a prior period adjustment of \$822,000 for fiscal year 2009-10.

Property and Other Taxes increased \$234,000 (1.0%) from the prior year primarily due to an increase in transient occupancy taxes collected at the City's hotels.

Intergovernmental revenues increased \$34,000 (8.2%) from fiscal year 2009-10 due to the net effect of increased vehicle license fee revenue and lower grant and reimbursement revenues.

Investment and rental income revenues were approximately \$244,000 (10.7%) less than the prior fiscal year, which is attributable to significantly lower interest earnings netted against higher rental revenues due to fully occupied garage retail spaces.

Charges for Services increased \$521,000 (4.3%) from fiscal year 2009-10 due to several new building charges, percent-of-valuation-based charges and the implementation of green components into the building code, as well as higher engineering inspection fees related to the processing of several large projects.

Licenses, permits and fee revenues increased \$358,000 (26.2%) compared to the prior fiscal year, primarily due to new permit fees for building, plumbing, electrical, mechanical, reroofing, and green components of the building code.

Fines, forfeitures and penalties and Other revenue decreased \$1.1 million (18.6%) from the prior fiscal year due to the combined effect of \$1.7 million less in library contributions and more revenue from parking meters, community court hearing citations, internal loan interest, and a new technology fee.





City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

Detailed Analysis of Major Governmental Funds by Fund, Continued

Expenditures

Public protection expenditures decreased \$159,000 (0.6%) from the prior year primarily due to the combination of reductions in the cost of retirement benefits and increased expenses related to the East Bay Regional Communications System and an internal loan repayment for the PERS Safety side fund loan.

Public services expenditures increased \$302,000 (2.4%) compared to the prior year due to the occurrence of the first lease payment on the new garage equipment and a lower offset to the custodial and equipment maintenance expenses provided to other departments, the impact of which was reduced to some extent by a reduction in special departmental expenses. Savings from frozen and eliminated positions in this department were offset almost entirely by the relocation of garage operations into this department from the administrative services department.

Community development expenditures decreased \$470,000 (10.8%) from fiscal year 2009-10. This decrease is attributable to staff vacancies during the fiscal year, as well as the relocation of the downtown trolley expense from this department to the Downtown Parking and Enhancement Fund.

Arts, recreation and community services expenditures were \$892,000 (6.5%) less than the prior year primarily due to frozen and eliminated positions, in addition to the elimination of the Art Reach program.

Administrative services expenditures decreased \$1.2 million (20.0%), which is the net result of the closures of the warehouse and reprographics functions and the relocation of garage operations to the public services department.

General government expenditures increased \$532,000 (21.3%) over the prior fiscal year due to the combination of several factors; department contributions for workers compensation claims were more closely aligned to actual experience to avoid the large credit balance experienced the prior year; higher unemployment insurance costs due to the layoffs done in June/July 2010; and the first of three payments for the Early Retirement Incentive Program that was offered at the end of last fiscal year.

Redevelopment Agency Housing Special Revenue and Major Capital Project Funds

The Redevelopment Agency (RDA) Housing Special Revenue Fund accounts for a required 20.0% of the tax increments received from the Agency's two project areas. As of June 30, 2011, its fund balance of \$1.2 million was reserved for future housing projects and programs. The fund balance increased by \$301,000 due to lower expenditures incurred for new construction compared to the prior fiscal year.



City of Walnut Creek Management's Discussion and Analysis, Continued For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

The Capital Investment Program Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2011, its fund balance of \$10.0 million is reserved for use on current projects. The fund balance decreased by \$1.4 million in fiscal year 2010-11 due to expenditures incurred for the design and construction of several major capital and maintenance projects. Some of the more significant capital and maintenance projects that were completed during fiscal year 2010-11 are listed below:

- Downtown Library Parking Signage
- Reroof and HVAC Replacement Projects
- Residential Overlay Projects
- Heather Farm Community Center Flooring Replacement
- North San Carlos Drive Rehabilitation
- Ygnacio Valley Road Sidewalk Widening
- Shadelands Auditorium Interior Improvements
- Creekwalk in Civic Park East Improvements
- Civic Park Community Center Carpet Replacement
- Civic Park Community Center & Assembly Hall Interior Painting



The Downtown Parking and Enhancement Fund accounts for a portion of the parking meter revenues, which are to be used for funding improvements to the downtown area and to the City's parking garages. As of June 30, 2011, its fund balance of \$1.4 million was designated for use on parking and downtown enhancement projects. The fund balance decreased by \$82,000 due to relocation of the annual Downtown Trolley expense to this fund, which was offset by a reduction in capital project expenses.

The Traffic Impact Mitigation Fund accounts for receipts and expenditures from fees imposed on developers to pay for transportation improvements. As of June 30, 2011, its fund balance comprised of \$3.6 million reserved for use on future street construction projects. The fund balance decreased by \$864,000 due to contributions toward several capital projects, such as the Mt. Diablo Iron Horse Trail Crossing and two projects that utilized Safe Routes to School grants.

Summary Analysis of Proprietary Funds

As of June 30, 2011, the City's Proprietary Funds (Enterprise and Internal Service Funds) had a net asset balance of \$8.3 million, an increase of \$461,000 from the prior fiscal year. The Enterprise Funds had a net deficit balance of \$1.0 million, representing a \$229,000 (29.5%) increase in the deficit. The net asset balance of the Internal Service Funds was \$9.3 million, up \$690,000 (8.0%) from the previous fiscal year.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS, Continued

Table 7
Change in Fund Net Assets - Proprietary Funds at June 30,
(In Millions)

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 5.9	\$ 4.3
Operating expenses	4.8	4.9
Operating income (loss)	<u>1.1</u>	<u>(0.6)</u>
Non-operating revenues (expenses)	(1.3)	0.2
Net income (loss) before contributions and operating transfers	<u>(0.2)</u>	<u>(0.4)</u>
Transfers in (out)	0.6	0.3
Change in net assets	<u>\$ 0.4</u>	<u>\$ (0.1)</u>

Golf Course, Clubhouse, and Contract Operations Funds

These funds account for the administration and operation of the City's Boundary Oak Golf Course and Clubhouse. Net assets of these funds decreased \$229,000 at the end of fiscal year 2010-11, resulting from contributions to capital projects for exterior building improvements and re-roofing at the golf course and clubhouse. Of the total net assets, \$1.4 million was invested in capital assets, net of related debt. Long-term advances from the General Fund and Golf Course - City Administration Fund finance the deficit in the Clubhouse - City Administration Fund and Boundary Oak - Onsite Contract Operations Fund, to be paid back from future anticipated revenues of the Golf Course and Clubhouse.

BUDGETARY HIGHLIGHTS OF THE CITY'S GOVERNMENTAL FUNDS

Over the course of the year, the City Council revised the City's budget with adjustments for various revenue and expenditure changes. After taking into account these adjustments, General Fund actual revenues were more than the final budget by \$1.2 million (2.0%), which is primarily attributable to higher sales tax revenue than anticipated, as well as, increased charges for services revenue the Public Services and Art, Recreation and Community Services departments. General Fund actual expenditures were \$3.1 million (5.0%) under the final budget, with significant savings in Public Services (\$744,000), Public Protection (\$638,000), General Government (\$620,000), and Administrative Services (\$598,000). Of these savings, \$1.1 million (35.5%) is due to salary and benefit savings resulting from frozen positions or staff vacancies, \$1.8 million (58.1%) is related to service and supply cost savings, and \$21,000 (0.7%) is related to capital outlay expenses that did not occur.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

GASB 34 requires the City to record all of its capital assets, including infrastructure. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. The City has recorded its capital assets at historical cost or estimated historical cost if actual historical cost was not available. In addition, donated fixed assets have been valued at their estimated fair market value on the date donated.

At June 30, 2011 the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 below:

Table 8
Capital Assets at June 30,
(In Millions)

	<u>2011</u>	<u>2010</u>
Governmental activities		
Land	\$ 48.4	\$ 48.0
Construction in progress	1.9	44.2
Building and improvements	142.3	101.7
Machinery and equipment	8.6	8.7
Vehicles	7.5	7.5
Infrastructure	195.2	190.2
Less accumulated depreciation	(148.4)	(138.8)
Totals	<u><u>255.5</u></u>	<u><u>261.5</u></u>
Business-type activities		
Land	1.3	1.3
Buildings	2.1	2.1
Improvements	2.3	2.3
Machinery and equipment	0.7	0.8
Less accumulated depreciation	(3.9)	(3.8)
Totals	<u><u>\$ 2.5</u></u>	<u><u>\$ 2.7</u></u>

At June 30, 2011, the City had \$255.5 million, net of depreciation, invested in a broad range of capital assets used in governmental activities and \$2.5 million, also net of depreciation, invested in Business-type assets, as shown in Table 8 above.

The City depreciates all its capital assets on a straight-line basis over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets may be found in Notes 1 and 6.



City of Walnut Creek
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

CAPITAL ASSETS AND LONG TERM DEBT, Continued

Long Term Debt

At June 30, 2011 the City's debt comprised of the following:

Table 9
Outstanding Debt at June 30,
(In Millions)

	<u>2011</u>	<u>2010</u>
Governmental activities		
Capital Lease Obligation	\$ 1.1	\$ 1.5
Tax Allocation bonds (Rated Baa1 by Moody's)	4.4	6.6
Total governmental debt	<u>5.5</u>	<u>8.1</u>
Business-type activities		
Lease Revenue Bonds (Rated A1 by Moody's)	0.9	1.0
Capital Lease Obligation	0.4	0.5
Total business-type debt	<u>1.3</u>	<u>1.5</u>
Total debt	<u>\$ 6.8</u>	<u>\$ 9.6</u>

The City has made all required debt service payments on the issues listed above. As related to the governmental activities, capital lease obligations consist of lease agreements for financing a new phone system and equipment at the parking garages while the tax allocation bonds were issued to fund redevelopment activity such as property acquisitions and capital improvements. In the business-type activities, the lease revenue bonds were issued for renovations and improvements at the Boundary Oak Golf Course and the capital lease obligation is for the financing of equipment for the golf course. Additional information on outstanding debt may be found in Note 7 to the Basic Financial Statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The City's budget for fiscal year 2010-11 reflected the conditions of the local economy, which were anticipated to continue to be weak throughout that fiscal year. In spite of the current condition of the economy, the City was able to present a balanced budget and maintain adequate reserves for the General Fund for fiscal year 2010-11, through a combination of measures that included:

- Staff and program reductions;
- Increasing charges for services to more nearly reflect actual costs;
- Leaving selected positions unfilled;
- Using carryover savings from prior fiscal years, and;
- Negotiating new labor agreements with employees, resulting in reduced compensation costs.





City of Walnut Creek Management's Discussion and Analysis, Continued For the year ended June 30, 2011

ECONOMIC OUTLOOK AND MAJOR INITIATIVES (continued)

As part of the City's adopted budgets for fiscal years 2010-11 and 2011-12, City Council adopted a number of significant goals, including the following:

- A Safe Community
- Culture, Recreation and Learning Opportunities
- Economic Vitality
- Effective Transportation and Mobility Options
- Stewardship of the Natural and Build Environment
- Strong neighborhoods and a Sense of Community

Major Capital Projects funded for fiscal years 2010-11 and 2011-12 included work on the following projects:

- Ygnacio Valley Road Sidewalk Widening
- Residential Street Overlay and Slurry Seal
- North San Carlos Drive Reconstruction
- Downtown Pay Stations
- Geary Road Improvements- Putnam to Pleasant Hill Road
- Municipal Maintenance Master Plan Projects
- Energy Strategy Projects
- Safe Routes to School- Buena Vista / Parkside



Primary funding sources for these projects include General Fund contributions, one time grants, Measure J, impact fees received from new development, and gas tax monies.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the to the following address: City of Walnut Creek, Finance Department, 1666 North Main Street, Walnut Creek, California 94596. A copy of this financial report is also located at the City's website at <http://www.walnut-creek.org>, by selecting "Budget" in the "Quick Links" section and then selecting "Other Financial Reports".

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Walnut Creek

Statement of Net Assets

June 30, 2011

(With comparative information for the prior year)

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
ASSETS				
Current assets:				
Cash and investments (Note 2)	\$ 66,746,670	\$ 794,078	\$ 67,540,748	\$ 67,528,382
Cash and investments with fiscal agents (Note 2)	1,126,333	163,704	1,290,037	1,289,818
Receivables:				
Accounts	2,989,129	2,470	2,991,599	1,980,917
Taxes	2,337,279	-	2,337,279	3,094,604
Due from other governments	806,764	-	806,764	956,011
Interest	95,649	668	96,317	148,528
Internal balances, current	345,000	(345,000)	-	-
Total current assets	<u>74,446,824</u>	<u>615,920</u>	<u>75,062,744</u>	<u>74,998,260</u>
Noncurrent assets:				
Notes and loans receivable (Note 3)	15,441,803	-	15,441,803	15,266,555
Inventory of materials and supplies	41,716	103,148	144,864	122,299
Prepaid items	11,774,561	13,475	11,788,036	12,536,155
Internal balances, long-term	2,578,447	(2,578,447)	-	-
Capital assets (Note 6):				
Nondepreciable	50,289,091	1,337,396	51,626,487	93,597,611
Depreciable	353,621,705	5,117,603	358,739,308	313,269,186
Accumulated depreciation	(148,385,535)	(3,907,548)	(152,293,083)	(142,614,494)
Total capital assets	<u>255,525,261</u>	<u>2,547,451</u>	<u>258,072,712</u>	<u>264,252,303</u>
Total noncurrent assets	<u>285,361,788</u>	<u>85,627</u>	<u>285,447,415</u>	<u>292,177,312</u>
Total assets	<u>359,808,612</u>	<u>701,547</u>	<u>360,510,159</u>	<u>367,175,572</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,828,148	172,702	3,000,850	5,242,610
Accrued payroll	1,853,604	4,387	1,857,991	1,842,702
Refundable deposits	950,906	180,340	1,131,246	965,901
Unearned revenue (Note 4)	3,023,893	47,181	3,071,074	2,135,142
Interest payable	74,261	-	74,261	123,880
Claims payable due in one year (Note 10)	1,857,705	-	1,857,705	1,730,283
Compensated absences due in one year (Note 8)	251,684	-	251,684	373,182
Long-term debt due in one year (Note 7)	860,584	253,047	1,113,631	1,572,847
Total current liabilities	<u>11,700,785</u>	<u>657,657</u>	<u>12,358,442</u>	<u>13,986,547</u>
Noncurrent liabilities:				
Claims payable due in more than one year (Note 10)	1,912,275	-	1,912,275	2,043,543
Compensated absences due in more than one year (Note 8)	3,024,559	-	3,024,559	3,039,988
Long-term debt due in more than one year (Note 7)	4,662,093	1,051,286	5,713,379	8,102,010
Total noncurrent liabilities	<u>9,598,927</u>	<u>1,051,286</u>	<u>10,650,213</u>	<u>13,185,541</u>
Total liabilities	<u>21,299,712</u>	<u>1,708,943</u>	<u>23,008,655</u>	<u>27,172,088</u>
NET ASSETS				
Invested in capital assets, net of related debt	251,483,541	1,406,822	252,890,363	256,386,773
Restricted for:				
Capital projects	28,094,741	-	28,094,741	30,131,120
Community development	19,757,910	-	19,757,910	28,554,310
Total restricted net assets	<u>47,852,651</u>	<u>-</u>	<u>47,852,651</u>	<u>58,685,430</u>
Unrestricted net assets (deficit)	39,172,708	(2,414,218)	36,758,490	24,931,281
Total net assets (deficit)	<u>\$ 338,508,900</u>	<u>\$ (1,007,396)</u>	<u>\$ 337,501,504</u>	<u>\$ 340,003,484</u>

See accompanying Notes to Basic Financial Statements.



City of Walnut Creek
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2011
 (With comparative information for the prior year)

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Public protection	\$ 21,923,692	\$ 2,187,329	\$ 214,091	\$ 38,185	\$ 2,439,605
Public service	28,858,972	5,459,706	-	2,906,133	8,365,839
Community development	2,799,414	3,065,566	225,415	-	3,290,981
Housing	1,019,485	309,918	-	-	309,918
Arts, recreation and community services	13,737,264	9,691,973	-	126,642	9,818,615
Administrative services	4,722,052	1,684,036	-	(5,000)	1,679,036
General government	3,248,455	439,531	11,530	-	451,061
Interest on long-term debt	269,960	-	-	-	-
Total governmental activities	76,579,294	22,838,059	451,036	3,065,960	26,355,055
Business-type activities:					
Golf Course and Clubhouse	3,877,045	3,826,347	-	-	3,826,347
Total business-type activities	3,877,045	3,826,347	-	-	3,826,347
Total primary government	\$ 80,456,339	\$ 26,664,406	\$ 451,036	\$ 3,065,960	\$ 30,181,402
General revenues:					
Taxes:					
Sales and use					
Property					
Franchise					
Other taxes					
Total taxes					
Investment income					
Other					
Transfers					
Total general revenues and transfers					
Change in net assets					
Net assets - beginning of year, as restated (Note 14)					
Net assets - end of year					

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2011	2010
\$ (19,484,087)	\$ -	\$ (19,484,087)	\$ (19,733,544)
(20,493,133)	-	(20,493,133)	(18,587,993)
491,567	-	491,567	(1,635,893)
(709,567)	-	(709,567)	(1,435,858)
(3,918,649)	-	(3,918,649)	(4,082,580)
(3,043,016)	-	(3,043,016)	(2,100,100)
(2,797,394)	-	(2,797,394)	(1,870,419)
(269,960)	-	(269,960)	(329,798)
(50,224,239)	-	(50,224,239)	(49,776,185)
-	(50,698)	(50,698)	(448,742)
-	(50,698)	(50,698)	(448,742)
(50,224,239)	(50,698)	(50,274,937)	(50,224,927)
17,664,314	-	17,664,314	16,582,063
18,894,891	-	18,894,891	20,377,168
3,199,514	-	3,199,514	3,147,976
7,444,697	-	7,444,697	7,012,408
47,203,416	-	47,203,416	47,119,615
547,489	164,636	712,125	1,365,356
666,063	13,054	679,117	353,795
356,250	(356,250)	-	-
48,773,218	(178,560)	48,594,658	48,838,766
(1,451,021)	(229,258)	(1,680,279)	(1,386,161)
339,959,921	(778,138)	339,181,783	341,389,645
\$ 338,508,900	\$ (1,007,396)	\$ 337,501,504	\$ 340,003,484

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal year 2010-11

The General Fund accounts for resources used to provide for general City operations.

Special Revenue Fund:

RDA Housing accounts for redevelopment property tax increments, which must be set aside for low and moderate income housing.

Capital Project Funds:

The Capital Investment Program Fund accounts for resources used for making capital improvements and funding large maintenance projects.

The Downtown Parking and Enhancement Fund accounts for receipts from parking meter revenues to be used for funding parking structure improvements and for enhancement of the downtown area.

The Traffic Impact Mitigation Fund accounts for receipts and expenditures from fees imposed on developers to pay for transportation improvements.



City of Walnut Creek
Balance Sheet
Major Governmental Funds
June 30, 2011
(With comparative information for the prior year)

	General Fund	Special Revenue	Capital Project Funds	
		RDA Housing	Capital Investment Program	Downtown Parking and Enhancement
ASSETS				
Current:				
Cash and investments (Note 2)	\$ 30,234,548	\$ 1,277,082	\$ 1,699,186	\$ 2,960,765
Cash and investments with fiscal agents (Note 2)	-	-	-	-
Accounts receivable	1,630,147	1,988	931,027	-
Taxes receivable	2,337,279	-	-	-
Interest receivable	40,224	-	2,457	5,135
Prepaid items	152,420	-	-	-
Due from other governments	-	-	-	-
Due from other funds (Note 5)	960,663	-	10,150,741	-
Notes and loans receivable (Note 3)	-	7,642,530	-	-
Inventory of materials and supplies	41,716	-	-	-
Advances to other funds (Note 5)	11,178,447	-	-	-
Total assets	\$ 46,575,444	\$ 8,921,600	\$ 12,783,411	\$ 2,965,900
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 1,593,767	\$ 26,817	\$ 297,744	\$ 37,684
Accrued payroll	1,743,082	2,316	54,148	-
Due to other funds (Note 5)	10,403,623	-	931,027	1,537,403
Refundable deposits	950,906	-	-	-
Deferred revenue (Note 4)	1,468,347	7,642,530	1,513,351	-
Advances from other funds (Note 5)	-	-	-	-
Total liabilities	16,159,725	7,671,663	2,796,270	1,575,087
Fund Balances (Note 9):				
Nonspendable	11,343,140	-	-	-
Restricted	-	1,249,937	6,164,991	1,390,813
Committed	14,112,982	-	-	-
Assigned	4,619,054	-	3,822,150	-
Unassigned	340,543	-	-	-
Total fund balances	30,415,719	1,249,937	9,987,141	1,390,813
Total liabilities and fund balances	\$ 46,575,444	\$ 8,921,600	\$ 12,783,411	\$ 2,965,900

See accompanying Notes to Basic Financial Statements.

Traffic Impact Mitigation	Non-major Governmental Funds	Total Governmental Funds	
		2011	2010
\$ 5,294,845	\$ 25,280,244	\$ 66,746,670	\$ 66,719,760
-	1,126,333	1,126,333	1,126,114
-	425,967	2,989,129	1,966,174
-	-	2,337,279	3,094,604
8,552	39,281	95,649	147,687
-	-	152,420	8,762
-	806,764	806,764	956,011
-	25,772	11,137,176	13,705,557
-	7,799,273	15,441,803	15,266,555
-	-	41,716	39,118
-	3,022,141	14,200,588	15,370,200
<u>\$ 5,303,397</u>	<u>\$ 38,525,775</u>	<u>\$ 115,075,527</u>	<u>\$ 118,400,542</u>
\$ -	\$ 815,384	\$ 2,771,396	\$ 4,943,080
-	54,058	1,853,604	1,838,444
1,703,760	2,199,633	16,775,446	18,612,607
-	-	950,906	868,897
-	7,841,468	18,465,696	17,369,694
-	-	-	259,759
<u>1,703,760</u>	<u>10,910,543</u>	<u>40,817,048</u>	<u>43,892,481</u>
-	3,217,141	14,560,281	16,546,760
3,599,637	24,398,091	36,803,469	33,849,507
-	-	14,112,982	12,832,194
-	-	8,441,204	10,755,698
-	-	340,543	523,902
<u>3,599,637</u>	<u>27,615,232</u>	<u>74,258,479</u>	<u>74,508,061</u>
<u>\$ 5,303,397</u>	<u>\$ 38,525,775</u>	<u>\$ 115,075,527</u>	<u>\$ 118,400,542</u>

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City of Walnut Creek
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds	\$ 74,258,479
<p>Amounts reported for governmental activities in the Statement of Net Assets were different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Capital assets of governmental activities were adjusted as follows:</p>	
Nondepreciable	50,289,091
Depreciable, net	201,509,362
<p>Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>	
	(74,261)
<p>Revenues which are deferred on the Governmental Funds Balance Sheet because they are not currently available are recognized as revenue in the Statement of Activities and accordingly increase the net assets on the Statement of Net Assets.</p>	
	15,441,803
<p>Internal service funds are used to charge the costs of facility, vehicle and equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets. (Long-term debt is included below).</p>	
	9,653,326
<p>Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.</p>	
<p>Long-term liabilities - due within one year:</p>	
Claims and judgments payable	(1,857,705)
Compensated absences payable	(251,684)
Long-term debt	(860,584)
<p>Long-term liabilities - due in more than one year:</p>	
Claims and judgments payable	(1,912,275)
Compensated absences payable	(3,024,559)
Long-term debt	(4,662,093)
Net Assets of Governmental Activities	\$ 338,508,900

See accompanying Notes to Basic Financial Statements.



City of Walnut Creek
Statement of Revenues, Expenditures and Changes in Fund Balances
Major Governmental Funds
For the Year Ended June 30, 2011
(With comparative information for the prior year)

	General Fund	Special Revenue	Capital Project Funds	
		RDA Housing	Capital Investment Program	Downtown Parking and Enhancement
REVENUES:				
Taxes:				
Sales and use	\$ 16,857,550	\$ -	\$ -	\$ -
Property	15,771,765	-	-	-
Business license	1,911,581	-	-	-
Franchise	3,199,514	-	-	-
Transient occupancy tax	1,345,355	-	-	-
Other	410,997	-	-	-
Intergovernmental	440,076	-	2,594,544	-
Investment and rental income	2,034,736	9,526	5,542	20,803
Charges for services	12,743,121	-	-	-
Licenses, permits and fees	1,719,481	-	-	836,000
Fines, forfeitures and penalties	4,792,703	-	-	-
Other revenue	-	64,215	-	-
Total revenues	61,226,879	73,741	2,600,086	856,803
EXPENDITURES:				
Current:				
Public protection	21,532,062	-	-	-
Public service	12,686,032	-	5,065,528	238,676
Community development	3,850,586	-	-	-
Housing	-	547,109	-	-
Arts, recreation and community services	12,815,238	-	-	-
Administrative services	4,710,796	-	-	-
General government	3,019,264	-	-	-
Capital outlay:				
Public ways and facilities	-	-	2,313,211	-
Debt service:				
Principal retirement (Note 7)	179,592	-	-	-
Interest, fiscal charges and issuance costs	-	-	-	-
Total expenditures	58,793,570	547,109	7,378,739	238,676
REVENUES OVER (UNDER) EXPENDITURES	2,433,309	(473,368)	(4,778,653)	618,127
OTHER FINANCING SOURCES (USES) (Note 5):				
Transfers in	3,444,733	774,625	5,196,772	-
Transfers (out)	(2,563,188)	-	(1,789,506)	(700,000)
Total other financing sources (uses)	881,545	774,625	3,407,266	(700,000)
Net change in fund balances	3,314,854	301,257	(1,371,387)	(81,873)
FUND BALANCES:				
Beginning of year, as restated (Note 14):	27,100,865	948,680	11,358,528	1,472,686
End of year	<u>\$ 30,415,719</u>	<u>\$ 1,249,937</u>	<u>\$ 9,987,141</u>	<u>\$ 1,390,813</u>

See accompanying Notes to Basic Financial Statements.

Traffic Impact Mitigation	Non-major Governmental Funds	Total Governmental Funds	
		2011	2010
\$ -	\$ 806,764	\$ 17,664,314	\$ 16,582,063
-	3,123,126	18,894,891	20,377,168
-	-	1,911,581	1,943,357
-	-	3,199,514	3,147,976
-	-	1,345,355	1,141,959
-	1,741,304	2,152,301	2,007,832
-	1,887,930	4,922,550	5,620,185
35,139	390,794	2,496,540	2,639,135
-	375,357	13,118,478	12,585,459
-	-	2,555,481	2,197,799
-	188,728	4,981,431	4,383,826
311,589	978,535	1,354,339	2,723,887
346,728	9,492,538	74,596,775	75,350,646
-	19,207	21,551,269	21,744,763
655	1,984,034	19,974,925	17,274,706
-	225,725	4,076,311	4,727,785
-	472,376	1,019,485	3,324,662
-	800,574	13,615,812	14,008,006
-	-	4,710,796	5,885,492
-	337,769	3,357,033	2,648,587
-	-	2,313,211	19,998,754
-	2,260,000	2,439,592	940,000
-	325,173	325,173	350,530
655	6,424,858	73,383,607	90,903,285
346,073	3,067,680	1,213,168	(15,552,639)
-	3,090,383	12,506,513	11,090,351
(1,210,000)	(6,884,869)	(13,147,563)	(11,332,999)
(1,210,000)	(3,794,486)	(641,050)	(242,648)
(863,927)	(726,806)	572,118	(15,795,287)
4,463,564	28,342,038	73,686,361	90,303,348
\$ 3,599,637	\$ 27,615,232	\$ 74,258,479	\$ 74,508,061

City of Walnut Creek

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 572,118
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.	(9,232,217)
Governmental funds report acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	3,767,754
Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(59,992)
Revenues which are deferred on the Governmental Funds Balance Sheet because they are not currently available are recognized as revenue in the Statement of Activities. This amount represent revenues which were deferred on the governmental funds statements in prior years and recognized this year, however those revenues which were recognized on the government-wide statements in prior years and therefore should not be recognized as revenue in the current year.	175,248
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
Long-term debt repayments	2,439,592
Bond issuance premium is recognized as proceeds from sale of bonds in the governmental funds financial statements, but is amortized over the life of the bonds on the government-wide statements and reported as a reduction of interest expense.	5,594
Interest expense accrued on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as an expenditure in governmental funds. This amount represents the difference between expenditures reported on the government-wide statements and the governmental funds statements.	49,619
Expenses to accrue for long-term compensated absences and claims liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, these expenses are not reported in governmental funds.	140,774
Internal service funds are used to charge the costs of information technology and equipment replacement, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	690,489
Change in Net Assets of Governmental Activities	\$ (1,451,021)

See accompanying Notes to Basic Financial Statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary funds account for City operations financed and operated in a manner similar to private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

Enterprise Funds:

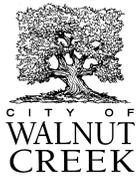
The *Golf Course - City Administration Fund* accounts for City oversight of and support services to the Boundary Oak Golf Course, capital improvements made to the golf course and related debt service.

The *Clubhouse - City Administration Fund* accounts for the City oversight and support services to the Boundary Oak Golf Course Clubhouse food and beverage and event operations, capital improvements made to the clubhouse and related debt service.

The *Boundary Oak - Onsite Contract Operations* accounts for golf and clubhouse operations which are run by a third party operator.

Internal Service Funds:

The *Internal Service Funds* accounts for activities that provide goods or services to other City funds, departments, or agencies on a cost reimbursement basis. The combined total of all internal service funds are shown on the Fund Financial Statements.



City of Walnut Creek
Statement of Net Assets
Major Proprietary Funds
June 30, 2011
(With comparative information for the prior year)

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	
	Golf Course - City Administration	Clubhouse - City Administration	Boundary Oak - Onsite Contract Operations	2011	2010
	ASSETS				
Current assets:					
Cash and investments (Note 2)	\$ 572,929	\$ 45,122	\$ 176,027	\$ 794,078	\$ 808,622
Cash with fiscal agent (Note 2)	163,704	-	-	163,704	163,704
Total cash	736,633	45,122	176,027	957,782	972,326
Accounts receivable	33	2,362	75	2,470	2,179
Interest receivable	620	48	-	668	841
Inventory of materials & supplies	-	-	103,148	103,148	83,181
Prepaid items	-	-	13,475	13,475	399
Due from other funds (Note 5)	-	-	-	-	-
Total current assets	737,286	47,532	292,725	1,077,543	1,058,926
Advances to other funds (Note 5)	86,749	-	-	86,749	110,320
Capital assets (Note 6):					
Nondepreciable	1,277,396	60,000	-	1,337,396	1,337,396
Depreciable	3,034,795	1,473,164	609,644	5,117,603	5,123,989
Accumulated depreciation	(2,575,350)	(1,108,747)	(223,451)	(3,907,548)	(3,764,878)
Total capital assets	1,736,841	424,417	386,193	2,547,451	2,696,507
Total noncurrent assets	1,823,590	424,417	386,193	2,634,200	2,806,826
Total assets	2,560,876	471,949	678,918	3,711,743	3,865,752
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	18,726	500	153,476	172,702	274,750
Accrued payroll	3,005	1,382	-	4,387	4,258
Due to other funds (Note 5)	345,000	-	-	345,000	-
Long term debt - due in one year (Note 7)	115,000	-	138,047	253,047	237,775
Total current liabilities	481,731	1,882	291,523	775,136	516,783
Noncurrent liabilities:					
Refundable deposits	-	-	180,340	180,340	97,004
Deferred revenue	-	-	47,181	47,181	32,003
Advances from other funds (Note 5)	-	2,665,196	-	2,665,196	2,693,767
Long term debt - due in more than one year (Note 7)	815,000	-	236,286	1,051,286	1,304,333
Total noncurrent liabilities	815,000	2,665,196	463,807	3,944,003	4,127,107
Total liabilities	1,296,731	2,667,078	755,330	4,719,139	4,643,890
NET ASSETS					
Invested in capital assets, net of related debt	970,545	424,417	11,860	1,406,822	1,318,102
Unrestricted net assets (deficit)	293,600	(2,619,546)	(88,272)	(2,414,218)	(2,096,240)
Total net assets (deficit)	\$ 1,264,145	\$ (2,195,129)	\$ (76,412)	\$ (1,007,396)	\$ (778,138)

See accompanying Notes to Basic Financial Statements.

Governmental Activities Internal Service Funds	Total Internal Service Funds	
	2011	2010
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	12,564
-	-	-
-	-	-
11,622,141	11,622,141	12,526,994
6,581,473	6,581,473	6,122,417
<u>18,203,614</u>	<u>18,203,614</u>	<u>18,661,975</u>
-	-	-
-	-	-
9,744,507	9,744,507	9,681,505
(6,017,699)	(6,017,699)	(5,448,617)
<u>3,726,808</u>	<u>3,726,808</u>	<u>4,232,888</u>
<u>3,726,808</u>	<u>3,726,808</u>	<u>4,232,888</u>
<u>21,930,422</u>	<u>21,930,422</u>	<u>22,894,863</u>
56,752	56,752	24,780
-	-	-
598,203	598,203	1,215,367
173,036	173,036	164,886
<u>827,991</u>	<u>827,991</u>	<u>1,405,033</u>
-	-	-
-	-	-
11,622,141	11,622,141	12,526,994
181,588	181,588	354,623
<u>11,803,729</u>	<u>11,803,729</u>	<u>12,881,617</u>
<u>12,631,720</u>	<u>12,631,720</u>	<u>14,286,650</u>
3,726,808	3,726,808	4,232,888
5,571,894	5,571,894	4,375,325
<u>\$ 9,298,702</u>	<u>\$ 9,298,702</u>	<u>\$ 8,608,213</u>



City of Walnut Creek
Statement of Revenues, Expenses and Changes in Fund Net Assets
Major Proprietary Funds
For the Year Ended June 30, 2011
(With comparative information for the prior year)

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	
	Golf Course - City Administration	Clubhouse - City Administration	Boundary Oak - Onsite Contract Operations	2011	2010
OPERATING REVENUES:					
Charges for services	\$ -	\$ -	\$ 3,826,347	\$ 3,826,347	\$ 3,546,486
Other revenue	-	-	13,054	13,054	10,743
Total operating revenues	-	-	3,839,401	3,839,401	3,557,229
OPERATING EXPENSES:					
Supplies and services	220,952	27,864	3,332,856	3,581,672	3,709,416
Repairs and maintenance	20,366	22,074	-	42,440	15,817
Depreciation and amortization	44,478	22,055	117,132	183,665	193,867
Total operating expenses	285,796	71,993	3,449,988	3,807,777	3,919,100
OPERATING INCOME (LOSS)	(285,796)	(71,993)	389,413	31,624	(361,871)
NONOPERATING REVENUES (EXPENSES):					
Investment and rental income	164,282	354	-	164,636	222,959
Interest and related expenses	(51,847)	-	(17,421)	(69,268)	(76,128)
Gain (loss) on sale of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	112,435	354	(17,421)	95,368	146,831
Net income (loss) before contributions and operating transfers	(173,361)	(71,639)	371,992	126,992	(215,040)
Capital contributions	-	-	-	-	-
Transfers in (Note 5)	383,516	-	-	383,516	-
Transfers (out) (Note 5)	(350,625)	(5,625)	(383,516)	(739,766)	(11,250)
Change in net assets	(140,470)	(77,264)	(11,524)	(229,258)	(226,290)
NET ASSETS:					
Beginning of year	1,404,615	(2,117,865)	(64,888)	(778,138)	(551,848)
End of year	\$ 1,264,145	\$ (2,195,129)	\$ (76,412)	\$ (1,007,396)	\$ (778,138)

See accompanying Notes to Basic Financial Statements.

Governmental Activities Internal Service Funds	Total Internal Service Funds	
	2011	2010
\$ 2,070,550	\$ 2,070,550	\$ 757,275
-	-	-
<u>2,070,550</u>	<u>2,070,550</u>	<u>757,275</u>
41,370	41,370	23,980
220,536	220,536	150,848
<u>762,887</u>	<u>762,887</u>	<u>767,809</u>
<u>1,024,793</u>	<u>1,024,793</u>	<u>942,637</u>
<u>1,045,757</u>	<u>1,045,757</u>	<u>(185,362)</u>
-	-	-
(1,368,975)	(1,368,975)	(33,443)
<u>16,407</u>	<u>16,407</u>	<u>45,305</u>
<u>(1,352,568)</u>	<u>(1,352,568)</u>	<u>11,862</u>
<u>(306,811)</u>	<u>(306,811)</u>	<u>(173,500)</u>
-	-	127,107
997,300	997,300	858,898
<u>-</u>	<u>-</u>	<u>(605,000)</u>
690,489	690,489	207,505
<u>8,608,213</u>	<u>8,608,213</u>	<u>8,400,708</u>
<u>\$ 9,298,702</u>	<u>\$ 9,298,702</u>	<u>\$ 8,608,213</u>



City of Walnut Creek
Statement of Cash Flows
Major Proprietary Funds
For the Year Ended June 30, 2011
(With comparative information for the prior year)

	Business-type Activities - Enterprise Funds		
	Golf Course - City Administration	Clubhouse - City Administration	Boundary Oak - Onsite Contract Operations
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ (33)	\$ (1,500)	\$ 3,840,643
Payments to suppliers	(180,324)	(20,581)	(3,466,838)
Payments to employees	(63,388)	(27,943)	-
Internal activity			
Receipts from other funds	455,320	2,665,196	-
Payments to other funds	(86,749)	(2,645,282)	(48,485)
Other receipts	-	-	98,514
Net cash provided (used) by operating activities	124,826	(30,110)	423,834
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	383,516	-	-
Transfers out	(350,625)	(5,625)	(383,516)
Net cash provided (used) by operating activities	32,891	(5,625)	(383,516)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(20,917)	(5,663)	(8,030)
Interest paid on debt	(51,847)	-	(17,421)
Principal paid on long-term debt	(105,000)	-	(132,775)
Net cash (used) by capital and related financing activities	(177,764)	(5,663)	(158,226)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	164,313	496	-
Net cash provided by investing activities	164,313	496	-
Net increase (decrease) in cash and cash equivalents	144,266	(40,902)	(117,908)
CASH AND INVESTMENTS:			
Beginning of the year	592,367	86,024	293,935
End of the year	\$ 736,633	\$ 45,122	\$ 176,027
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) OPERATING ACTIVITIES			
Operating (loss)	\$ (285,796)	\$ (71,993)	\$ 389,413
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	44,478	22,055	117,132
Changes in assets and liabilities:			
Accounts receivable	(33)	(1,500)	1,242
Inventory / prepaid items	-	-	(33,043)
Due from other funds	455,320	2,665,196	-
Advance from other funds	-	-	-
Accounts payable and accrued liabilities	(1,609)	500	(100,939)
Salaries and wages payable	(785)	914	-
Due to other funds	(86,749)	(2,645,282)	(48,485)
Deposits payable	-	-	83,336
Deferred revenue	-	-	15,178
Net cash provided (used) by operating activities	\$ 124,826	\$ (30,110)	\$ 423,834
Noncash items:			
Capital Contributions	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

Total Enterprise Funds		Governmental Activities Internal Service Funds			Total Internal Service Funds	
2011	2010		2011	2010		
\$ 3,839,110	\$ 3,737,572	\$ 2,070,550	\$ 2,070,550	\$ 744,711		
(3,667,743)	(3,571,174)	(229,934)	(229,934)	(12,767,258)		
(91,331)	(102,998)	-	-	-		
3,120,516	3,061,402	(7,796,841)	(7,796,841)	(8,156,073)		
(2,780,516)	(3,066,403)	6,733,184	6,733,184	20,624,761		
98,514	42,396	-	-	-		
518,550	100,795	776,959	776,959	446,141		
383,516	-	997,300	997,300	858,898		
(739,766)	(11,250)	-	-	(605,000)		
(356,250)	(11,250)	997,300	997,300	253,898		
(34,610)	(94,506)	(240,399)	(240,399)	(509,475)		
(69,268)	(76,128)	(464,122)	(464,122)	(33,443)		
(237,775)	(100,000)	(1,069,738)	(1,069,738)	(157,121)		
(341,653)	(270,634)	(1,774,259)	(1,774,259)	(700,039)		
164,809	226,553	-	-	-		
164,809	226,553	-	-	-		
(14,544)	45,464	-	-	-		
972,326	926,862	-	-	-		
\$ 957,782	\$ 972,326	\$ -	\$ -	\$ -		
\$ 31,624	\$ (361,871)	\$ 1,045,757	\$ 1,045,757	\$ (185,362)		
183,665	193,867	762,887	762,887	767,809		
(291)	180,343	12,564	12,564	(12,564)		
(33,043)	(42,044)	(904,853)	(904,853)	(12,526,994)		
3,120,516	3,061,402	(7,809,405)	(7,809,405)	(8,156,073)		
-	-	904,853	904,853	-		
(102,048)	94,203	31,972	31,972	(65,436)		
129	(1,098)	-	-	-		
(2,780,516)	(3,066,403)	6,733,184	6,733,184	20,624,761		
83,336	77,860	-	-	-		
15,178	(35,464)	-	-	-		
\$ 518,550	\$ 100,795	\$ 776,959	\$ 776,959	\$ 446,141		
\$ -	\$ -	\$ -	\$ -	\$ 127,107		

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FIDUCIARY FUND FINANCIAL STATEMENTS

These funds account for assets held by the City as an agent for various community groups and functions. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in the separate fiduciary fund financial statements.



City of Walnut Creek
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(With comparative information for the prior year)

	Agency Funds 2011	Agency Funds 2010
ASSETS		
Cash and investments	\$ 12,358,356	\$ 13,569,927
Accounts receivable	52,382	7,376
Interest receivable	19,789	27,125
Total assets	\$ 12,430,527	\$ 13,604,428
LIABILITIES		
Accounts payable	\$ 511,969	\$ 705,261
Due to other governments	6,589,893	7,059,314
Due to bondholders	1,722,681	1,711,383
Advance deposits	3,605,984	4,128,470
Total liabilities	\$ 12,430,527	\$ 13,604,428

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Walnut Creek
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Walnut Creek, California have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Walnut Creek, California (City) was incorporated in 1914. The City operates under an elected Council and appointed City Manager form of government and provides the following services as authorized by its charter: public safety, community development, arts, recreation and community services, planning services, public works, general administrative services and capital improvements.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The following entity is reported as a component unit:

Blended Component Unit

Redevelopment Agency of the City of Walnut Creek (Agency)

The Agency was created by the City of Walnut Creek City Council (City Council) in October 1972. The Agency has been included in the accompanying basic financial statements since the City Council acts as the Agency's governing board and exerts significant influence over its operations. The Agency's operations are governmental in nature and, as such, have been included as part of the City's non-major funds.

Complete financial statements for this component unit may be obtained from the City of Walnut Creek, 1666 North Main Street, Walnut Creek, California 94596.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounting policies of the City conform to generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. Certain indirect costs are included in the program expenses reported for individual functions and activities.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/Due from other funds
- Advances to/Advances from other funds
- Transfers in/transfers out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all funds. An accompanying schedule is presented to reconcile and explain the differences in net assets, as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria under GASB 34, including its General Fund, RDA Housing Special Revenue Fund and its Capital Investment Program, Downtown Parking and Enhancement and Traffic Impact Mitigation Capital Projects Funds.

The General Fund accounts for resources used to provide for general City operations.

The RDA Housing Fund accounts for redevelopment property tax increments, which must be set aside for low and moderate income housing.

The Capital Investment Program Fund accounts for resources used for making capital improvements and funding large maintenance projects.

The Downtown Parking and Enhancement Fund accounts for receipts from parking meter revenues to be used for funding parking structure improvements and for enhancement of the downtown area.

The Traffic Impact Mitigation Fund accounts for receipts and expenditures from fees imposed on developers to pay for transportation improvements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reported all of its Enterprise Funds as major funds in the accompanying financial statements, as noted below:

The *Golf Course - City Administration Fund* accounts for the City administration of the Boundary Oak Golf Course and capital improvements made to the golf course, including any related debt service.

The *Clubhouse - City Administration Fund* accounts for the City administration of the Boundary Oak clubhouse and capital improvements made to the clubhouse, including any related debt service.

The *Boundary Oak - Onsite Contract Operations Fund* accounts for golf course and clubhouse operations run by a third party operator for the Boundary Oak Golf Course.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Additionally, this fund category includes the City's internal service funds, which are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis and to accumulate funds for the future replacement of capital items.

Internal Service Fund Financial Statements

The Vehicle Replacement Fund accumulates funds for the replacement of vehicles and other fleet equipment on a regular basis.

The Radio Replacement Fund accounts accumulate funds for the replacement of radio equipment on a regular basis. Funds are budgeted in operating budgets annually based upon expected useful life and replacement costs, and transferred to the Radio Replacement Fund.

The Equipment Replacement LCA Fund has accumulated funds for the replacement of theater equipment. Funds are budgeted in the Arts Recreation and Community Services Department operating budgets as they become available and are transferred to this fund.

The Information Technology Replacement Fund accumulates funds for the replacement of personal computers, technology infrastructure and major software applications based upon their expected replacement cost and useful life.

The Finance Equipment Replacement Fund has accumulated available funds for the replacement of finance equipment based upon their expected replacement cost and useful life.

The Capital Equipment Replacement-General Fund accumulates funds for the replacement of worn and obsolete equipment other than vehicles based upon their expected useful life and replacement cost.

The Facilities Replacement Fund accumulates funds as they become available for the costs associated with the maintenance of all City facilities.

Major Roadway Reconstruction Replacement Fund accumulates funds as they become available for the reconstruction of arterial roads as they deteriorate. City Council created this fund to provide for its matching funds in qualifying for grants funding major reconstruction projects on the City's arterial streets.

The PERS Safety Side Fund Liability Fund accounts for the repayment of an internal loan made for the early retirement of a portion of the public safety pension liability.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's Agency funds are included in these financial statements and are used to account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

The Assessment Districts account for the redemption of special assessment bonds issued for the purposes of acquisition and improvement in various Local Improvement Districts.

The CCC Solid Waste Authority accounts for the assets held in the capacity of Financial Administrator for the Central Contra Costa Solid Waste Authority.

The Trust and Agency accounts for assets held by the City as an agent for various organizations and activities.

The Leshner Endowment accounts for assets held by the City as an agent to be used exclusively for improvements to the City's Leshner Theater.

C. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk, with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In addition, other disclosures are specified, including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents, including cash with fiscal agents.

E. Restricted Assets

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation or tax allocation bonds, and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

F. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund 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. Currently, the General Fund liquidates compensated absences.

G. Property Taxes

Property taxes are levied based on a fiscal year (July 1 - June 30). Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Contra Costa bills and collects the property taxes and special assessments for the City. Under the County's *Teeter Plan*, the County remits the entire amount levied and handles all delinquencies, retaining the interest and penalties. The property taxes are remitted to the City in installments during the year.

H. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

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 premium or discount. Issuance costs are reported as deferred charges. Interest on long-term debt is recognized as the liability is incurred.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bonds proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Treasury at least every five years. The City has evaluated each bond issued subject to the arbitrage rebate requirements and has determined that no arbitrage liability exists at June 30, 2011. The City has complied with all significant bond covenants relating to reserve and sinking fund requirements.

Fund Financial Statements

The governmental fund financial statements do not present long-term debt, but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The proprietary fund financial statements present long-term debt and other financed obligations as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. Interest expenditures for governmental funds are recognized when payment is done.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges in the accompanying financial statements. Interest on long-term debt is recognized as the liability is incurred.

I. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

J. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and for all other capital assets at \$5,000 and with useful lives exceeding one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	10 - 50 years
Improvements other than buildings	10 - 30 years
Machinery and equipment	5 - 10 years
Vehicles	7 years
Infrastructure	20 - 100 years



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure in the current basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include: roadways, storm drains, and traffic signals. Each major infrastructure network can be divided into subsystems. For example the roadway network can be subdivided into pavement, curb, and gutters. The storm drain network can be subdivided into structures and pipe. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal in a prior fiscal year of City owned infrastructure and property. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infra-structure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

K. Public Facilities Financing

Interest costs incurred from the date of borrowing to the completion of the improvement project(s) are capitalized, net of interest earnings, on all proprietary fund assets acquired with tax-exempt debt.

L. Net Assets

Government-Wide Financial Statements

In the government-wide financial statements, net assets are presented as follows:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements

Reservations of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

M. Inventory and Prepaid Items

Inventories are valued at cost (on the first-in, first-out basis). Inventories of the General Fund consist of expendable fuel and oil supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time the individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

The amount of inventory and prepaid expense reported in the General Fund are offset by a fund balance reserve, which indicates that they do not constitute available spendable resources, even though they are a component of net current assets. The amount of the prepaid expense reported in the PERS Safety Side Fund Liability Internal Service Fund is offset by a liability in the form of advances from other funds to be repaid starting in fiscal year 2010-11 and concluding in fiscal year 2018-19.

N. Comparative Prior Year Data and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City invests to enhance interest earnings. The pooled interest earned is allocated to the funds quarterly, based on average cash and investment balances in these funds.

A. Cash Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$1,319,764. Bank balances before reconciling items were \$1,453,659 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

A. Cash Deposits, Continued

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

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

B. Investments

Under provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City may invest in the types of investments listed in the table below. The table also identifies certain provisions intended to limit the City's exposure to interest rate risk, credit risk and concentration of credit risk.

Investment Type	Maximum Maturity *	Maximum % / \$ of Portfolio*	Maximum Investment in One Issuer*
U.S. Treasury and Federal Agency Securities	5 years	None	None
Local Agency Debt	5 years	5% or \$5 million	\$2 million
Non Negotiable Certificates of Deposit	3 years	20%	\$2 million
Negotiable Certificates of Deposit	6 months	30%	\$2 million
Bankers Acceptances	180 days	40%	\$2 million
Commercial Paper (Corporations)	270 days	15%	\$2 million
Medium-Term Corporate Notes	5 Years	5% or \$5 million	\$2 million
California Local Agency Investment Fund (LAIF)	N/A	\$120 million	None
California Asset Management Program (CAMP)	N/A	None	None
Money Market Mutual Funds	N/A	20%	10%

* Based upon State Law or investment policy requirements, whichever is more restrictive

This table does not address investments of debt proceeds held by a fiscal agent. These types of investments are governed by the provisions of debt agreements of the City.

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and that investments shall be laddered and based on cash flow forecasts. The City's investments comply with the established policy.

The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

C. Summary of Cash and Investments

In accordance with GASB Statement No. 31, the portfolio, for year-end reporting purposes, is treated as if it were all sold. Therefore, fund balance reflects the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates. The following is a summary of cash and investments at June 30, 2011:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 66,746,670	\$ 794,078	\$ 67,540,748	\$ 12,358,356	\$ 79,899,104
Cash with fiscal agent	\$ 1,126,333	\$ 163,704	\$ 1,290,037	\$ -	\$ 1,290,037

Deposits and investments were categorized as follows at June 30, 2011:

	Credit Quality Ratings	Fair Value
City Treasury Deposits:		
Deposits	Not Rated	\$ 1,319,762
Petty cash	Not Rated	34,470
Total City treasury deposits		1,354,232
City Treasury Investments:		
Securities of U.S. Government Agencies		
Federal Home Loan Bank (FHLB)	AAAe/AAA	12,026,770
Federal Farm Credit Bureau (FFCB)	AAAe	1,000,080
Federal National Mortgage Assoc (FNMA)	AAAe/AAA	12,038,870
Federal Home Loan Mortgage Corp (FHLMC)	AAAe/AAA	6,995,280
U.S. Treasury Money Market	AAA	1,129,478
Local Agency Investment Funds	Not Rated	45,354,394
Total City treasury investments		78,544,872
Total cash and investments		\$ 79,899,104
Investments With Fiscal Agent:		
Securities of U.S. Government Agencies		
U.S. Treasury Money Market	AAA	\$ 1,290,037
Total Cash and Investments With Fiscal Agent		\$ 1,290,037



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

D. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. Changes in value in the fiscal year ended June 30, 2011 amounted to an unrealized increase of \$132,587.

E. Risk Disclosures

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that the City's investment portfolio mature in less than five years. Specific maturities of investments depend on liquidity needs. As of June 30, 2011, the City's pooled cash and investments had the following maturities.

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Local Agency Investment Funds	\$ 45,354,394	\$ 45,354,394	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Money Market	1,129,478	1,129,478	-	-	-	-
Securities of U.S. Government:						
Federal Home Loan Bank	12,026,770	-	-	5,012,860	5,000,860	2,013,050
Federal Farm Credit Bureau	1,000,080	-	1,000,080	-	-	-
Federal Home Loan Mortgage Company	6,995,280	-	1,000,520	3,004,630	-	2,990,130
Federal National Mortgage Association	12,038,870	-	-	6,028,850	2,004,250	4,005,770
Total	\$ 78,544,872	\$ 46,483,872	\$ 2,000,600	\$ 14,046,340	\$ 7,005,110	\$ 9,008,950

Custodial Credit Risk. For an investment, custodial credit risk is a risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third-party custodian, Union Bank of California (UBC). UBC is a registered member of the Federal Reserve Bank. The City's investment policy is that no more than \$2 million can be invested in any one institution for Commercial Paper, negotiable certificates of deposit or Medium Term Corporate Notes. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

Credit Risk. This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City's investment policy is that no more than \$2 million can be invested in any one institution for Commercial Paper, negotiable certificates of deposit or Medium Term Corporate Notes. Bonds and notes must be rated "A" or better by Moody's or Standard and Poor's.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

F. Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2011, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

These investments included the following:

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

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

As of June 30, 2011, the City had \$45,354,394 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2011, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost, resulting in a factor of 1.001576470.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. NOTES AND LOANS RECEIVABLE

Summary of Notes and Loans Receivable

At June 30, 2011, the City's notes and loans receivable and related deferred revenue consisted of the following:

	Loans and Notes Receivable
Home Rehabilitation Loans	\$ 1,282,157
First-Time Homebuyers	2,248,218
The Oaks Apartments	368,000
Sierra Drive Apartments	376,503
Acalanes Court Apartments	1,260,503
Acalanes Court Apartments (#2)	130,000
Casa Montego II, Incorporated	1,605,156
Ivy Hill Apartments	1,625,000
MP Tice Oak Associates	477,672
Villa Vasconcellos Apartments	2,445,946
Third Avenue Apartments	3,377,096
Equity Loans to City Employees (Note 13)	225,000
Senior Outreach Services	20,553
	<u>\$ 15,441,803</u>

The City and Redevelopment Agency engage in programs to encourage construction of and improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's and Agency's terms. Since the City does not expect to collect these loans in the near term, they have been offset by entries to deferred revenue in the fund financial statements.

Home Rehabilitation Loans

The City administers a housing rehabilitation loan program using Community Development Block Grant funds, Redevelopment Agency Low and Moderate Income Housing funds and City funds. Under these Programs, individuals with incomes below a certain level are eligible to receive low interest 20 year loans, secured by deeds of trust, for construction work on their homes. The loan repayments may be amortized over the life of the loans, deferred or a combination of both. At June 30, 2011, these loans totaled \$1,282,157 and the program included 31 participants.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. NOTES AND LOANS RECEIVABLE, Continued

First-Time Homebuyer Loans

The First-Time Homebuyer Program, using Community Development Block Grant funds, Redevelopment Agency funds and City funds, was established during 1995 to provide financing for applicants with moderate income or less who are unable to qualify for a home purchase without down payment assistance. Under this program, individuals with income below a certain level are eligible to receive deferred loans which are secured by second deeds of trust, bear interest (in the form of equity earnings from the appreciation of the property equal to the percentage of the purchase price) and are due and payable at the time the homes are sold, refinanced or transferred. At June 30, 2011, First-Time Homebuyer Loans totaling \$2,248,218 had been extended and the program included 51 participants.

The Oaks Apartments

At June 30, 2011, the Agency held a note receivable from Ecumenical Association for Housing in the amount of \$368,000. The note was entered into on July 14, 1995 to facilitate the building of a 36-unit apartment complex to provide housing for individuals with incomes 60% or more below the Bay Area median income level. Repayment of principal commenced on December 31, 2001, and will continue provided the project generates surplus cash. The note accrues interest at a rate of 5% beginning July 14, 2002; repayment commenced on December 31, 2001, and will continue provided that the project generates surplus cash. Any remaining unpaid principal and interest is due in full August 1, 2022. The project did not generate surplus cash for fiscal year 2010-11.

Sierra Drive Apartments

At June 30, 2011, the City held a note receivable from the Affordable Housing Association in the amount of \$327,000 and the Agency held a similar note in the amount of \$49,503 for a combined amount of \$376,503. The notes were entered into on December 8, 1995, to facilitate the renovation of a 28-unit apartment complex called Sierra Drive Apartments. As a condition of the notes, 14 units were encumbered with 55 year covenants that require the units to be rented to individuals with low and moderate incomes. Commencing December 8, 2001, the notes accrue interest at a rate of 3% until paid in full. Principal and interest payments are to be paid annually, if the project generates surplus cash. Any remaining unpaid principal and interest is due in full January 1, 2026. The project did not generate surplus cash as for fiscal year 2010-11.

Acalanes Court Apartments

At June 30, 2011, the City held a note receivable from Trinity Avenue Apts., L.P. with an outstanding loan balance of \$79,771 and the Agency held a similar note receivable with an outstanding loan amount of \$1,180,732 for a combined amount of \$1,260,503. The City entered into a loan agreement with Satellite Housing for \$80,000 on March 17, 2003 to perform predevelopment work for a family rental housing project (the "Project Site") located at the northeasterly corner Trinity and Oakland Boulevard. Subsequently, a promissory note similar to that of the Agency was executed to replace the agreement. The Agency promissory note was entered into on February 20, 2004 for \$1,112,080 (amended and restated for an additional \$150,000 on February 17, 2005) for a total of \$1,262,080 to facilitate the building of a 17-unit rental apartment complex, at the Project Site, of which eight units are required by the City's Redevelopment Agency to be provide for income eligible households, whose gross household income does not exceed 60% of the area median income



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. NOTES AND LOANS RECEIVABLE, Continued

and of which the remaining nine units are required by the County to be affordable to between 30% and 60% of the area median income. The note accrues interest at a rate of 3% per annum from the date of advance(s) until paid in full. Principal and accrued interest are to be paid annually commencing on May 1 following close of permanent financing of the Project Improvements equal to Lenders' share of residual receipts. Any remaining unpaid principal and interest are due in full 55 years from issuance of a certificate of occupancy. A certificate of occupancy was issued on October 3, 2006.

Acalanes Court Apartments (#2)

At June 30, 2011, the City held a note receivable from Trinity Avenue Apt., L.P. in the amount of \$130,000. The City note entered into on June 5, 2007 is a loan from the City's inclusionary housing in-lieu fund to cover a portion of additional costs that occurred during the construction of Acalanes Court, a 17-unit family rental-housing complex that was completed in November 2006. Simple interest at 3% per annum is to be accrued on the unpaid principal balance beginning from the date of the advance. Principal is due on May 1st following the date of this Note, and on May 1st of each year thereafter for the term of the City Loan. Borrower shall make repayments of the outstanding principal and accrued interest under this Note equal to the Lenders' share of Residual Receipts. To the extent that the Lender's Share of Residual Receipts is insufficient to make any payments under this Note, such payment(s) shall be deferred. Principal sum and all other sums shall be due and payable in full 55 years from issuance of the certificate of occupancy for this Project. The certificate of occupancy was issued on October 3, 2006.

Casa Montego II

At June 30, 2011, the Agency and the City each held a note receivable from Casa Montego II, Inc., a California public benefit corporation, with outstanding balances in the amounts of \$500,000 and \$1,105,156, respectively. The promissory notes were entered into on November 15, 2007 for the acquisition of real property located at 180 La Casa Via in Walnut Creek, California and the development of approximately 33 units of multifamily rental housing on that property pursuant to the Agreement. No interest shall accrue on the unpaid principal balance, except in the event of default, in which case interest shall accrue on the date of the default and continuing until such time as the Loan is repaid in full or the default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law. Except as provided herein, the principal sums not to exceed \$500,000 and \$1,153,000 and all other sums hereunder shall be due and payable in full 55 years from the completion of construction of the project, as evidenced by a certificate of occupancy or similar document. Commencing on May 1 of 2010 and on May 1 of each year thereafter for the Term of the Loan, Borrower shall make repayments of the outstanding principal on the Loan equal to the Agency's proportionate share of the lenders' share of Residual Receipts, as further described in the Intercreditor Agreement. The project did not generate residual receipts for fiscal year 2010-11.

Ivy Hill Apartments/Regent on the Park Condominiums

At June 30, 2011, the City held a note receivable from Walnut Creek Housing Partners, Alma Investors and New Cities Land Company (the developer) in the amount of \$1,073,608 and the Agency held a similar note in the amount of \$551,392 for a combined amount of \$1,625,000. In August 2000, a long-term loan was granted to finance a portion of the cost of developing the Ivy Hill Apartment Project, including land acquisition costs. The loan is due in 55 years on February 1, 2055, and it accrues interest at the rate of 5%. No principal or



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. NOTES AND LOANS RECEIVABLE, Continued

interest payments are due until the maturity date. The loan, and all accrued interest, will be forgiven on the maturity date if the Ivy Hill Apartment Project was operated in compliance with the regulatory agreement throughout the term of the loan. The loan is secured by a deed of trust against the apartment site, subordinate to the senior construction and permanent loans entered into by the developer. As a condition of the loans, 47 units were encumbered with 55 year covenants which require the units to be rented to individual with very low incomes, and shall be rented at a rate specified in the agreement.

MP Tice Oaks Associates

At June 30, 2011, the City held two notes receivable from MP Tice Oaks Associates for a total amount of \$477,672. These two Notes (\$144,286 funded by the City's Affordable Housing Fund and \$333,386 funded by the CDBG Grant Program) were entered into on May 16, 2001 for a 91-unit multi-family housing project. The Notes accrue simple interest at a rate of 3% and will be due in full in 55 years.

Villa Vasconcellos Apartments

At June 30, 2011, the City held a note receivable from Resources for Community Development with an outstanding balance of \$1,750,321 (consisting of \$625,347 Community Block Grant Funds and \$1,124,974 in City inclusionary housing in-lieu fees). The Agency held a similar note with an outstanding balance of \$695,625. The promissory notes were originally entered into on October 7, 2004 for \$680,000 and \$720,000, respectively, to facilitate the building of a 72-unit rental apartment complex to provide housing for very low-income households. The City promissory note was amended and restated for an additional \$1,122,265 on November 10, 2005. Both notes state that no interest is to be accrued on the unpaid principal balance, except in the event of a default, in which case interest shall begin to accrue on the date of the default and continue until such time as the Loan is repaid in full, or the default is cured, at the default rate of the lesser of ten percent (10%), compounded annually or the highest rate permitted by law. Principal is due on May 1 following completion of the construction equal to the City and Agency proportionate share of the lenders' share of residual receipts. Principal sum and all other sums shall be due and payable in full 55 years from completion of the project as evidenced by a certificate of occupancy, which was issued April 1, 2008. At June 30, 2011, these loans totaled \$2,445,946.

Third Avenue Apartments

At June 30, 2011, the City held a note receivable from Satellite Housing, Inc. with an outstanding balance of \$2,211,096. The promissory note was entered into on March 17, 2009 for \$2,427,500 to facilitate the acquisition of additional real property located at Third Avenue and the building of a 48-unit rental apartment complex. At June 30, 2011, the Agency held a note receivable with an outstanding balance of \$1,166,000 from Satellite Housing, Inc. The promissory note was entered into on January 6, 2009 for \$793,500 (amended and restated for an additional loan of \$372,500 on March 17, 2009 and amended for a second additional loan of \$216,400 on March 1, 2011) to facilitate the acquisition of real property located at Third Avenue and the building of the same 48-unit rental apartment complex. The notes accrue interest at a rate of 3% per annum from the date of advance(s) until paid in full. Principal and accrued interest are to be paid annually commencing on May 1 following completion of the construction of the Development. Any remaining unpaid principal and interest are due in full 55 years from issuance of a certificate of occupancy. As of June 30, 2011, this certificate had not been issued and the loans outstanding totaled \$3,377,095.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. NOTES AND LOANS RECEIVABLE, Continued

Senior Outreach Services

At June 30, 2011, the City held a note receivable from Senior Outreach Services in the amount of \$20,553 for the installation of a new roof on its program/administrative offices located at 1300 Civic Drive in Walnut Creek. The outstanding principal balance does not bear interest, however, in the event of a default, interest on the loan shall begin to accrue as of the date of default and continue until such time as the loan funds are repaid in full or the default is cured, as the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law. There shall be no payments due under this note so long as the borrower is not in default under this note, the Deed of Trust or the Loan Agreement. The principal amount of the note will be amortized over ten (years). For each year the borrower uses the subject building for CDBG eligible purposes, 1/10 of the City's investment will be forgiven.

Pleasant Creek Homes

At June 30, 2011, the Agency held a note receivable from Habitat for Humanity East Bay, a California nonprofit public benefit corporation ("Borrower"), in the amount of \$370,000. The note was entered into March 16, 2011 to facilitate the acquisition of certain real property located on Barkley Avenue in Walnut Creek and the development of approximately ten affordable homes on that property and other property controlled by the Borrower. The principal sum shall be due and payable on the earliest of (A) five years from the date of the Note, (B) the date the last Affordable Home in the Project is sold or refinanced, or (C) an Event of Default by Borrower that has not been cured as provided in the Loan Agreement. No interest shall accrue on the unpaid principal balance, except in the event of a default, in which case interest on the Loan shall begin to accrue on the date of the default and continuing until such time as the Loan is repaid in full or the default is cured, at the default rate of the lesser of ten percent (10%), compounded annually or the highest rate permitted by law. At June 30, 2011, there was no loan outstanding balance held by the Agency.

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2011, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Totals
Deposits deferred	\$ 103,823	\$ -	\$ 103,823
Invoices deferred	8,534	-	8,534
Engineering inspection fees	103,934	-	103,934
Permits and inspection fees	251,160	-	251,160
Business licenses	823,254	-	823,254
Prepaid rental revenue	107,043	47,181	154,224
Mandated costs	100,846	-	100,846
Grants	1,525,299	-	1,525,299
Total	\$ 3,023,893	\$ 47,181	\$ 3,071,074



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements

At June 30, 2011, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	RDA Housing Fund	Capital Investment		Total
			Program Fund	Non-Major Funds	
Deposits deferred	\$ 103,823	\$ -	\$ -	\$ -	\$ 103,823
Invoices deferred	8,534	-	-	-	8,534
Engineering inspection fees	103,934	-	-	-	103,934
Permits and planning inspection fees	251,160	-	-	-	251,160
Business licenses	823,254	-	-	-	823,254
Prepaid rental revenue	65,796	-	-	41,247	107,043
Grants	11,000	-	1,513,351	948	1,525,299
Mandated costs	100,846	-	-	-	100,846
Notes and loans deferred	-	7,642,530	-	7,799,273	15,441,803
Total	\$ 1,468,347	\$ 7,642,530	\$ 1,513,351	\$ 7,841,468	\$ 18,465,696



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS

Fund Financial Statements

Due To/Due From

At June 30, 2011, the City had the following short-term receivables and payables:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Notes</u>
Major Funds			
General Fund	Capital Investment Fund	\$ 3,822,150	a
	Internal Service Funds	6,581,473	a
		<u>10,403,623</u>	
Capital Investment Program	General Fund	931,027	a
Downtown Parking and Enhancement	Capital Investment Program	1,537,403	a
Traffic Impact Mitigation	Capital Investment Program	1,703,760	a
Non Major Funds			
	Non Major	25,772	c
	General Fund	29,636	b
	Capital Investment Program	2,144,225	a
		<u>2,199,633</u>	
Enterprise Funds			
Golf Course - City Administration	Capital Investment Program	345,000	a
Internal Service Funds	Capital Investment Program	598,203	a
Total		<u>\$ 17,718,649</u>	

The explanations for these interfund loans are listed below:

- a. To assist in paying expenditures for various replacement and capital improvement projects.
- b. To provide temporary loans, which will be repaid upon receipt of reimbursements from grantor agencies.
- c. To provide a temporary loan for affordable housing site acquisition costs which will be repaid by housing fees in fiscal year 2011-12.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

Long-Term Advances

Long-term advances to be repaid out of future earnings or charges at June 30, 2011, consisted of:

<u>Advance From</u>	<u>Advance To</u>	<u>Amount</u>
<u>Major Funds</u>		
General Fund	Internal Service Fund	
	PERS Safety Side Fund Liability Fund	\$ 8,600,000
	Enterprise Fund:	
	Clubhouse - City Administration Fund	2,578,447
		<u>11,178,447</u>
Enterprise Funds	Enterprise Funds:	
Golf Course - City Administration Fund	Clubhouse - City Administration Fund	86,749
		<u>86,749</u>
Non Major Funds	Non Major Fund:	
	Internal Service Fund	
	PERS Safety Side Fund Liability Fund	3,022,141
		<u>3,022,141</u>
Total		<u>\$ 14,287,337</u>

Long Term Advances Between the City's Funds

The Clubhouse - City Administration Fund owed the General Fund \$2,578,447 and the Golf Course - City Administration Fund \$86,749 at June 30, 2011. No interest accrues on these advances. The advance from the General Fund was made in 1992 and 1998 for renovations and improvements to the clubhouse facilities, located at the Boundary Oak Golf Course. The advances from the Golf Course - City Administration Fund were made during 2008 and 2009 for renovations and improvements to the clubhouse facilities. The Clubhouse - City Administration Fund will make payments on these advances from the cash flow of future restaurant operations.

In June 2010, the General Fund (as well as several non major funds) advanced \$12,526,994 to the PERS Safety Side Fund Liability internal service fund. The funds were used to payoff the City's portion of the unfunded liability resulting from the pooling of safety plans with fewer than 100 active plan members. Interest accrues on this advance in the amount of 3.5% annually. Repayments began in fiscal year 2010-11 and will conclude in fiscal year 2018-19. For the current year, principal and interest paid on the advance were \$904,853, and \$438,445, respectively. As of June 30, 2011 the amount owed by the PERS Safety Side Fund Liability internal service fund was \$11,622,141.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

Transfers

Transfers for the period ended June 30, 2011, were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount Transferred	Notes
Major Funds			
General Fund	Capital Investment Program	\$ 1,789,506	a
	Downtown Parking and Enhancement	500,000	e
	Non Major Funds	1,143,977	c
	Enterprise Funds		
	Golf Course - City Administration	5,625	g
	Clubhouse - City Administration	5,625	g
		3,444,733	
Redevelopment Agency Housing	Non Major Funds	774,625	f
Capital Investment Fund	General Fund	1,306,950	a
	Downtown Parking and Enhancement	200,000	a
	Traffic Impact Mitigation	1,210,000	a
	Non Major Funds	2,134,822	a
	Enterprise Funds		
	Golf Course - City Administration	345,000	a
		5,196,772	
Non Major Funds	General Fund	258,938	d
	Non Major Funds	2,831,445	f
		3,090,383	
Enterprise Funds	Enterprise Funds		
	Golf Course - City Administration	Boundary Oak - Onsite Contract Operations	383,516
Internal Service Funds	General Fund	997,300	b
		997,300	
Total		\$ 13,503,813	

The explanations for these interfund transfers are listed below:

- a. To fund various capital improvement projects.
- b. To fund the future replacement of various equipment.
- c. To fund traffic safety and public safety programs, streets, library and the downtown shuttle.
- d. To fund open space and affordable housing programs and various capital improvements.
- e. To fund DBA and garage maintenance projects.
- f. To fund the Redevelopment Agency's affordable housing programs and debt service.
- g. To fund support for administrative services.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CAPITAL ASSETS

Government-Wide Financial Statements

At June 30, 2011, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 48,436,942	\$ 1,337,396	\$ 49,774,338
Construction in process	1,852,149	-	1,852,149
Total non-depreciable assets	<u>50,289,091</u>	<u>1,337,396</u>	<u>51,626,487</u>
Depreciable assets:			
Buildings	142,302,585	2,067,732	144,370,317
Improvement other than buildings	-	2,299,054	2,299,054
Machinery and equipment	8,635,446	750,817	9,386,263
Vehicles	7,486,419	-	7,486,419
Infrastructure	195,197,255	-	195,197,255
	<u>353,621,705</u>	<u>5,117,603</u>	<u>358,739,308</u>
Less accumulated depreciation	<u>(148,385,535)</u>	<u>(3,907,548)</u>	<u>(152,293,083)</u>
Total depreciable assets, net	<u>205,236,170</u>	<u>1,210,055</u>	<u>206,446,225</u>
Total capital assets	<u><u>\$ 255,525,261</u></u>	<u><u>\$ 2,547,451</u></u>	<u><u>\$ 258,072,712</u></u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Nondepreciable Assets:					
Land	\$ 48,045,292	\$ -	\$ -	\$ 391,650	\$ 48,436,942
Construction in progress	44,214,923	2,313,211	-	(44,675,985)	1,852,149
Total nondepreciable assets	<u>92,260,215</u>	<u>2,313,211</u>	<u>-</u>	<u>(44,284,335)</u>	<u>50,289,091</u>
Depreciable Assets:					
Buildings	101,749,815	-	-	40,552,770	142,302,585
Machinery and equipment	8,711,971	241,741	(325,371)	7,105	8,635,446
Vehicles	7,506,379	184,614	(204,574)	-	7,486,419
Infrastructure	190,177,033	1,295,763	-	3,724,460	195,197,255
Total depreciable assets	<u>308,145,198</u>	<u>1,722,118</u>	<u>(529,945)</u>	<u>44,284,335</u>	<u>353,621,705</u>
Accumulated Depreciation:					
Buildings	(29,509,463)	(3,108,746)	-	-	(32,618,209)
Machinery and equipment	(4,141,583)	(818,122)	265,380	-	(4,694,325)
Vehicles	(5,052,424)	(529,160)	193,805	-	(5,387,779)
Infrastructure	(100,146,146)	(5,539,076)	-	-	(105,685,222)
Total accumulated depreciation	<u>(138,849,616)</u>	<u>(9,995,104)</u>	<u>459,185</u>	<u>-</u>	<u>(148,385,535)</u>
Depreciable assets, net	<u>169,295,582</u>	<u>(8,272,986)</u>	<u>(70,760)</u>	<u>44,284,335</u>	<u>205,236,170</u>
Total governmental activities capital assets, net	<u>\$ 261,555,797</u>	<u>\$ (5,959,775)</u>	<u>\$ (70,760)</u>	<u>\$ -</u>	<u>\$ 255,525,261</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2011, are as follows:

Public protection	\$ 469,255
Public service	9,112,104
Community development	22,193
Arts, recreation and cultural services	142,980
Administrative services	216,376
General government	32,196
Total depreciation expense	<u>\$ 9,995,104</u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Assets:				
Land	\$ 1,337,396	\$ -	\$ -	\$ 1,337,396
Total nondepreciable assets	<u>1,337,396</u>	<u>-</u>	<u>-</u>	<u>1,337,396</u>
Depreciable Assets:				
Buildings	2,050,174	17,558	-	2,067,732
Improvements	2,292,234	6,820	-	2,299,054
Equipment	781,581	14,231	(44,995)	750,817
Total depreciable assets	<u>5,123,989</u>	<u>38,609</u>	<u>(44,995)</u>	<u>5,117,603</u>
Accumulated Depreciation:				
Buildings	(1,338,031)	(30,518)	-	(1,368,549)
Improvements	(2,231,100)	(13,895)	-	(2,244,995)
Equipment	(195,747)	(139,252)	40,995	(294,004)
Total accumulated depreciation	<u>(3,764,878)</u>	<u>(183,665)</u>	<u>40,995</u>	<u>(3,907,548)</u>
Depreciable assets, net	<u>1,359,111</u>	<u>(145,056)</u>	<u>(4,000)</u>	<u>1,210,055</u>
Total business-type activities capital assets, net	<u>\$ 2,696,507</u>	<u>\$ (145,056)</u>	<u>\$ (4,000)</u>	<u>\$ 2,547,451</u>

Depreciation expense for business-type activities for the year ended June 30, 2011, is as follows:

Golf Course - City Administration	\$ 44,478
Clubhouse - City Administration	22,055
Boundary Oak - On Site Contract Operations	<u>117,132</u>
Total	<u>\$ 183,665</u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Due in one year	Due in more than one year
Governmental Activity Debt:						
Capital Lease Obligation	\$ 1,494,182	\$ -	\$ (344,478)	\$ 1,149,704	\$ 359,990	\$ 789,714
Bonds Payable:						
RDA 2000 Tax Allocation Bonds	2,015,000	-	(375,000)	1,640,000	-	1,640,000
RDA 2003 Tax Allocation Bonds, Series A	3,350,000	-	(975,000)	2,375,000	495,000	1,880,000
RDA 2003 Tax Allocation Bonds, Series B	1,240,000	-	(910,000)	330,000	-	330,000
RDA 2003 Tax Allocation Bonds, Series B, bond issuance premium	33,567	-	(5,594)	27,973	5,594	22,379
Total governmental activity debt	\$ 8,132,749	\$ -	\$ (2,610,072)	\$ 5,522,677	\$ 860,584	\$ 4,662,093
Business-Type Activity Debt:						
1997 Lease Revenue Bonds	1,035,000	-	(105,000)	930,000	115,000	815,000
Capital Lease Obligation	507,108	-	(132,775)	374,333	138,047	236,286
Total business-type activity debt	\$ 1,542,108	\$ -	\$ (237,775)	\$ 1,304,333	\$ 253,047	\$ 1,051,286
Total long-term debt	\$ 9,674,857	\$ -	\$ (2,847,847)	\$ 6,827,010	\$ 1,113,631	\$ 5,713,379

The Mt. Diablo project area reached its tax increment cap in fiscal year 2010-11. In order to remain in compliance with debt covenants, a partial redemption of the tax allocation bonds in the amount of \$1.3 million was paid. This repayment allows for the revision of future debt service payments and ensures that the Mt. Diablo project area is in compliance with all debt covenants. This action was separate from any State changes or requirements.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Governmental Activities

A. Capital Lease Obligation

Phone Equipment Lease (Master Lease #1)

During fiscal year 2008-09, the City entered into a lease agreement for the financing of a new phone system. This lease agreement qualifies as a capital lease for accounting purposes, as title transfers at the end of the lease, and therefore has been recorded at the present value of the future minimum payments of the date of inception. The assets acquired under this agreement are recorded in the Equipment Replacement IT Internal Service Replacement Fund.

The financing was obtained from Key Government Finance Inc. in July 2008 for \$860,248 with an interest rate of 5% and annual payments of \$190,563 through September 2012 (the end of the lease). The outstanding balance at June 30, 2011 is \$354,624.

The calculation of the present value of the future lease payments for this capital lease is as follows:

Year Ending June 30,	Master Lease #1
2012	\$ 190,563
2013	190,563
Subtotal	381,126
Less amount representing interest	<u>26,502</u>
Present value of future lease payments	<u><u>\$ 354,624</u></u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Governmental Activities, Continued

A. Capital Lease Obligation, Continued

Garage Equipment Lease (Master Lease #2)

During fiscal year 2009-10, the City entered into a lease agreement for the financing of equipment for its parking garages. This lease agreement qualifies as a capital lease for accounting purposes, as title transfers at the end of the lease, and therefore has been recorded at the present value of the future minimum payments of the date of inception. The equipment acquired under this lease agreement was recorded at its acquisition cost of \$974,673.

The financing was obtained from Suntrust Bank in July 2009 for \$974,673 with an interest rate of 4.0249% and annual payments of \$219,553 beginning July 2010 through July 2014 (the end of the lease). The outstanding balance at June 30, 2011 is \$795,081.

The calculation of the present value of the future lease payments for this capital lease is as follows:

Year Ending June 30,	Master Lease #2
2012	\$ 219,553
2013	219,553
2014	219,553
2015	219,554
Subtotal	878,213
Less amount representing interest	<u>83,132</u>
Present value of future lease payments	<u><u>\$ 795,081</u></u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Governmental Activities, Continued

B. Bonds Payable

Tax Allocation Bonds Series 2000

Tax Allocation Bonds in the amount of \$2,865,000 were issued on March 1, 2000. The Bonds were issued to provide funds for redevelopment activities within the Merged Project Area and other capital improvements, including seismic retrofits and other improvements to a City owned parking structure. The Bonds are due in annual principal installments of \$140,000 to \$230,000 through 2022. Interest rates range from 5.7% to 6.2% and is payable semi-annually on February 15 and August 15. Bonds maturing on or after August 15, 2009, are subject to optional redemption at a premium of up to 1% plus accrued interest beginning August 15, 2008. Funding sources for the repayment are tax revenue allocated to the Agency from the project area. For the current year, total principal and interest paid on the tax allocation bonds series 2000 were \$375,000, and \$119,003, respectively. A \$255,000 partial tax allocation bond redemption was paid in addition to regularly scheduled debt service. The total amount outstanding as of June 30, 2011, was \$1,640,000.

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 98,030	\$ 98,030
2013	-	98,030	98,030
2014	140,000	94,040	234,040
2015	150,000	85,738	235,738
2016	160,000	76,785	236,785
2017-2021	960,000	224,497	1,184,497
2022	230,000	7,130	237,130
Total	\$ 1,640,000	\$ 684,250	\$ 2,324,250



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Governmental Activities, Continued

B. Bonds Payable, Continued

Tax Allocation Bonds Series 2003 A

Tax Allocation Bonds in the amount of \$6,475,000 were issued on November 1, 2003. The Bonds were issued to refund and defease the 1993 Revenue Bonds, Series A and for other capital items, to acquire property in the Merged Project Area and relocate a Veterans Hall currently located on the property. The Bonds are due in annual principal installments of \$125,000 to \$545,000 through 2019. Interest rates range from 4.0% to 4.7% and is payable semi-annually on February 15 and August 15. Bonds maturing on or after August 15, 2010, are subject to optional redemption at cost plus accrued interest beginning August 15, 2009. Funding sources for the repayment are tax revenue allocated to the Agency from the project area. For the current year, principal and interest paid on the Series 2003 A Tax Allocation bonds were \$975,000 and 129,437, respectively. A \$330,000 partial tax allocation bond redemption was paid in addition to regularly scheduled annual debt service. The total amount outstanding as of June 30, 2011, was \$2,375,000.

The annual debt service requirements for the Series 2003 A Tax Allocation Bonds, outstanding at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 495,000	\$ 90,100	\$ 585,100
2013	545,000	69,300	614,300
2014	290,000	52,310	342,310
2015	260,000	40,695	300,695
2016	265,000	29,473	294,473
2017-2019	520,000	29,387	549,387
Total	\$ 2,375,000	\$ 311,265	\$ 2,686,265



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Governmental Activities, Continued

B. Bonds Payable, Continued

Tax Allocation Bonds Series 2003 B

Tax Allocation Bonds in the amount of \$2,335,000 were issued on November 1, 2003. The Bonds were issued to refund and defease the 1993 Revenue Bonds, Series A, and for other capital items, to acquire property in the Merged Project Area and relocate a Veterans Hall currently located on the property. The Bonds were issued at a premium of \$72,725, which will be amortized over the life of the Bonds on the government-wide statements using the straight line method. The Bonds are due in annual principal installments. Interest rates is 6.0% and is payable semi-annually on February 15 and August 15. Bonds maturing on or after August 15, 2010, are subject to optional redemption at cost plus accrued interest beginning August 15, 2010. Funding sources for the repayment are tax revenue allocated to the Agency from the project area. For the current year, principal and interest paid on the Series 2003 B Tax Allocation Bonds were \$910,000 and \$76,733, respectively. A \$690,000 partial redemption of the bonds was paid in addition to regularly scheduled annual debt service. The total amount outstanding as of June 30, 2011, was \$330,000.

The annual debt service requirements for the Series 2003 B Tax Allocation Bonds outstanding at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 19,800	\$ 19,800
2013	-	19,800	19,800
2014	140,000	15,600	155,600
2015	190,000	5,700	195,700
Total	\$ 330,000	\$ 60,900	\$ 390,900
Plus unamortized bond issuance premium	27,973		
Net	\$ 357,973		

The Agency's Tax Allocation Bonds are collateralized by the pledging of tax increment revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented above. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, the pledged tax increment revenue (less the 20% housing set-aside transfer) amounted to \$2,498,501 which represented 97% coverage of debt service paid.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Business-Type Activities

A. Capital Lease Obligation

Golf Course Equipment Lease

During fiscal year 2009-10, the City entered into a lease agreement for the financing of equipment for its golf course. This lease agreement qualifies as a capital lease for accounting purposes, as title transfers at the end of the lease, and therefore has been recorded at the present value of the future minimum payments of the date of inception. The equipment acquired under this lease agreement will be recorded at its acquisition cost of \$624,360.

The financing was obtained from Suntrust Bank in July 2009 for \$624,360 with an interest rate of 3.9% and monthly payments of \$12,516 through July 2012 and monthly payments of \$9,741 from August 2012 through July 2014 (the end of the lease). The outstanding balance at June 30, 2011 is \$374,333.

The calculation of the present value of the future lease payments for these capital leases are as follows:

Year Ending June 30,	Master Lease
2012	\$ 150,196
2013	119,662
2014	116,886
2015	9,741
Subtotal	396,485
Less amount representing interest	<u>22,151</u>
Present value of future lease payments	<u><u>\$ 374,333</u></u>



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT, Continued

Business-Type Activities, Continued

B. Bonds Payable

1997 Lease Revenue Bonds

On August 1, 1997, the Public Financing Authority of the City of Walnut Creek issued its 1997 lease revenue bonds in the amount of \$2,000,000. The bonds were issued to finance various renovations and improvements to the Boundary Oak Municipal Golf Course. The bonds bear interest at rates from 3.85% to 5.375% and are due on August 15, 2017. The bonds are to be repaid from rental payments made by the City. Principal payments are due annually on August 15. Interest payments are due semiannually on February 15 and August 15. The balance outstanding as of June 30, 2011 was \$930,000.

The annual debt service requirements for the 1997 Lease Revenue Bonds outstanding at June 30, 2011, were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 115,000	\$ 45,829	\$ 160,829
2013	120,000	39,894	159,894
2014	125,000	33,584	158,584
2015	130,000	26,921	156,921
2016	140,000	19,799	159,799
2017-2018	300,000	16,375	316,375
Total	\$ 930,000	\$ 182,402	\$ 1,112,402

Non-City Obligations

John Muir Medical Center

On January 15, 1994, the City acted as a financial intermediary in order to assist the John Muir Medical Center in issuing \$69,450,000 in variable rate demand bonds. The bonds are payable solely from revenues collected by John Muir Medical Center. The City has not included these bonds in its financial statements, since it is not legally or morally obligated for the repayment of the bonds. The amount of debt outstanding as of June 30, 2011 was \$33,575,000.

On October 29, 2009, the City acted as a financial intermediary in order to assist the John Muir Medical Center in issuing \$103,690,000 in revenue bonds. The bonds are payable solely from revenues collected by John Muir Medical Center. The City has not included these bonds in its financial statements, since it is not legally or morally obligated for the repayment of the bonds. The amount of debt outstanding as of June 30, 2011 was \$103,690,000.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. COMPENSATED ABSENCES

Compensated absences at June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within one year	Due in more than one year
Governmental Activities:	\$ 3,413,170	\$ 2,654,091	\$ (2,791,018)	\$ 3,276,243	\$ 251,684	\$ 3,024,559

The City's General Fund has been and continues to be the primary funding source for the liquidation of this obligation.

9. FUND EQUITY

Deficit Fund Equity

At June 30, 2011, the following funds had deficit fund equity:

Clubhouse - City Administration	\$ (2,195,129)
Boundary Oak - Onsite Contract Operations	(76,412)

The City plans to reduce the deficit equity balances with future revenues generated by golf course and clubhouse operations.

Fund Balance Classifications

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This new standard does not change the total amount of a given fund balance, but it substantially alters the categories and terminology used to describe the components that make up a fund balance.

The term fund balance is used to describe the difference between assets (what is owned) and liabilities (what is owed) reported within a fund. In the past, fund balances have been classified into three separate components: Reserved, Designated, and Undesignated. GASB Statement No. 54 defines five new components of fund balance that will replace the current existing three components. The five new components are:

1) Nonspendable Fund Balance - The portion of fund balance that includes amounts that cannot be spent because they are either; (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained in tact, such as the principal portion of an endowment. This category was traditionally reported as a 'reserved' fund balance under the old standard.

2) Restricted Fund Balance - The portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other government agencies; or (b) imposed



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. FUND EQUITY, Continued

by law through constitutional provisions or enabling legislation. This category was traditionally reported as a 'reserved' fund balance under the old standard.

3) Committed Fund Balance - The portion of fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the governments' highest level of decision making authority, and remain binding unless removed in the same manner. These funds are not anticipated to be used routinely. This category was traditionally reported as a 'designated' fund balance under the old standard.

4) Assigned Fund Balance - The portion of fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established at either the highest level of decision making, or by an official designated for that purpose. It is anticipated that these funds would be used routinely. This category was traditionally reported as a 'designated' fund balance under the old standard.

5) Unassigned Fund Balance - The portion of fund balance that includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category of fund balance. This category was traditionally reported as an 'undesignated' fund balance under the old standard.

The new categories and terminology reflect an approach that focuses, not on financial resources available for appropriation within a fund, but on the extent to which the City is bound to observe constraints imposed on the specific purposes for which amounts in the fund can be spent.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, the order in which resources will be expended is as follows: Restricted Fund Balance, followed by Committed fund balance, Assigned Fund Balance and lastly Unassigned Fund Balance.

The City Council resolution establishing the classifications of fund balance in accordance with GASB 54, adopted on June 7, 2011, delegates to the City Manager the authority to carry thru Council direction related to those components of Fund Balance that are reported as "Assigned" in the City 's Comprehensive Annual Financial Report.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. FUND EQUITY, Continued

The City of Walnut Creek formally adopted the City's GASB Statement No. 54 definitions of reported fund balances for the fiscal year ended June 30, 2011. In Governmental Funds, the segregate portions of fund balances are presented as follows:

	General Fund	RDA Housing	Capital Investment Program	Downtown Parking and Enhancement	Traffic Impact Mitigation	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable							
Advance to other funds	\$ 11,178,447	\$ -	\$ -	\$ -	\$ -	\$ 3,022,141	\$ 14,200,588
Inventory	12,273	-	-	-	-	-	12,273
Notes & loans receivable	-	-	-	-	-	195,000	195,000
Prepaid expense	152,420	-	-	-	-	-	152,420
Total Nonspendable	11,343,140	-	-	-	-	3,217,141	14,560,281
Restricted							
Capital projects	-	-	6,164,991	1,390,813	-	9,901,543	17,457,347
Community development	-	1,249,937	-	-	-	5,765,316	7,015,253
Debt service	-	-	-	-	-	1,247,997	1,247,997
Other purposes	-	-	-	-	-	2,055,717	2,055,717
Street projects	-	-	-	-	3,599,637	5,427,518	9,027,155
Total Restricted	-	1,249,937	6,164,991	1,390,813	3,599,637	24,398,091	36,803,469
Committed							
Catastrophic emergency	6,145,092	-	-	-	-	-	6,145,092
Compensated absences	251,684	-	-	-	-	-	251,684
Dental claims	247,895	-	-	-	-	-	247,895
Fiscal emergency	4,299,388	-	-	-	-	-	4,299,388
Legal claims	3,000,000	-	-	-	-	-	3,000,000
PERS liability	168,923	-	-	-	-	-	168,923
Total Committed	14,112,982	-	-	-	-	-	14,112,982
Assigned							
ARCS Scholarships	39,154	-	-	-	-	-	39,154
Capital Projects - General Fund portion	-	-	3,822,150	-	-	-	3,822,150
Contractual Commitments	1,017,622	-	-	-	-	-	1,017,622
FY10-12 Budget Shortfall	3,562,278	-	-	-	-	-	3,562,278
Total Assigned	4,619,054	-	3,822,150	-	-	-	8,441,204
Unassigned							
City Manager Contingency	20,000	-	-	-	-	-	20,000
Council Contingency	188,179	-	-	-	-	-	188,179
Unrealized Gain	132,364	-	-	-	-	-	132,364
Total Unassigned	340,543	-	-	-	-	-	340,543
Total Fund Equity	\$ 30,415,719	\$ 1,249,937	\$ 9,987,141	\$ 1,390,813	\$ 3,599,637	\$ 27,615,232	\$ 74,258,479



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. FUND EQUITY, Continued

General Fund Reserve Requirements

On June 7, 2011, the City Council of the City of Walnut Creek approved a revised reserve policy to direct the re-categorization of funds to the new fund balance categories and establish a reserve for Fiscal Emergency offering a short-term solution to allow time to respond to economic changes and assess and plan for the future. In addition, the revised reserve policy changed the name of the Emergency Reserve to Catastrophic Emergency, provided a more specific definition for its use as required by GASB 54 and established that the City Council, by taking formal action, may commit General Fund balance for specific purposes and that these committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific uses through the same formal action taken to establish the commitment. The revised reserve policies regarding available general fund reserves of committed fund balance as established and approved by the City Council including thresholds are as follows:

Catastrophic Emergency - To be used in the event of actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within this City caused by such conditions as fire, flood, storm, epidemic, riot, earthquake, nuclear disaster, tornado or terrorism. Policy is to set the minimum budgeted reserve equal to 10% of annual General Fund budgeted operating expenditures as recommended by the City Manager.

Compensated Absences - This reserve is to fund payouts of accumulated leave due upon separation from City employment that exceeds the regularly budgeted amounts for this purpose. Policy is to set a reserve equal to the projected one year liability based on the previous year's experience.

Dental Claims - This reserve is to fund dental self-insurance program claims against the City during the budget period that exceed the regularly budgeted amount for this purpose. Policy is to reserve an amount equal to six months of budgeted dental expenses.

Fiscal Emergency - This reserve is to cover declines of more than 5% of the combined revenues (projected or actual) of property tax, sales tax or departmental revenues or an increase of more than 10% in the combined expenditures (projected or actual) of California Public Employee Retirement System (PERS), medical insurance costs, utility costs (electric, gas and water) and fuel costs. Policy is to set aside an amount equal to 10% of annual General Fund revenue budget for property tax, sales tax and departmental revenue, plus 10% of the annual General Fund expenditure budget for PERS and medical costs as recommended by the City Manager.

Legal Claims - To pay claims awarded against the City during the budget period that exceed the regularly budgeted amount for this purpose. Policy is to reserve an amount based on the City's five year claim history, but no less than \$3 million.

PERS Liability - To provide funding set aside for PERS costs either to pay down future liabilities or smooth large increases anticipated for the next budget cycle, whichever is the most fiscally advantageous.

Radio Communications - Funding set aside for the City's upcoming purchase of radios for police and public services staff and investment in infrastructure needed to facilitate emergency response and communications on a regional basis.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. FUND EQUITY, Continued

Worker's Compensation - This reserve is to pay workers compensation awards that exceed the regularly budgeted amount for this purpose. Policy is to set aside an amount equal to twice the annual expenses paid out over the previous five years, but no less than \$2 million.

10. RISK MANAGEMENT

A. Municipal Pooling Authority

The City is a member of the Municipal Pooling Authority of Northern California (MPANC). The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows.

The Authority is governed by a board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Authority provides for its members general liability risk of loss both through pooled coverage and commercial insurance policies and for workers' compensation risk of loss through a commercial insurance policy for amounts above the self insured retention level.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. The amount of settlements have not exceeded insurance coverages in each of the past three fiscal Years.

Audited financial statements for the Authority are available from MPANC, 1911 San Miguel Drive, Suite 100, Walnut Creek, California 94596.

A summary of the latest available audited financial information as of and for the fiscal year ended June 30, 2011 is as follows:

Total Cash and Investments	\$57,080,922
Total Assets	\$59,626,130
Total Liabilities	\$41,373,997
Total Equity	\$18,252,133
Total Revenues	\$ 9,421,303
Total Expenses	\$14,858,673
Net Change in Fund Equity	\$(5,437,370)



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. RISK MANAGEMENT, Continued

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the General Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. The City's liability for uninsured claims at June 30, 2011, was estimated by management and based on MPANC's claims experience and was computed as follows:

	General Liability	Workers' Compensation	Dental Claims Liability	Total
Balance as of July 1, 2009	\$ 240,286	\$ 3,138,477	\$ 450,500	\$ 3,829,263
Claims incurred	651,294	620,510	431,479	1,703,283
Changes in estimates	(29,101)	(46,382)	20,046	(55,437)
Claims paid	(651,294)	(620,510)	(431,479)	(1,703,283)
Balance as of June 30, 2010	\$ 211,185	\$ 3,092,095	\$ 470,546	\$ 3,773,826
Balance as of July 1, 2010	\$ 211,185	\$ 3,092,095	\$ 470,546	\$ 3,773,826
Claims incurred	636,570	874,852	346,283	1,857,705
Changes in estimates	(75,558)	46,468	25,244	(3,846)
Claims paid	(636,570)	(874,852)	(346,283)	(1,857,705)
Balance as of June 30, 2011	\$ 135,627	\$ 3,138,563	\$ 495,790	\$ 3,769,980
Current portion as of June 30, 2011				\$ 1,857,705
Long term portion as of June 30, 2011				\$ 1,912,275



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. PENSION PLANS

California Public Employees' Retirement Plan

Plan Description

The City contributes to the California Public Employee Retirement System (PERS). PERS acts as a common investment and administrative agent for participating public entities within the State of California. The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple-employer defined benefit plan.

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and city contracts with employee bargaining groups. Copies of PERS' annual financial report may be obtained from their executive office at 400 Q Street, Sacramento, CA 95814.

Funding and Actuarial Information for Miscellaneous and Safety Employees Plans

Miscellaneous and safety participants are required to contribute 7% and 9% of their annual covered salary respectively. The City makes most of the contributions required of safety employees and most of the contributions for miscellaneous employees on their behalf and for their account. In addition, the City is required to make an employer contribution at an actuarial determined rate of 20.880% and 14.814% for safety and miscellaneous employees respectively, of annual covered payroll for the year ended June 30, 2011. The City's total payroll for the year ending June 30, 2011 was \$31,100,071. The contribution requirements of plan members and the City are established and may be amended by PERS.

For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO).

The ARC for the period July 1, 2010 to June 30, 2011 has been determined by actuarial valuations of the plans as of June 30, 2008, the most recent data available for both plans. The City's covered payroll for PERS was \$9,348,323 and \$21,751,748 for safety and miscellaneous employees respectively, for the year ended June 30, 2011. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate for safety and miscellaneous employees is multiplied by the payroll of covered employees in each plan that were paid during the period from July 1, 2010 to June 30, 2011. A summary of principal assumptions and methods used to determine the ARC for both plans is shown below:

Actuarial Cost Method	Entry Age Normal Cost Method for Miscellaneous; Entry Age Actuarial Cost Method for Safety
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 Years as of the Valuation Date for Miscellaneous; 16 Years for Safety
Asset Valuation Period	15 Year Smoothed Market



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. PENSION PLANS, Continued

California Public Employees' Retirement Plan, Continued

Actuarial Assumptions

Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% - 14.45% (based on age, service and type of employment)
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

The table below shows three year trend information on the ARC and NPO for each of the plans.

Safety Employees Plan

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	39.250%	\$ 3,569,066	100%	-
6/30/2010	38.763%	3,601,025	100%	-
6/30/2011	20.880%	1,951,930	100%	-

Miscellaneous Employees Plan

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	14.756%	\$ 3,640,291	100%	-
6/30/2010	14.552%	3,467,402	100%	-
6/30/2011	14.814%	3,222,304	100%	-

Schedule of Funding Progress

The schedule on the following page for miscellaneous employees shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented on the following page, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. PENSION PLANS, Continued

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Miscellaneous Employees Plan

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as % of Covered Payroll
6/30/2009	\$96,474,645	\$119,121,075	(\$22,646,430)	81.0%	\$24,325,348	93.1%
6/30/2010	104,472,323	127,489,701	(23,017,378)	81.9%	23,841,025	96.5%
6/30/2011	110,764,840	139,411,185	(28,646,345)	79.5%	21,751,748	131.7%

Safety Employees Plan

As of the actuarial valuation date of June 30, 2003, the City's safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. When these risk pools were established, PERS assigned each entity in the pool a share of the unfunded liability. In June 2010, this liability of approximately \$12.5 million was paid off.

As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required, but is available in a separate financial report issued by PERS.

Apple Retirement Plan

During 2008, the City implemented a defined contribution pension plan (Apple Plan) for all of its non-regular employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. All non-regular employees (except for those who exercised a one-time opt out during the initial implementation of the plan) are required to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, with the employees contributing 5% and the City contributing 2.5%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2011, the City's payroll covered by the plan was \$1,069,032 and the City made employer contributions of \$26,728 (2.5% of current covered payroll).



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. CONTINGENCIES

A. Lawsuits in the Normal Course of Business

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Grant Obligations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, primarily the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Construction Commitments

The City had several outstanding or planned construction projects as of June 30, 2011. These projects are evidenced by contractual commitments with contractors, and include the major projects listed below:

<u>Project Description</u>	<u>Amounts</u>
Geary-Pleasant Hill Road to Putnam	\$ 8,871,898
Major Roadway Reconstruction	3,195,339
2011-12 Overlay	2,260,534
2011-12 Slurry Seal	1,567,453
Downtown Pay Stations	1,215,315
Undergrounding of Utilities	1,009,889
Corporation Yard Relocation Feasibility	854,522
Safe Routes to School-San Juan Sidewalk	650,000
Ygnacio Valley Pedestrian Bike Facility	607,381
BV/Parkside Intersection Improvement	529,087
	<u>\$ 20,761,418</u>

13. RELATED PARTIES LOANS

Equity Loans to City Employees

The City can enter into agreements with City employees under which the City will contribute towards the purchase of residences for the City employees. An employment agreement further provides that the City receive an undivided ownership interest in such residence as tenant-in-common. If the residence is sold, the City will receive from 5% to 19% of the net sales proceeds (specified in each agreement) after deducting the cost of sale, escrow fees and the market value of capital improvements made by the owner. There was one new agreements entered into during the 2011 fiscal year. Total equity loans to City employees as of June 30, 2011 was \$225,000.



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

14. PRIOR PERIOD ADJUSTMENT

A. Government Wide Financial Statements

The City has restated the beginning net assets to reflect a decrease in sales tax receivable in the amount of \$821,700.

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets As Restated
Government Wide Financial Statements:			
Governmental Activities	\$ 340,003,484	\$ (821,700)	\$ 339,181,783

B. Fund Financial Statements

The City has restated the beginning fund balance in its General Fund to reflect a decrease in sales tax receivable in the amount of \$821,700.

	Fund Balance as Previously Reported	Prior Period Adjustments	Fund Balance As Restated
Fund Financial Statements:			
Governmental Funds	\$ 74,508,061	\$ (821,700)	\$ 73,686,361

15. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011 expenditures exceeded appropriations at the fund level (the legal level of budgetary control) for the following special revenue funds:

PEG Access /Grants	\$26,972
CDBG	\$8,244
Traffic Congestion Relief	\$182,638

These expenditures were funded by either greater than anticipated revenues or available reserves in these funds.

16. SUBSEQUENT EVENTS

A. Recent changes in legislation affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and X1 27 as part of the State's budget package. Assembly Bill X1 26 required each California redevelopment agency to suspend (effective October 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

16. SUBSEQUENT EVENTS, Continued

A. Recent changes in legislation affecting California Redevelopment Agencies, Continued

obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provided a means for redevelopment agencies to continue to exist and operate via a Voluntary Alternative Redevelopment Program.

On August 2, 2011, the Walnut Creek City Attorney's office introduced such an ordinance for adoption, indicating that the City would comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or X1 27 were upheld as constitutional.

A Petition for Writ of Mandate was filed in the Supreme Court of the State of California on July 18, 2011 (California Redevelopment Association, et. al. v Ana Matosantos, et al., Case No. 2194861), challenging the constitutionality of AB X1 26 and AB X1 27 on behalf of cities, counties, and redevelopment agencies and requesting a stay of enforcement. On August 11, 2011, and August 17, 2011, the Supreme Court stayed portions of AB 1X26 and stayed AB 1X 27 in its entirety during the pendency of the matter.

On December 29, 2011, the California Supreme Court issued its final decision in the aforesaid litigation upholding AB 1X 26, invalidating AB 1X 27, and extending all statutory deadlines under AB 1 X 26, essentially dissolving all redevelopment agencies throughout the State effective February 1, 2012.

AB 1X 26 provides that the City will be the 'successor agency' to the Agency and responsible for the wind down of the Agency's affairs unless the City elects not to serve as a successor agency. The activities of the City, as successor agency, will be overseen by an oversight board, comprised primarily of representatives of other affected taxing agencies, until such time as the debts of the Agency are paid off, all Agency assets liquidated and all property taxes are redirected to local taxing agencies.

In addition, AB 1X 26 provides that the City, as the entity that created the Agency, may elect to retain the housing assets and obligations of the former redevelopment agency. If the City elects to retain the responsibility for performing housing functions previously performed by the Agency, all rights, powers, duties and obligations of the former redevelopment agency shall be transferred to the City. Further, the City may retain funds in the Agency's Low and Moderate Income Housing fund that are encumbered.

On January 17, 2012, the Walnut Creek City Council adopted a resolution reaffirming its decision to elect to become the successor agency to the Agency and a resolution electing to retain housing assets and functions.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during fiscal year 2011-12.

B. Note Receivable- Pleasant Creek Homes

With legislation eliminating redevelopment agencies threatening the ability of the Agency to fulfill its obligations under the Disposition and Development Agreement ("DDA") with Habitat for Humanity East Bay ("Habitat") to convey certain Agency property to Habitat and provide Habitat with a loan of Agency funds to develop single-family affordable housing on the site, a resolution was adopted by the Agency and City



City of Walnut Creek
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

16. SUBSEQUENT EVENTS, Continued

B. Note Receivable- Pleasant Creek Homes, Continued

Council on August 2, 2011 (i) assigning all the Agency's rights and interests in the DDA to the City, (ii) transferring Agency Property to the City; and (iii) stipulating that the Agency provide the City with the funds necessary to make the loan to Habitat required under the DDA.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Walnut Creek
Required Supplementary Information
For the year ended June 30, 2011

1. BUDGETARY INFORMATION

The City adopts a budget biannually to be effective July 1 for the ensuing two year period, including annual budgets for each of the two years. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the two year period and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

An operating budget is adopted every two years for the General, Special Revenue and Debt Service Funds, including annual budgets for each of the two years. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the City over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual include budget amendments approved by the Agency Board.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the City Council.

Formal budgetary integration is employed as a management control device. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities because the commitments will be honored during the subsequent year. The commitments will be reappropriated and honored in the subsequent year.



City of Walnut Creek
Required Supplementary Information - General Fund
June 30, 2011

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes				
Sales and use	\$ 14,981,000	\$ 16,297,816	\$ 16,857,550	\$ 559,734
Property	15,055,950	15,701,398	15,771,765	70,367
Business license	1,934,311	1,934,311	1,911,581	(22,730)
Franchise	3,086,153	3,168,653	3,199,514	30,861
Transient occupancy tax	1,125,000	1,290,130	1,345,355	55,225
Other	263,000	351,000	410,997	59,997
Intergovernmental	562,750	630,660	440,076	(190,584)
Investment and rental income	2,390,390	2,065,684	2,034,736	(30,948)
Charges for services	12,129,589	12,148,210	12,743,121	594,911
Licenses, permits and fees	1,456,275	1,533,100	1,719,481	186,381
Fines, forfeitures and penalties	5,671,988	4,895,644	4,792,703	(102,941)
Total revenues	58,656,406	60,016,606	61,226,879	1,210,273
EXPENDITURES:				
Current:				
Public protection	22,922,513	22,170,199	21,532,062	638,137
Public service	13,491,466	13,250,359	12,686,032	564,327
Community development	4,363,700	4,181,015	3,850,586	330,429
Arts, recreation and community services	12,792,246	12,997,583	12,815,238	182,345
Administrative services	5,498,196	5,308,848	4,710,796	598,052
General government	2,643,556	3,639,287	3,019,264	620,023
Debt Service				
Principal retirement	219,552	179,591	179,592	(1)
Total expenditures	61,931,229	61,726,882	58,793,570	2,933,312
REVENUES OVER (UNDER) EXPENDITURES	(3,274,823)	(1,710,276)	2,433,309	4,143,585
OTHER FINANCING SOURCES (USES):				
Transfers in	3,701,955	3,535,989	3,444,733	(91,256)
Transfers (out)	(2,696,490)	(2,684,037)	(2,563,188)	120,849
Total other financing sources (uses)	1,005,465	851,952	881,545	29,593
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (2,269,358)	\$ (858,324)	3,314,854	\$ 4,173,178
FUND BALANCES:				
Beginning of year, as restated			27,100,865	
End of year			\$ 30,415,719	



City of Walnut Creek
Required Supplementary Information
RDA Housing Special Revenue Fund
For the Year Ended June 30, 2011

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
RDA Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 6,900	\$ 5,335	\$ 9,526	\$ 4,191
Other	-	-	64,215	64,215
Total revenues	6,900	5,335	73,741	68,406
EXPENDITURES:				
Current:				
Housing	1,181,400	1,217,420	547,109	670,311
Total expenditures	1,181,400	1,217,420	547,109	670,311
REVENUES OVER (UNDER) EXPENDITURES	(1,174,500)	(1,212,085)	(473,368)	738,717
OTHER FINANCING SOURCES (USES):				
Transfer in	709,636	774,625	774,625	-
Total other financing sources (uses)	709,636	774,625	774,625	-
Net change in fund balance	\$ (464,864)	\$ (437,460)	301,257	\$ 738,717
FUND BALANCE:				
Beginning of year			948,680	
End of year			\$ 1,249,937	

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SUPPLEMENTAL INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Library Parcel Tax - accounts for assessments to Walnut Creek residents from taxes levied by the City (related to Measure Q) to fund additional hours of service at both City library locations

General Plan Update- accounts for fees imposed on developers to be used to recover costs associated with preparation of the Environmental Impact Report and Specific Plan certified and adopted by Council, respectively, in July 2010.

Open Space - accounts for receipts and expenditures related to designated open space and facilities, including Borges Ranch

Revolving Loans - accounts for various loan obligations to the City, including for sidewalk repair

Housing - accounts for in lieu fees and other restricted funds to be used for affordable housing projects

Traffic Safety / Police Grants - accounts for fines paid to the City from the State Motor Vehicle Code and from Police Related Grants to be used for public safety purposes

Public Education Government (PEG) Access Fees / Grants - to account for funds received from local cable companies to be used for funding local public education and government access stations

Gas Tax- accounts for State Gas Tax Funds to be used for street construction and maintenance

National Pollutant Discharge Elimination System (NPDES) - accounts for assessments to Walnut Creek property owners for drainage related expenditures

CDBG - used to account for Community Development Block Grants and related expenditures, for the primary purpose of developing viable communities

Measure J - accounts for monies received from voter approved Measure J to be used for street construction, repair and maintenance and bicycle pathways

Traffic Congestion Relief - accounts for monies apportioned under Proposition 42 by the State of California, which must be used for local street and road repairs

Debt Service Fund:

RDA - Debt Service - accounts for debt service on the South Broadway and Mount Diablo Merged Project Area Series 2000 and Series 2003 A&B Tax Allocation Bonds



NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital Project Funds:

In Lieu Underground - accounts for receipts from fees imposed on developers to provide for underground utilities

Storm Drain - accounts for receipts from fees imposed on developers to provide for storm drain improvements

Other In Lieu/Mitigation - accounts for receipts from fees imposed on developers to provide for improvements for Creek Restoration, Public Art, Tree Mitigation and traffic circulation improvements

In Lieu Park - accounts for receipts from fees imposed on developers to provide for City park or recreational improvements

In Lieu Parking - accounts for receipts from fees imposed on developers to provide for parking facilities improvements

RDA- Capital Projects - accounts for project expenditures in the Mount Diablo and South Broadway project areas

Local Improvement Districts - accounts for the construction of public improvements, designed to benefit the properties for which the special assessments are levied

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City of Walnut Creek
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011
 (With comparative information for the prior year)

	Special Revenue			
	Library Parcel Tax	General Plan Update	Open Space	Revolving Loans
ASSETS				
Current:				
Cash and investments	\$ 3,610,992	\$ 89,159	\$ 63,103	\$ 678,356
Cash and investments with fiscal agents	-	-	-	-
Accounts receivable	-	-	35,454	-
Interest receivable	6,174	107	-	1,116
Due from other governments	-	-	-	-
Due from other funds	-	-	-	25,772
Notes and loans receivable	-	-	-	225,000
Advances to other funds	-	-	-	-
Total assets	\$ 3,617,166	\$ 89,266	\$ 98,557	\$ 930,244
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	\$ 151,217	\$ 2	\$ 31,026	\$ -
Accrued payroll	-	-	26,284	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	41,247	225,000
Advances from other funds	-	-	-	-
Total liabilities	151,217	2	98,557	225,000
Fund Balances:				
Nonspendable	-	-	-	195,000
Restricted	3,465,949	89,264	-	510,244
Total fund balances	3,465,949	89,264	-	705,244
Total liabilities and fund balances	\$ 3,617,166	\$ 89,266	\$ 98,557	\$ 930,244

Special Revenue

Housing	Traffic Safety/ Police Grants	PEG Access Fees/ Grants	Gas Tax	NPDES	CDBG	Measure J
\$ 265,926	\$ -	\$ 1,860,620	\$ 1,405,271	\$ 1,572,600	\$ 95,457	\$ 2,860,630
	-	-	-	-	-	-
-	66,514	83,275	198,174	42,550		
432	63	2,992	2,587	1,367	-	4,167
	-	-	-	-	-	806,764
	-	-	-	-	-	-
4,727,024	-	-	-	-	2,847,249	-
	-	1,000,000	-	1,122,141	-	-
<u>\$ 4,993,382</u>	<u>\$ 66,577</u>	<u>\$ 2,946,887</u>	<u>\$ 1,606,032</u>	<u>\$ 2,738,658</u>	<u>\$ 2,942,706</u>	<u>\$ 3,671,561</u>
\$ 19,410	\$ -	\$ 13,136	\$ -	\$ 1,801	\$ 21,911	\$ -
3,685	-	8,641	-	9,404	6,044	-
25,772	29,637	-	-	95,831	-	-
4,727,024	948	-	-	-	2,847,249	-
-	-	-	-	-	-	-
<u>4,775,891</u>	<u>30,585</u>	<u>21,777</u>	<u>-</u>	<u>107,036</u>	<u>2,875,204</u>	<u>-</u>
-	-	1,000,000	-	1,122,141	-	-
217,491	35,992	1,925,110	1,606,032	1,509,481	67,502	3,671,561
217,491	35,992	2,925,110	1,606,032	2,631,622	67,502	3,671,561
<u>\$ 4,993,382</u>	<u>\$ 66,577</u>	<u>\$ 2,946,887</u>	<u>\$ 1,606,032</u>	<u>\$ 2,738,658</u>	<u>\$ 2,942,706</u>	<u>\$ 3,671,561</u>

(Continued)



City of Walnut Creek
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2011

(With comparative information for the prior year)

	Special Revenue	Debt Service	Capital Project	
	Traffic		In Lieu	
	Congestion		Underground	Storm Drain
	Relief	RDA		
ASSETS				
Current:				
Cash and investments	\$ 149,164	\$ 121,521	\$ 1,814,159	\$ 479,280
Cash and investments with fiscal agents	-	1,126,333	-	-
Accounts receivable	-	-	-	-
Interest receivable	761	143	2,931	775
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Notes and loans receivable	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 149,925	\$ 1,247,997	\$ 1,817,090	\$ 480,055
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	1,009,889	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	-	-	1,009,889	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	149,925	1,247,997	807,201	480,055
Total fund balances	149,925	1,247,997	807,201	480,055
Total liabilities and fund balances	\$ 149,925	\$ 1,247,997	\$ 1,817,090	\$ 480,055

(Continued)

Capital Project						
Other In Lieu / Mitigation Fees	In Lieu Park	In Lieu Parking	RDA	Local Improvement Districts	Totals	
					2011	2010
\$ 799,220	\$ 1,957,623	\$ 298,338	\$ 5,215,510	\$ 1,943,315	\$ 25,280,244	\$ 24,221,758
-	-	-	-	-	1,126,333	1,126,114
-	-	-	-	-	425,967	421,363
1,277	3,223	482	7,579	3,105	39,281	56,443
-	-	-	-	-	806,764	956,011
-	-	-	-	-	25,772	220,000
-	-	-	-	-	7,799,273	7,891,647
-	-	-	-	900,000	3,022,141	3,926,994
<u>\$ 800,497</u>	<u>\$ 1,960,846</u>	<u>\$ 298,820</u>	<u>\$ 5,223,089</u>	<u>\$ 2,846,420</u>	<u>\$ 38,525,775</u>	<u>\$ 38,820,330</u>
\$ -	\$ -	\$ -	\$ 576,881	\$ -	\$ 815,384	\$ 252,320
-	-	-	-	-	54,058	53,373
221,642	816,862	-	-	-	2,199,633	2,020,245
-	-	-	-	-	7,841,468	7,892,595
-	-	-	-	-	-	259,759
<u>221,642</u>	<u>816,862</u>	<u>-</u>	<u>576,881</u>	<u>-</u>	<u>10,910,543</u>	<u>10,478,292</u>
-	-	-	-	900,000	3,217,141	4,106,994
<u>578,855</u>	<u>1,143,984</u>	<u>298,820</u>	<u>4,646,208</u>	<u>1,946,420</u>	<u>24,398,091</u>	<u>24,235,044</u>
<u>578,855</u>	<u>1,143,984</u>	<u>298,820</u>	<u>4,646,208</u>	<u>2,846,420</u>	<u>27,615,232</u>	<u>28,342,038</u>
<u>\$ 800,497</u>	<u>\$ 1,960,846</u>	<u>\$ 298,820</u>	<u>\$ 5,223,089</u>	<u>\$ 2,846,420</u>	<u>\$ 38,525,775</u>	<u>\$ 38,820,330</u>



City of Walnut Creek
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2011
(With comparative information for the prior year)

	Special Revenue			
	Library	General Plan Update	Open Space	Revolving Loans
	Parcel Tax			
REVENUES:				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-
Other	-	-	456,092	-
Intergovernmental	-	-	-	-
Investment and rental income	26,807	244	95,325	4,566
Charges for services	-	-	35,454	-
Fines, forfeitures and penalties	-	-	-	-
Other	-	89,020	116,334	-
Total revenues	26,807	89,264	703,205	4,566
EXPENDITURES:				
Current:				
Public protection	-	-	-	-
Public service	-	-	879,357	-
Community development	-	-	-	45,000
Housing	-	-	-	-
Arts, recreation and community services	800,574	-	-	-
General government	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest, fiscal charges and issuance costs	-	-	-	-
Total expenditures	800,574	-	879,357	45,000
REVENUES OVER (UNDER) EXPENDITURES	(773,767)	89,264	(176,152)	(40,434)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	176,152	-
Transfers (out)	(31,667)	-	-	-
Total other financing sources (uses)	(31,667)	-	176,152	-
Net change in fund balances	(805,434)	89,264	-	(40,434)
FUND BALANCES:				
Beginning of the year	4,271,383	-	-	745,678
End of the year	\$ 3,465,949	\$ 89,264	\$ -	\$ 705,244

Special Revenue

Housing	Traffic Safety/ Police Grants	PEG Access Fees/ Grants	Gas Tax	NPDES	CDBG	Measure J
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 806,764
-	-	-	-	-	-	-
-	-	-	-	1,285,212	-	-
-	135,927	-	1,660,692	-	91,311	-
1,152	113	47,054	7,536	74,564	-	17,918
5,750	-	334,153	-	-	-	-
-	188,728	-	-	-	-	-
129,420	-	-	-	37,138	135,243	-
136,322	324,768	381,207	1,668,228	1,396,914	226,554	824,682
-	19,207	-	-	-	-	-
-	-	-	-	1,103,446	-	-
110,778	-	-	-	-	69,947	-
70,000	-	-	-	-	89,105	-
-	-	-	-	-	-	-
-	-	337,769	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
180,778	19,207	337,769	-	1,103,446	159,052	-
(44,456)	305,561	43,438	1,668,228	293,468	67,502	824,682
207,786	-	-	-	-	-	-
(12,786)	(284,524)	-	(821,134)	(60,000)	-	(999,841)
195,000	(284,524)	-	(821,134)	(60,000)	-	(999,841)
150,544	21,037	43,438	847,094	233,468	67,502	(175,159)
66,947	14,955	2,881,672	758,938	2,398,154	-	3,846,720
\$ 217,491	\$ 35,992	\$ 2,925,110	\$ 1,606,032	\$ 2,631,622	\$ 67,502	\$ 3,671,561

(Continued)



City of Walnut Creek
Combining Statement of Revenues, Expenditures and Changes in Fund Balances,
Non-Major Governmental Funds (Continued)
For the year ended June 30, 2011
(With comparative information for the prior year)

	Special Revenue	Debt Service	Capital Project	
	Traffic Congestion Relief	RDA	In Lieu Underground	Storm Drain
REVENUES:				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-
Other	-	-	-	-
Intergovernmental	-	-	-	-
Use of money and property	3,518	611	11,918	3,149
Charges for services	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Other revenues	-	-	-	-
Total revenues	3,518	611	11,918	3,149
EXPENDITURES:				
Current:				
Public protection	-	-	-	-
Public service	-	-	-	-
Community development	-	-	-	-
Housing	-	-	-	-
Arts, recreation and cultural Services	-	-	-	-
General government	-	-	-	-
Debt service:				
Principal retirement	-	2,260,000	-	-
Interest, fiscal charges and issuance costs	-	325,173	-	-
Total expenditures	-	2,585,173	-	-
REVENUES OVER (UNDER) EXPENDITURES	3,518	(2,584,562)	11,918	3,149
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,706,445	-	-
Transfers (out)	(573,847)	-	-	-
Total other financing sources (uses)	(573,847)	2,706,445	-	-
Net change in fund balances	(570,329)	121,883	11,918	3,149
FUND BALANCES:				
Beginning of the year	720,254	1,126,114	795,283	476,906
End of the year	\$ 149,925	\$ 1,247,997	\$ 807,201	\$ 480,055

Capital Project								
Other In Lieu / Mitigation Fees	In Lieu Park	In Lieu Parking	RDA	Local Improvement Districts	Totals			
					2011	2010		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 806,764	\$ 816,183		
-	-	-	3,123,126	-	3,123,126	4,564,342		
-	-	-	-	-	1,741,304	1,648,890		
-	-	-	-	-	1,887,930	2,203,240		
5,013	12,620	1,960	32,644	44,082	390,794	271,173		
-	-	-	-	-	375,357	363,438		
-	-	-	-	-	188,728	186,838		
139,380	332,000	-	-	-	978,535	789,510		
<u>144,393</u>	<u>344,620</u>	<u>1,960</u>	<u>3,155,770</u>	<u>44,082</u>	<u>9,492,538</u>	<u>10,843,614</u>		
-	-	-	-	-	19,207	53,801		
-	1,231	-	-	-	1,984,034	2,173,094		
-	-	-	-	-	225,725	405,699		
-	-	-	313,271	-	472,376	2,358,267		
-	-	-	-	-	800,574	300,190		
-	-	-	-	-	337,769	161,099		
-	-	-	-	-	2,260,000	940,000		
-	-	-	-	-	325,173	350,530		
-	1,231	-	313,271	-	6,424,858	6,742,680		
<u>144,393</u>	<u>343,389</u>	<u>1,960</u>	<u>2,842,499</u>	<u>44,082</u>	<u>3,067,680</u>	<u>4,100,934</u>		
-	-	-	-	-	3,090,383	2,751,158		
(110,000)	(385,000)	-	(3,606,070)	-	(6,884,869)	(3,804,067)		
(110,000)	(385,000)	-	(3,606,070)	-	(3,794,486)	(1,052,909)		
34,393	(41,611)	1,960	(763,571)	44,082	(726,806)	3,048,025		
<u>544,462</u>	<u>1,185,595</u>	<u>296,860</u>	<u>5,409,779</u>	<u>2,802,338</u>	<u>28,342,038</u>	<u>25,294,013</u>		
<u>\$ 578,855</u>	<u>\$ 1,143,984</u>	<u>\$ 298,820</u>	<u>\$ 4,646,208</u>	<u>\$ 2,846,420</u>	<u>\$ 27,615,232</u>	<u>\$ 28,342,038</u>		



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Library Parcel Tax Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 38,000	\$ 23,205	\$ 26,807	\$ 3,602
Total revenues	38,000	23,205	26,807	3,602
EXPENDITURES:				
Current:				
Arts, recreation and cultural services	1,055,647	1,011,028	800,574	210,454
Total expenditures	1,055,647	1,011,028	800,574	210,454
REVENUES OVER (UNDER) EXPENDITURES	(1,017,647)	(987,823)	(773,767)	214,056
OTHER FINANCING SOURCES (USES):				
Transfer (out)	117,347	117,347	(31,667)	(149,014)
Total other financing sources (uses)	117,347	117,347	(31,667)	(149,014)
Net change in fund balance	\$ (900,300)	\$ (870,476)	(805,434)	\$ 65,042
FUND BALANCE:				
Beginning of year			4,271,383	
End of year			\$ 3,465,949	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Plan Update Special Revenue Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ -	\$ 211	\$ 244	\$ 33
Other	-	91,000	89,020	(1,980)
Total revenues	-	91,211	89,264	(1,947)
REVENUES OVER (UNDER) EXPENDITURES	-	91,211	89,264	(1,947)
Net change in fund balance	\$ -	\$ 91,211	89,264	\$ (1,947)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 89,264	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Open Space Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 424,611	\$ 424,611	\$ 456,092	\$ 31,481
Investment and rental income	89,856	95,651	95,325	(326)
Charges for services	35,454	35,454	35,454	-
Other	-	115,518	116,334	816
Total revenues	549,921	671,234	703,205	31,971
EXPENDITURES:				
Current:				
Public service	961,021	963,181	879,357	83,824
Total expenditures	961,021	963,181	879,357	83,824
REVENUES OVER (UNDER) EXPENDITURES	(411,100)	(291,947)	(176,152)	115,795
OTHER FINANCING SOURCES (USES):				
Transfer in	411,100	309,787	176,152	(133,635)
Total other financing sources (uses)	411,100	309,787	176,152	(133,635)
Net change in fund balance	\$ -	\$ 17,840	-	\$ (17,840)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	



City of Walnut Creek

**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Revolving Loans Special Revenue Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 5,600	\$ 3,808	\$ 4,566	\$ 758
Total revenues	<u>5,600</u>	<u>3,808</u>	<u>4,566</u>	<u>758</u>
EXPENDITURES:				
Community development	45,000	45,000	45,000	-
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(39,400)</u>	<u>(41,192)</u>	<u>(40,434)</u>	<u>758</u>
 Net change in fund balance	 <u>\$ (39,400)</u>	 <u>\$ (41,192)</u>	 (40,434)	 <u>\$ 758</u>
FUND BALANCE:				
Beginning of year			<u>745,678</u>	
End of year			<u>\$ 705,244</u>	



City of Walnut Creek
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Housing Special Revenue Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 2,020	\$ 1,412	\$ 1,152	\$ (260)
Charges for services	58,250	5,750	5,750	-
Other	150,000	127,250	129,420	2,170
Total revenues	210,270	134,412	136,322	1,910
EXPENDITURES:				
Current:				
Community development	133,064	133,064	110,778	22,286
Housing	277,179	77,179	70,000	7,179
Total expenditures	410,243	210,243	180,778	29,465
REVENUES OVER (UNDER) EXPENDITURES	(199,973)	(75,831)	(44,456)	31,375
OTHER FINANCING SOURCES (USES):				
Transfer in	195,000	195,000	207,786	12,786
Transfer (out)	-	(12,786)	(12,786)	-
Total other financing sources (uses)	195,000	182,214	195,000	12,786
Net change in fund balance	\$ (4,973)	\$ 106,383	150,544	\$ 44,161
FUND BALANCE:				
Beginning of year			66,947	
End of year			\$ 217,491	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Traffic Safety/Police Grants Special Revenue Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 135,927	\$ 35,927
Investment and rental income	1,000	1,000	113	(887)
Fines, forfeitures and penalties	159,152	187,727	188,728	1,001
Total revenues	260,152	288,727	324,768	36,041
EXPENDITURES:				
Current:				
Public protection	22,738	22,738	19,207	3,531
Total expenditures	22,738	22,738	19,207	3,531
REVENUES OVER (UNDER) EXPENDITURES	237,414	265,989	305,561	39,572
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(260,152)	(288,727)	(284,524)	4,203
Total other financing sources (uses)	(260,152)	(288,727)	(284,524)	4,203
Net change in fund balance	\$ (22,738)	\$ (22,738)	21,037	\$ 43,775
FUND BALANCE:				
Beginning of year			14,955	
End of year			\$ 35,992	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual PEG Access Fees/Grants Special Revenue Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 28,100	\$ 54,108	\$ 47,054	\$ (7,054)
Charges for services	300,523	350,523	334,153	(16,370)
Total revenues	328,623	404,631	381,207	(23,424)
EXPENDITURES:				
Current:				
General government	456,078	310,797	337,769	(26,972)
Total expenditures	456,078	310,797	337,769	(26,972)
REVENUES OVER (UNDER) EXPENDITURES	(127,455)	93,834	43,438	(50,396)
Net change in fund balance	\$ (127,455)	\$ 93,834	43,438	\$ (50,396)
FUND BALANCE:				
Beginning of year			2,881,672	
End of year			\$ 2,925,110	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Gas Tax Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,661,943	\$ 1,589,470	\$ 1,660,692	\$ 71,222
Investment and rental income	5,300	5,204	7,536	2,332
Total revenues	<u>1,667,243</u>	<u>1,594,674</u>	<u>1,668,228</u>	<u>73,554</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,667,243</u>	<u>1,594,674</u>	<u>1,668,228</u>	<u>73,554</u>
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(1,926,791)	(1,926,791)	(821,134)	1,105,657
Total other financing sources (uses)	<u>(1,926,791)</u>	<u>(1,926,791)</u>	<u>(821,134)</u>	<u>1,105,657</u>
Net change in fund balance	<u>\$ (259,548)</u>	<u>\$ (332,117)</u>	847,094	<u>\$ 1,179,211</u>
FUND BALANCE:				
Beginning of year			<u>758,938</u>	
End of year			<u>\$ 1,606,032</u>	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

NPDES Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,235,400	\$ 1,235,400	\$ 1,285,212	\$ 49,812
Investment and rental income	22,700	73,300	74,564	1,264
Other	51,800	54,100	37,138	(16,962)
Total revenues	1,309,900	1,362,800	1,396,914	34,114
EXPENDITURES:				
Current:				
Public service	1,612,184	1,459,534	1,103,446	356,088
Total expenditures	1,612,184	1,459,534	1,103,446	356,088
REVENUES OVER (UNDER) EXPENDITURES	(302,284)	(96,734)	293,468	390,202
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(385,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	(385,000)	(60,000)	(60,000)	-
Net change in fund balance	\$ (687,284)	\$ (156,734)	233,468	\$ 390,202
FUND BALANCE:				
Beginning of year			2,398,154	
End of year			\$ 2,631,622	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

CDBG Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 322,905	\$ 142,698	\$ 91,311	\$ (51,387)
Investment and rental income	15,000	2,700	-	(2,700)
Other	30,000	5,410	135,243	129,833
Total revenues	367,905	150,808	226,554	75,746
EXPENDITURES:				
Current:				
Community development	68,008	68,008	69,947	(1,939)
Housing	299,897	82,800	89,105	(6,305)
Total expenditures	367,905	150,808	159,052	(8,244)
REVENUES OVER (UNDER) EXPENDITURES	-	-	67,502	67,502
Net change in fund balance	\$ -	\$ -		\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 67,502	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Measure J Special Revenue Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use tax	\$ 728,000	\$ 767,256	\$ 806,764	\$ 39,508
Investment and rental income	17,800	12,104	17,918	5,814
Total revenues	745,800	779,360	824,682	45,322
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(1,621,200)	(1,415,000)	(999,841)	415,159
Total other financing sources (uses)	(1,621,200)	(1,415,000)	(999,841)	415,159
Net change in fund balance	\$ (875,400)	\$ (635,640)	(175,159)	\$ 460,481
FUND BALANCE:				
Beginning of year			3,846,720	
End of year			<u>\$ 3,671,561</u>	



City of Walnut Creek

**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
Traffic Congestion Relief Special Revenue Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 7,000	\$ 4,760	\$ 3,518	\$ (1,242)
Total revenues	<u>7,000</u>	<u>4,760</u>	<u>3,518</u>	<u>(1,242)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,000</u>	<u>4,760</u>	<u>3,518</u>	<u>(1,242)</u>
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(391,209)	(391,209)	(573,847)	(182,638)
Total other financing sources (uses)	<u>(391,209)</u>	<u>(391,209)</u>	<u>(573,847)</u>	<u>(182,638)</u>
Net change in fund balance	<u>\$ (384,209)</u>	<u>\$ (386,449)</u>	<u>(570,329)</u>	<u>\$ (183,880)</u>
FUND BALANCE:				
Beginning of year			<u>720,254</u>	
End of year			<u>\$ 149,925</u>	



City of Walnut Creek

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

RDA Debt Service Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 1,200	\$ 1,200	\$ 611	\$ (589)
Total revenues	1,200	1,200	611	(589)
EXPENDITURES:				
Debt Service:				
Principal	985,000	2,260,000	2,260,000	-
Interest, fiscal charges and issuance costs	308,019	325,114	325,173	(59)
Total expenditures	1,293,019	2,585,114	2,585,173	(59)
REVENUES OVER (UNDER) EXPENDITURES	(1,291,819)	(2,583,914)	(2,584,562)	(648)
OTHER FINANCING SOURCES (USES):				
Transfer in	1,293,019	2,706,445	2,706,445	-
Total other financing sources (uses)	1,293,019	2,706,445	2,706,445	-
Net change in fund balance	\$ 1,200	\$ 122,531	121,883	\$ (648)
FUND BALANCE:				
Beginning of year			1,126,114	
End of year			\$ 1,247,997	



INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis and to accumulate funds for the future replacement of capital items.

Vehicle Rental Fund accumulates funds for the replacement and repair of vehicles

Police Radio Fund accumulates funds for the replacement of police radios

Equipment Replacement Fund - RCA accumulates funds for the replacement of theater equipment

Equipment Replacement Fund - IT accumulates funds for the replacement of computer equipment

Equipment Replacement Fund - ASD accumulates funds for the replacement of administrative services department equipment

Equipment Replacement Fund - GF accumulates funds for the replacement of worn and obsolete equipment other than vehicles

Facilities Replacement Fund - ASD accumulates funds for the costs associated with the maintenance of the City's facilities

Major Roadway Reconstruction Fund accumulates funds for the reconstruction of arterial roads as necessary

PERS Safety Side Fund Liability Fund accounts for the repayment of an internal loan made for the early retirement of a portion of the public safety pension liability.



City of Walnut Creek
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2011

(With comparative information for the prior year)

	Vehicle Rental	Police Radio	Equipment Replacement RCA	Equipment Replacement IT
ASSETS				
Current assets:				
Prepaid expense	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Due from other funds	1,676,106	278,506	88,412	2,144,945
Total current assets	<u>1,676,106</u>	<u>278,506</u>	<u>88,412</u>	<u>2,144,945</u>
Capital assets:				
Vehicles	7,486,420	-	-	-
Buildings	-	-	-	-
Machinery and equipment	-	-	15,518	1,791,673
Accumulated depreciation	(5,387,778)	-	(5,302)	(552,001)
Total capital assets	<u>2,098,642</u>	<u>-</u>	<u>10,216</u>	<u>1,239,672</u>
Total assets	<u>3,774,748</u>	<u>278,506</u>	<u>98,628</u>	<u>3,384,617</u>
LIABILITIES				
Accounts payable	44,075	-	-	9,540
Long term debt due in one year	-	-	-	173,036
Due to other funds	-	-	-	-
Total current liabilities	<u>44,075</u>	<u>-</u>	<u>-</u>	<u>182,576</u>
Long term debt due in more than one year				181,588
Advances from other funds (Note 5)	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,588</u>
Total liabilities	<u>44,075</u>	<u>-</u>	<u>-</u>	<u>364,164</u>
NET ASSETS				
Investment in capital assets, net of related debt	2,098,642	-	10,216	1,239,672
Unrestricted	1,632,031	278,506	88,412	1,780,781
Total net assets	<u>\$ 3,730,673</u>	<u>\$ 278,506</u>	<u>\$ 98,628</u>	<u>\$ 3,020,453</u>

Equipment Replacement ASD	Equipment Replacement GF	Facilities Replacement ASD	Major Roadway Reconstruction	PERS Safety Side Fund Liability	Totals	
					2011	2010
\$ -	\$ -	\$ -	\$ -	\$ 11,622,141	\$ 11,622,141	\$ 12,526,994
-	-	-	-	-	-	12,564
1,100	1,600,750	301,212	490,442	-	6,581,473	6,122,417
1,100	1,600,750	301,212	490,442	11,622,141	18,203,614	18,661,975
-	-	-	-	-	7,486,420	7,506,380
-	-	235,000	-	-	235,000	235,000
-	215,896	-	-	-	2,023,087	1,940,125
-	(49,510)	(23,108)	-	-	(6,017,699)	(5,448,617)
-	166,386	211,892	-	-	3,726,808	4,232,888
1,100	1,767,136	513,104	490,442	11,622,141	21,930,422	22,894,863
-	3,137	-	-	-	56,752	24,780
-	-	-	-	-	173,036	164,886
1,000	48,995	57,766	490,442	-	598,203	1,215,367
1,000	52,132	57,766	490,442	-	827,991	1,405,033
-	-	-	-	11,622,141	181,588	354,623
-	-	-	-	11,622,141	11,622,141	12,526,994
-	-	-	-	11,622,141	11,803,729	12,881,617
1,000	52,132	57,766	490,442	11,622,141	12,631,720	14,286,650
-	166,386	211,892	-	-	3,726,808	4,232,888
100	1,548,618	243,446	-	-	5,571,894	4,375,325
\$ 100	\$ 1,715,004	\$ 455,338	\$ -	\$ -	\$ 9,298,702	\$ 8,608,213



City of Walnut Creek

Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets

All Internal Service Funds

For the Year Ended June 30, 2011

(With comparative information for the prior year)

	Vehicle Rental	Police Radio	Equipment Replacement RCA	Equipment Replacement IT
OPERATING REVENUES:				
Charges for services	\$ 686,752	\$ 40,500	\$ -	\$ -
Total operating revenues	<u>686,752</u>	<u>40,500</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Supplies and services	-	-	-	41,370
Repairs and maintenance	35,972	-	18,000	163,427
Depreciation	529,160	-	1,552	205,885
Total operating expenses	<u>565,132</u>	<u>-</u>	<u>19,552</u>	<u>410,682</u>
OPERATING INCOME (LOSS)	<u>121,620</u>	<u>40,500</u>	<u>(19,552)</u>	<u>(410,682)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest and related expenses	-	-	-	(25,677)
Gain on sale of vehicles	16,407	-	-	-
Total nonoperating (expenses)	<u>16,407</u>	<u>-</u>	<u>-</u>	<u>(25,677)</u>
Net income (loss) before contributions and operating transfers	<u>138,027</u>	<u>40,500</u>	<u>(19,552)</u>	<u>(436,359)</u>
Capital contributions	-	-	-	-
Transfers in	-	-	-	928,300
Transfers (out)	-	-	-	-
Change in net assets	<u>138,027</u>	<u>40,500</u>	<u>(19,552)</u>	<u>491,941</u>
NET ASSETS:				
Beginning of the year	<u>3,592,646</u>	<u>238,006</u>	<u>118,180</u>	<u>2,528,512</u>
End of the year	<u>\$ 3,730,673</u>	<u>\$ 278,506</u>	<u>\$ 98,628</u>	<u>\$ 3,020,453</u>

Equipment Replacement ASD	Equipment Replacement GF	Facilities Replacement ASD	Major Roadway Reconstruction	PERS Safety Side Fund Liability	Totals	
					2011	2010
\$ -	\$ -	\$ -	\$ -	1,343,298	\$ 2,070,550	\$ 757,275
-	-	-	-	1,343,298	2,070,550	757,275
-	-	-	-	-	41,370	23,980
-	3,137	-	-	-	220,536	150,848
-	21,590	4,700	-	-	762,887	767,809
-	24,727	4,700	-	-	1,024,793	942,637
-	(24,727)	(4,700)	-	1,343,298	1,045,757	(185,362)
-	-	-	-	(1,343,298)	(1,368,975)	(33,443)
-	-	-	-	-	16,407	45,305
-	-	-	-	(1,343,298)	(1,352,568)	11,862
-	(24,727)	(4,700)	-	-	(306,811)	(173,500)
-	-	-	-	-	-	127,107
-	69,000	-	-	-	997,300	858,898
-	-	-	-	-	-	(605,000)
-	44,273	(4,700)	-	-	690,489	207,505
100	1,670,731	460,038	-	-	8,608,213	8,400,708
\$ 100	\$ 1,715,004	\$ 455,338	\$ -	\$ -	\$ 9,298,702	\$ 8,608,213



City of Walnut Creek
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2011
(With comparative information for the prior year)

	Vehicle Rental	Police Radio	Equipment Replacement RCA	Equipment Replacement IT	Equipment Replacement ASD
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 686,752	\$ 40,500	\$ -	\$ -	\$ -
Payments to suppliers	5,811	-	(18,000)	(217,745)	-
Internal activity					
Receipts from other funds	1,140,981	238,006	106,413	1,707,913	11,000
Payments to other funds	(1,676,106)	(278,506)	(88,413)	(2,144,945)	(11,000)
Net cash provided (used) by operating activities	157,438	-	-	(654,777)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	-	928,300	-
Transfers (out)	-	-	-	-	-
Net cash provided by capital and related financing activities	-	-	-	928,300	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest paid on capital lease	-	-	-	(25,677)	-
Principal paid on capital lease	-	-	-	(164,885)	-
Net cash (used) by investing activities	-	-	-	(190,562)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of capital assets	(173,845)	-	-	(82,961)	-
Proceeds from disposal of capital assets	16,407	-	-	-	-
Net cash (used) by investing activities	(157,438)	-	-	(82,961)	-
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-
CASH AND CASH EQUIVALENTS:					
Beginning of the year	-	-	-	-	-
End of the year	\$ -	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 121,620	\$ 40,500	\$ (19,552)	\$ (410,682)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	529,160	-	1,552	205,885	-
Changes in assets and liabilities:					
Accounts receivable	12,564	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	(547,689)	(40,500)	18,000	(437,032)	8,900
Advance from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	(8,900)
Accounts payable	41,783	-	-	(12,948)	-
Net cash provided (used) by operating activities	\$ 157,438	\$ -	\$ -	\$ (654,777)	\$ -
Noncash items:					
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -

Equipment Replacement GF	Facilities Replacement ASD	Major Roadway Reconstruction	PERS Safety Side Fund Liability	Totals	
				2011	2010
\$ -	\$ -	\$ -	\$ 1,343,298	\$ 2,070,550	\$ 744,711
-	-	-	-	(229,934)	(12,767,258)
1,580,745	453,445	1,494,681	-	6,733,184	20,624,761
(1,649,745)	(453,445)	(1,494,681)	-	(7,796,841)	(8,156,073)
(69,000)	-	-	1,343,298	776,959	446,141
69,000	-	-	-	997,300	858,898
-	-	-	-	-	(605,000)
69,000	-	-	-	997,300	253,898
-	-	-	(438,445)	(464,122)	(33,443)
-	-	-	(904,853)	(1,069,738)	(157,121)
-	-	-	(1,343,298)	(1,533,860)	(190,564)
-	-	-	-	(256,806)	(554,780)
-	-	-	-	16,407	45,305
-	-	-	-	(240,399)	(509,475)
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ (24,727)	\$ (4,700)	\$ -	\$ 1,343,298	\$ 1,045,757	\$ (185,362)
21,590	4,700	-	-	762,887	767,809
-	-	-	-	-	-
-	-	-	-	12,564	(12,564)
-	-	-	(904,853)	(904,853)	(12,526,994)
(69,000)	94,467	513,797	-	(459,057)	(8,156,073)
-	-	-	904,853	904,853	-
-	(94,467)	(513,797)	-	(617,164)	20,624,761
3,137	-	-	-	31,972	(65,436)
\$ (69,000)	\$ -	\$ -	\$ 1,343,298	\$ 776,959	\$ 446,141
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,107

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Trust and Agency accounts for assets held by the City as an agent for various organizations and activities.

Leshar Endowment accounts for assets held by the City as an agent to be used exclusively for improvements to the City's Leshar Theater.

Assessment Districts Group I accounts for the redemption of special assessment bonds issued for the purposes of acquisition and improvement in various Local Improvement Districts.

Assessment Districts Group II accounts for the redemption of special assessment bonds issued for the purposes of acquisition and improvement in Local Improvement District No. 25, Shadelands Park.

CCC Solid Waste Authority accounts for assets held in the capacity of Financial Administrator for the Central Contra Costa Solid Waste Authority. The Authority is a separate legal entity and is not a component unit of the City.



City of Walnut Creek
Agency Funds
Statements of Changes in Assets and Liabilities
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Trust and Agency</u>				
Assets:				
Cash and investments	\$ 2,729,445	\$ 17,888,734	\$ (18,138,918)	\$ 2,479,261
Accounts receivable	7,376	67,671	(22,665)	52,382
Interest receivable	8,759	7,039	(8,759)	7,039
Total assets	\$ 2,745,580	\$ 17,963,444	\$ (18,170,342)	\$ 2,538,682
Liabilities:				
Accounts payable	\$ 97,176	\$ 3,585,831	\$ (3,311,997)	\$ 371,010
Advance deposits	2,648,404	14,377,613	(14,858,345)	2,167,672
Total liabilities	\$ 2,745,580	\$ 17,963,444	\$ (18,170,342)	\$ 2,538,682
<u>Lesher Endowment</u>				
Assets:				
Cash and investments	\$ 1,480,066	\$ 84,888	\$ (126,642)	\$ 1,438,312
Liabilities:				
Advance deposits	\$ 1,480,066	\$ 84,888	\$ (126,642)	\$ 1,438,312
<u>Assessment Districts Group I</u>				
Assets:				
Cash and investments	\$ 1,656,895	\$ 11,504	\$ -	\$ 1,668,399
Interest receivable	3,240	2,696	(3,240)	2,696
Total assets	\$ 1,660,135	\$ 14,200	\$ (3,240)	\$ 1,671,095
Liabilities:				
Due to bondholders	\$ 1,660,135	\$ 14,200	\$ (3,240)	\$ 1,671,095
<u>Assessment Districts Group II</u>				
Assets:				
Cash and investments	\$ 51,148	\$ 355	\$ -	\$ 51,503
Interest receivable	100	83	(100)	83
Total assets	\$ 51,248	\$ 438	\$ (100)	\$ 51,586
Liabilities:				
Due to bondholders	\$ 51,248	\$ 438	\$ (100)	\$ 51,586



City of Walnut Creek

Agency Funds

Statements of Changes in Assets and Liabilities, Continued

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>CCCSO Solid Waste Authority</u>				
Assets:				
Cash and investments	\$ 7,652,373	\$ 9,082,171	\$ (10,013,663)	\$ 6,720,881
Interest receivable	15,026	9,971	(15,026)	9,971
Total assets	\$ 7,667,399	\$ 9,092,142	\$ (10,028,689)	\$ 6,730,852
Liabilities:				
Accounts payable	\$ 608,085	\$ 6,738,937	\$ (7,206,063)	\$ 140,959
Due to other governments	7,059,314	2,353,205	(2,822,626)	6,589,893
Total liabilities	\$ 7,667,399	\$ 9,092,142	\$ (10,028,689)	\$ 6,730,852
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 13,569,927	\$ 27,067,652	\$ (28,279,223)	\$ 12,358,356
Accounts receivable	7,376	67,671	(22,665)	52,382
Interest receivable	27,125	19,789	(27,125)	19,789
Total assets	\$ 13,604,428	\$ 27,155,112	\$ (28,329,013)	\$ 12,430,527
Liabilities:				
Accounts payable	\$ 705,261	\$ 10,324,768	\$ (10,518,060)	\$ 511,969
Due to other governments	7,059,314	2,353,205	(2,822,626)	6,589,893
Due to bondholders	1,711,383	14,638	(3,340)	1,722,681
Advance deposits	4,128,470	14,462,501	(14,984,987)	3,605,984
Total liabilities	\$ 13,604,428	\$ 27,155,112	\$ (28,329,013)	\$ 12,430,527

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STATISTICAL SECTION

This part of the City of Walnut Creek's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City.

Index	Page
Financial Trends	146-155
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	156-164
These schedules contain information to help the reader assess the City's most significant local revenue sources, including sales and property taxes.	
Debt Capacity	165-170
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	171
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	172-177
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	



City of Walnut Creek
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Governmental activities:				
Invested in capital assets, net of related debt	\$ 232,826,933	\$ 233,584,544	\$ 235,586,200	\$ 231,657,387
Restricted	11,806,364	6,771,065	7,555,991	16,118,808
Unrestricted	67,452,315	85,000,240	89,503,964	84,899,807
Total governmental activities net assets	312,085,612	325,355,849	332,646,155	332,676,002
Business-type activities:				
Invested in capital assets, net of related debt	1,409,039	238,355	1,306,722	1,309,217
Restricted	180,456	188,414	191,927	199,920
Unrestricted	(955,160)	(470,072)	(1,781,355)	(1,981,453)
Total business-type activities net assets	634,335	(43,303)	(282,706)	(472,316)
Primary government:				
Invested in capital assets, net of related debt	234,235,972	233,822,899	236,892,922	232,966,604
Restricted	11,986,820	6,959,479	7,747,918	16,318,728
Unrestricted	66,497,155	84,530,168	87,722,609	82,918,354
Total primary government net assets	\$ 312,719,947	\$ 325,312,546	\$ 332,363,449	\$ 332,203,686

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 231,465,216	\$ 226,863,697	\$ 227,987,671	\$ 241,814,198	\$ 255,068,671	\$ 251,483,541
7,815,613	50,105,233	49,175,812	64,129,700	58,685,430	47,852,651
98,940,786	64,990,977	67,074,890	37,017,927	27,027,521	39,172,708
<u>338,221,615</u>	<u>341,959,907</u>	<u>344,238,373</u>	<u>342,961,825</u>	<u>340,781,622</u>	<u>338,508,900</u>
1,277,845	1,219,298	1,075,689	1,317,463	1,318,102	1,406,822
167,556	166,699	165,099	-	-	-
(1,812,450)	(1,668,737)	(1,731,343)	(1,869,311)	(2,096,240)	(2,414,218)
<u>(367,049)</u>	<u>(282,740)</u>	<u>(490,555)</u>	<u>(551,848)</u>	<u>(778,138)</u>	<u>(1,007,396)</u>
232,743,061	228,082,995	229,063,360	243,131,661	256,386,773	252,890,363
7,983,169	50,271,932	49,340,911	64,129,700	58,685,430	47,852,651
97,128,336	63,322,240	65,343,547	35,148,616	24,931,281	36,758,490
<u>\$ 337,854,566</u>	<u>\$ 341,677,167</u>	<u>\$ 343,747,818</u>	<u>\$ 342,409,977</u>	<u>\$ 340,003,484</u>	<u>\$ 337,501,504</u>



City of Walnut Creek
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
Public protection	\$ 13,023,902	\$ 14,291,143	\$ 15,408,601	\$ 17,114,410
Public service	24,233,292	20,346,243	20,889,434	24,870,142
Community Development	1,350,794	1,523,479	3,335,486	4,254,265
Housing	431,202	352,436	747,076	3,616,307
Arts, recreation, and community services	3,761,558	4,336,777	4,395,857	4,514,922
Administrative services	2,512,648	2,822,559	5,696,658	4,374,454
General government	6,082,703	1,426,962	3,441,755	5,240,930
Interest on long-term debt	698,979	722,075	1,021,204	793,476
Total governmental activities expenses	52,095,078	45,821,674	54,936,071	64,778,906
Business-type activities:				
Golf course and Clubhouse	2,096,288	1,963,990	2,062,289	1,978,898
Partnership	5,338,572	5,657,961	5,867,889	6,795,509
Total business-type activities expenses	7,434,860	7,621,951	7,930,178	8,774,407
Total primary government expenses	\$ 59,529,938	\$ 53,443,625	\$ 62,866,249	\$ 73,553,313
Program Revenues				
Governmental activities:				
Charges for services:				
Public protection	\$ 1,081,917	\$ 1,287,093	\$ 1,371,618	\$ 1,678,740
Public service	5,096,556	7,197,340	5,457,210	4,871,906
Community development	726,875	1,957,641	2,081,319	2,366,504
Housing	63,773	208,922	469,995	3,086,431
Arts, recreation, and community services	1,745,583	1,956,903	1,905,648	2,171,762
Administrative services	3,162,386	4,217,858	3,467,925	3,509,143
General government	891,435	456,161	337,537	638,426
Operating grants and contributions	3,312,718	2,950,251	4,661,677	3,596,132
Capital grants and contributions	3,111,756	340,504	658,707	51,312
Total governmental activities program revenues	19,192,999	20,572,673	20,411,636	21,970,356
Business-type activities:				
Charges for services:				
Golf Course and Clubhouse	1,724,182	1,592,014	1,630,090	1,822,642
Partnership	3,551,523	3,476,091	4,097,300	4,856,799
Operating grants and contributions	-	-	-	-
Capital grants and contributions	27,881	-	-	-
Total business-type activities program revenues	5,303,586	5,068,105	5,727,390	6,679,441

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 18,081,363	\$ 19,606,373	\$ 20,874,588	\$ 22,070,859	\$ 21,996,450	\$ 21,923,692
23,961,639	28,801,629	26,010,531	25,548,474	25,108,573	28,858,972
4,755,814	5,930,672	5,096,366	6,117,841	4,428,720	2,799,414
2,140,611	1,422,545	1,871,343	2,744,309	3,073,662	1,019,485
4,729,378	13,558,315	14,150,128	14,364,387	14,124,552	13,737,264
4,971,667	5,012,121	5,404,926	6,326,034	5,850,595	4,722,052
6,704,972	4,670,604	2,733,327	2,986,144	2,701,255	3,248,455
770,533	435,282	405,413	369,667	329,798	269,960
66,115,977	79,437,541	76,546,622	80,527,715	77,613,605	76,579,294
2,015,284	1,895,198	2,143,842	2,474,725	3,995,228	3,877,045
7,355,319	-	-	-	-	-
9,370,603	1,895,198	2,143,842	2,474,725	3,995,228	3,877,045
\$ 75,486,580	\$ 81,332,739	\$ 78,690,464	\$ 83,002,440	\$ 81,608,833	\$ 80,456,339
\$ 1,827,810	\$ 2,179,674	\$ 1,960,054	\$ 2,370,596	\$ 1,870,098	\$ 2,187,329
5,144,249	2,281,216	2,351,022	2,366,826	3,423,411	5,459,706
2,569,766	3,070,920	3,161,013	2,878,442	2,532,479	3,065,566
3,255,398	2,465,567	1,242,802	2,767,216	1,396,751	309,918
2,146,396	8,749,794	8,659,603	9,519,335	9,984,955	9,691,973
3,798,994	1,785,276	2,264,692	2,264,812	2,045,153	1,684,036
1,341,751	1,389,328	960,194	831,868	830,836	439,531
3,263,602	1,428,110	1,081,947	1,834,798	795,436	451,036
999,277	1,429,171	2,118,032	2,074,100	4,958,301	3,065,960
24,347,243	24,779,056	23,799,359	26,907,993	27,837,420	26,355,055
1,931,082	1,931,869	1,950,889	1,973,869	3,546,486	3,826,347
5,568,571	-	-	-	-	-
-	-	-	-	-	-
-	167,901	-	-	-	-
7,499,653	2,099,770	1,950,889	1,973,869	3,546,486	3,826,347



City of Walnut Creek
Changes in Net Assets, Continued
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Net revenues (expenses)				
Governmental activities:	\$ (32,902,079)	\$ (25,249,001)	\$ (34,524,435)	\$ (42,808,550)
Business-type activities:	(2,131,274)	(2,553,846)	(2,202,788)	(2,094,966)
Total primary government net expense	\$ (35,033,353)	\$ (27,802,847)	\$ (36,727,223)	\$ (44,903,516)
General revenues and other changes in net assets				
Governmental activities:				
Taxes:				
Sales and use	\$ 18,402,138	\$ 17,863,817	\$ 19,953,000	\$ 19,023,168
Property	9,105,833	10,227,965	10,559,672	14,597,317
Franchise	4,331,785	2,837,136	3,237,261	2,633,460
Other taxes	-	2,028,356	2,091,374	1,548,587
Intergovernmental	3,698,684	3,800,323	2,632,293	1,103,398
Investment income, unrestricted	3,959,769	2,995,137	3,450,671	2,353,126
Capital Contribution	-	159,214	-	3,166,765
Other general revenues	-	127,601	-	-
Transfers	(1,559,704)	(1,520,311)	(1,609,314)	(1,889,004)
Total governmental activities	37,938,505	38,519,238	40,314,957	42,536,817
Business-type activities:				
Investment income	89,494	351,319	332,943	16,352
Other Revenue	395,420	4,578	21,128	-
Transfers	1,559,704	1,520,311	1,609,314	1,889,004
Total business-type activities	2,044,618	1,876,208	1,963,385	1,905,356
Total primary government changes in net assets				
Governmental activities:	5,036,426	13,270,237	5,790,522	(271,733)
Business-type activities:	(86,656)	(677,638)	(239,403)	(189,610)
Total primary government	\$ 4,949,770	\$ 12,592,599	\$ 5,551,119	\$ (461,343)

Source: City Finance Department

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ (41,768,734)	\$ (54,658,485)	\$ (52,747,263)	\$ (53,619,722)	\$ (49,776,185)	\$ (50,224,239)
(1,870,950)	204,572	(192,953)	(500,856)	(448,742)	(50,698)
<u>\$ (43,639,684)</u>	<u>\$ (54,453,913)</u>	<u>\$ (52,940,216)</u>	<u>\$ (54,120,578)</u>	<u>\$ (50,224,927)</u>	<u>\$ (50,274,937)</u>
\$ 21,075,748	\$ 21,227,671	\$ 20,060,618	\$ 18,472,616	\$ 16,582,063	\$ 17,664,314
16,505,365	18,822,311	19,488,146	20,714,994	20,377,168	18,894,891
2,633,222	2,839,864	3,004,523	3,156,939	3,147,976	3,199,514
4,374,230	6,234,908	8,079,967	7,155,807	7,012,408	7,444,697
1,416,429	2,468,231	-	-	-	-
3,902,372	5,507,134	4,152,579	3,021,062	1,142,397	547,489
-	-	-	-	-	-
73,558	15,915	171,396	52,520	343,052	666,063
(1,914,950)	196,844	68,497	7,746	11,250	356,250
<u>48,065,974</u>	<u>57,312,878</u>	<u>55,025,726</u>	<u>52,581,684</u>	<u>48,616,314</u>	<u>48,773,218</u>
77,503	76,581	53,585	183,442	222,959	164,636
115	-	50	25,357	10,743	13,054
1,914,950	(196,844)	(68,497)	(7,746)	(11,250)	(356,250)
1,992,568	(120,263)	(14,862)	201,053	222,452	(178,560)
6,297,240	2,654,393	2,278,463	(1,038,038)	(1,159,871)	(1,451,021)
121,618	84,309	(207,815)	(299,803)	(226,290)	(229,258)
<u>\$ 6,418,858</u>	<u>\$ 2,738,702</u>	<u>\$ 2,070,648</u>	<u>\$ (1,337,841)</u>	<u>\$ (1,386,161)</u>	<u>\$ (1,680,279)</u>

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City of Walnut Creek
Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	2010	2011
General Fund:		
<u>Nonspendable</u>		
Advance to Other Funds	\$ 11,443,206	\$ 11,178,447
Inventory	39,118	12,273
Prepaid Expense	8,762	152,420
Subtotal Nonspendable	<u>11,491,086</u>	<u>11,343,140</u>
<u>Restricted</u>		
Subtotal Restricted	-	-
<u>Committed</u>		
Catastrophic Emergency	6,180,273	6,145,092
Compensated Absences	356,758	251,684
Dental Claims	235,273	247,895
Fiscal Emergency	2,788,295	4,299,388
Legal Claims	3,000,000	3,000,000
PERS Liability	168,923	168,923
Workers Compensation	102,672	-
Subtotal Committed	<u>12,832,194</u>	<u>14,112,982</u>
<u>Assigned</u>		
ARCS Scholarships	20,629	39,154
Contractual Commitments	757,935	1,017,622
FY10-12 Budget Shortfall	2,296,819	3,562,278
Subtotal Assigned	<u>3,075,383</u>	<u>4,619,054</u>
<u>Unassigned</u>		
City Manager Contingency	75,000	20,000
Council Contingency	302,950	188,179
Unrealized Gain	145,952	132,364
Subtotal Unassigned	<u>523,902</u>	<u>340,543</u>
Total general fund	<u>27,922,565</u>	<u>30,415,719</u>
All Other Governmental Funds:		
Nonspendable	5,055,674	4,467,078
Restricted	33,849,507	35,553,532
Committed	-	-
Assigned	7,680,315	3,822,150
Unassigned	-	-
Total all other governmental funds	<u>46,585,496</u>	<u>43,842,760</u>
Total all governmental funds	<u>\$ 74,508,061</u>	<u>\$ 74,258,479</u>

The City implemented GASB 54 for the fiscal year ended June 30, 2011. Prior year was restated for comparison purposes.

Source: City Finance Department



City of Walnut Creek
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
General Fund:				
Reserved	\$ 4,562,748	\$ 4,711,048	\$ 5,998,198	\$ 4,984,672
Unreserved				
Designated for:				
Economic Uncertainty	500,000	500,000	11,503,956	8,918,972
Recreation Scholarships				
Claims Liability	918,664	918,664	5,480,550	6,368,630
Council Discretion	-	-	982,402	882,402
City Manager Discretion	-	-	75,000	75,000
Unrealized Investment Gain	377,716	327,385	-	-
Property Expansion	510,967	510,967	250,000	250,000
Future Programs	18,385,229	1,777,264	-	-
Capital improvements	6,429,549	6,429,549	2,366,045	1,405,022
Labor Agreements	-	1,858,192	500,000	500,000
Future Budgets	-	-	-	-
Compensated Absences	2,171,494	2,338,483	2,421,007	2,638,504
Undesignated	5,246,027	4,194,140	-	3,713,094
Total general fund	39,102,394	23,565,692	29,577,158	29,736,296
All Other Governmental Funds:				
Reserved	8,764,659	6,310,933	9,294,625	2,430,635
Unreserved, reported in:				
Special revenue funds	1,844,428	8,416,665	1,016,990	6,076,454
Capital projects funds	29,586,085	50,932,910	44,700,281	49,382,134
Undesignated	-	-	-	-
Total all other governmental funds	\$ 40,195,172	\$ 65,660,508	\$ 55,011,896	\$ 57,889,223
Total all governmental funds	\$ 79,297,566	\$ 89,226,200	\$ 84,589,054	\$ 87,625,519

The City implemented GASB 54 for the fiscal year ended June 30, 2011. See page 153 for information on last two fiscal years. Prior year was restated for comparison purposed in the accompanying financial statements.

Source: City Finance Department

Fiscal Year							
	2006	2007	2008	2009			
\$	5,270,977	\$	4,905,610	\$	4,900,219	\$	4,276,972
	6,171,001	6,337,891	6,343,265	6,818,051			21,562
	6,085,543	9,121,767	9,276,811	8,028,363			
	614,155	632,273	632,273	332,273			
	75,000	75,000	75,000	75,000			
	-	370,476	59,197	96,826			
	-	-	-	-			
	1,554,690	-	-	-			
	1,405,022	1,405,022	1,405,022	1,405,022			
	500,000	500,000	500,000	-			
	-	3,062,278	7,490,507	7,195,623			
	2,767,382	2,952,014	2,984,777	3,318,697			
	-	392,793	-	-			
	<u>24,443,770</u>	<u>29,755,124</u>	<u>33,667,071</u>	<u>31,568,389</u>			
	12,319,946	6,165,017	7,406,732	10,310,736			
	83,613	12,516,496	12,485,586	13,587,363			
	55,240,959	55,738,087	51,446,853	35,882,129			
	-	-	-	-			
\$	<u>67,644,518</u>	\$	<u>74,419,600</u>	\$	<u>71,339,171</u>	\$	<u>59,780,228</u>
\$	<u>92,088,288</u>	\$	<u>104,174,724</u>	\$	<u>105,006,242</u>	\$	<u>91,348,617</u>



City of Walnut Creek
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes:				
Sales and Use	\$ 18,402,138	\$ 17,863,817	\$ 19,953,000	\$ 19,023,168
Property	8,962,450	10,767,390	10,020,247	14,597,317
Business License	1,589,709	1,926,542	1,901,983	1,885,648
Franchise	1,903,762	2,857,756	3,216,641	2,633,460
Transient Occupancy Tax	365,649	1,231,757	1,233,226	1,235,263
Other	4,482,700	1,908,021	5,464,077	6,429,352
Intergovernmental	6,237,791	6,214,440	4,708,249	2,048,333
Use of money and property	4,152,218	3,978,211	4,042,597	3,758,488
Charges for Services	1,826,271	2,951,114	3,152,399	4,677,537
Licenses, permits and fees	2,941,040	5,046,215	3,192,760	2,396,509
Fines, forfeitures and penalties	1,860,097	3,425,299	2,173,400	2,534,229
Other revenues	3,255,476	2,282,446	1,813,912	1,587,702
Total revenues	55,979,301	60,453,008	60,872,491	62,807,006
Expenditures				
Current:				
Public protection	13,013,622	14,193,868	15,237,423	16,849,831
Public service	17,728,369	11,441,979	16,706,717	17,870,421
Community development	2,087,492	2,772,829	4,070,787	4,252,184
Housing	1,826,389	481,612	613,556	3,616,307
Cultural services	4,089,645	4,110,078	4,500,185	4,442,632
Administrative services	3,198,370	2,818,424	5,639,095	4,318,891
General government	4,038,023	3,599,230	3,248,892	5,327,017
Capital outlay:				
General public ways and facilities	15,614,089	8,932,542	6,417,541	2,233,117
Debt service:				
Principal	335,000	200,000	155,000	415,000
Interest and issuance costs	557,810	726,200	2,650,283	804,864
Total expenditures	62,488,809	49,276,762	59,239,479	60,130,264
Excess (deficiency) of revenues over (under) expenditures	(6,509,508)	11,176,246	1,633,012	2,676,742
Other financing sources (uses):				
Loan proceeds	1,575,000	180,910	3,446,815	-
Proceeds from sale of assets	-	-	180,909	-
Transfers in	10,976,426	2,844,815	4,603,835	5,180,648
Transfers out	(12,508,880)	(4,440,326)	(16,052,411)	(5,340,002)
Total other financing sources (uses)	42,546	(1,414,601)	(7,820,852)	(159,354)
Net change in fund balances	\$ (6,466,962)	\$ 9,761,645	\$ (6,187,840)	\$ 2,517,388
Debt Service - % noncapital expenditures	1.9%	2.3%	5.6%	2.2%

Source: City Finance Department

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 21,075,748	\$ 21,227,671	\$ 20,060,619	\$ 18,472,616	\$ 16,582,063	\$ 17,664,314	
16,505,365	19,691,147	20,362,527	20,714,994	20,377,168	18,894,891	
1,973,765	1,917,646	2,024,041	1,948,060	1,943,357	1,911,581	
2,633,222	2,839,864	3,004,523	3,156,939	3,147,976	3,199,514	
1,218,666	1,337,385	1,453,869	1,244,223	1,141,959	1,345,355	
3,419,858	2,287,101	2,355,998	2,034,403	2,007,832	2,152,301	
3,820,553	3,273,497	2,245,219	4,099,703	5,620,185	4,922,550	
5,434,269	7,206,566	5,933,954	4,720,142	2,639,135	2,496,540	
7,371,377	12,827,678	12,057,554	12,290,405	12,585,459	13,118,478	
2,218,601	2,758,546	2,214,703	2,230,571	2,197,799	2,555,481	
3,538,154	3,066,289	4,560,388	4,029,279	4,383,826	4,981,431	
520,356	1,001,883	1,246,141	1,779,127	2,723,887	1,354,339	
69,729,934	79,435,273	77,519,536	76,720,462	75,350,646	74,596,775	
17,967,011	19,236,989	20,083,360	21,522,640	21,744,763	21,551,269	
17,108,292	21,259,006	18,287,663	18,477,194	17,274,706	19,974,925	
4,765,527	5,914,667	5,397,259	6,224,593	4,727,785	4,076,311	
2,140,611	1,422,545	1,871,343	2,744,309	3,324,662	1,019,485	
4,656,977	13,443,568	14,038,213	14,218,609	14,008,006	13,615,812	
4,962,148	4,962,140	5,372,403	6,177,799	5,885,492	4,710,796	
6,610,070	4,546,728	2,700,494	2,826,309	2,648,587	3,357,033	
6,043,278	2,743,985	7,501,041	17,957,680	19,998,754	2,313,211	
825,000	850,000	870,000	905,000	940,000	2,439,592	
785,595	453,008	422,739	388,904	350,530	325,173	
65,864,509	74,832,636	76,544,515	91,443,037	90,903,285	73,383,607	
3,865,425	4,602,637	975,021	(14,722,575)	(15,552,639)	1,213,168	
-	-	-	-	-	-	
-	-	-	-	-	-	
888,864	27,545,584	10,338,766	22,579,127	11,090,351	12,506,513	
(2,835,536)	(24,776,022)	(10,482,269)	(21,275,667)	(11,332,999)	(13,147,563)	
(1,946,672)	2,769,562	(143,503)	1,303,460	(242,648)	(641,050)	
\$ 1,918,753	\$ 7,372,199	\$ 831,518	\$ (13,419,115)	\$ (15,795,287)	\$ 572,118	
2.8%	1.8%	1.9%	1.8%	1.9%	4.0%	

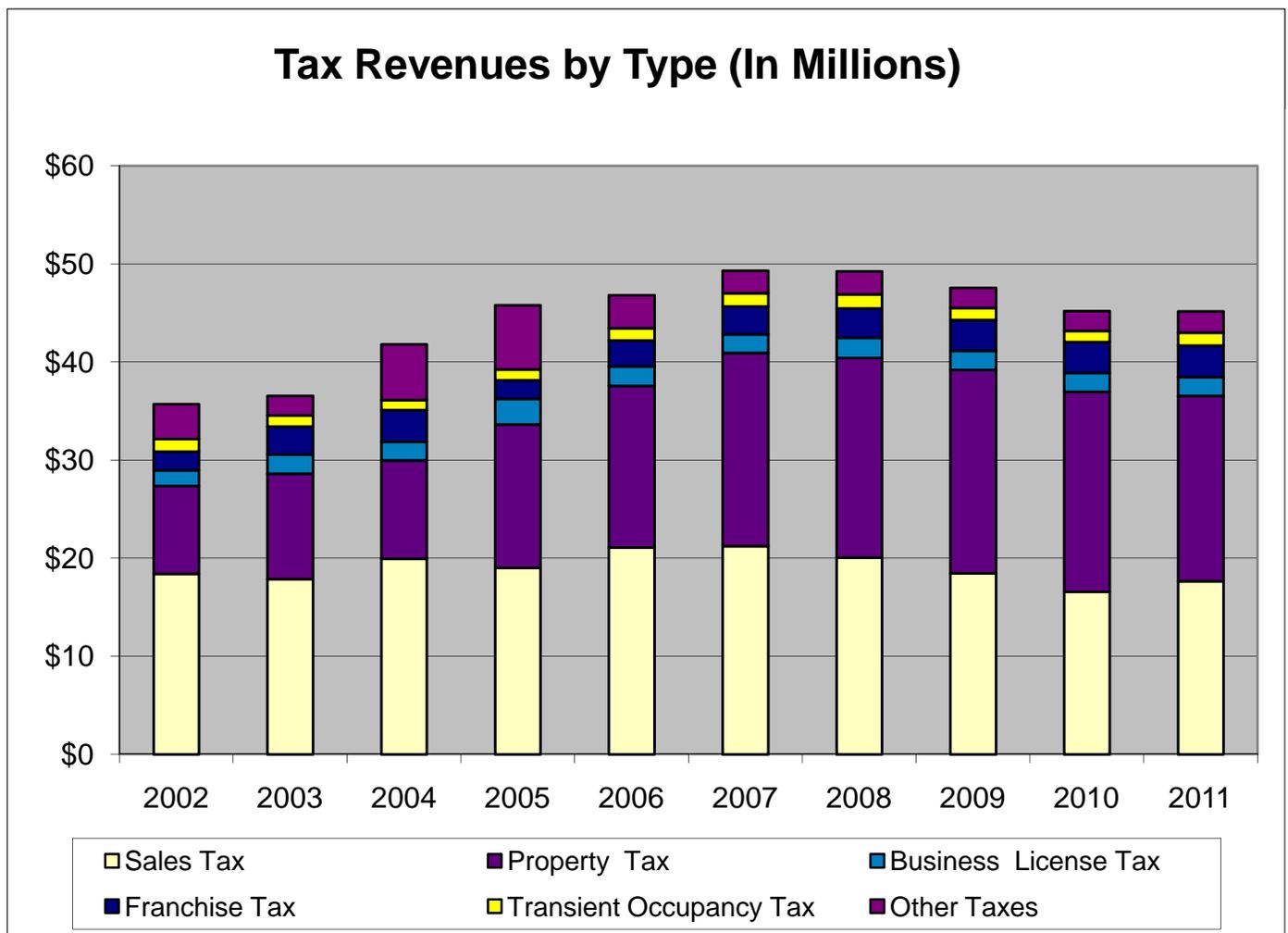
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City of Walnut Creek Governmental Tax Revenues by Source Last Ten Fiscal Years

Fiscal Years	Sales Tax	Property Tax	Business License Tax	Franchise Tax	Transient Occupancy Tax	Other Taxes	Total
2002	\$ 18,402,138	\$ 8,962,450	\$ 1,589,709	\$ 1,903,762	\$ 1,307,163	\$ 3,541,186	\$ 35,706,408
2003	17,863,817	10,767,390	1,926,542	2,857,756	1,143,014	1,996,764	36,555,283
2004	19,953,000	10,020,247	1,901,983	3,216,641	1,029,366	5,667,937	41,789,174
2005	19,023,168	14,597,317	2,633,460	1,885,648	1,119,976	6,544,639	45,804,208
2006	21,075,748	16,505,365	1,973,765	2,633,222	1,276,709	3,361,815	46,826,624
2007	21,227,671	19,691,147	1,917,646	2,839,864	1,337,385	2,287,101	49,300,814
2008	20,060,619	20,362,527	2,024,041	3,004,523	1,453,869	2,355,998	49,261,577
2009	18,472,616	20,714,994	1,948,060	3,156,939	1,244,223	2,034,403	47,571,235
2010	16,582,063	20,377,168	1,943,357	3,147,976	1,141,959	2,007,832	45,200,355
2011	17,664,314	18,894,891	1,911,581	3,199,514	1,345,355	2,152,301	45,167,956

Source: City Finance Department





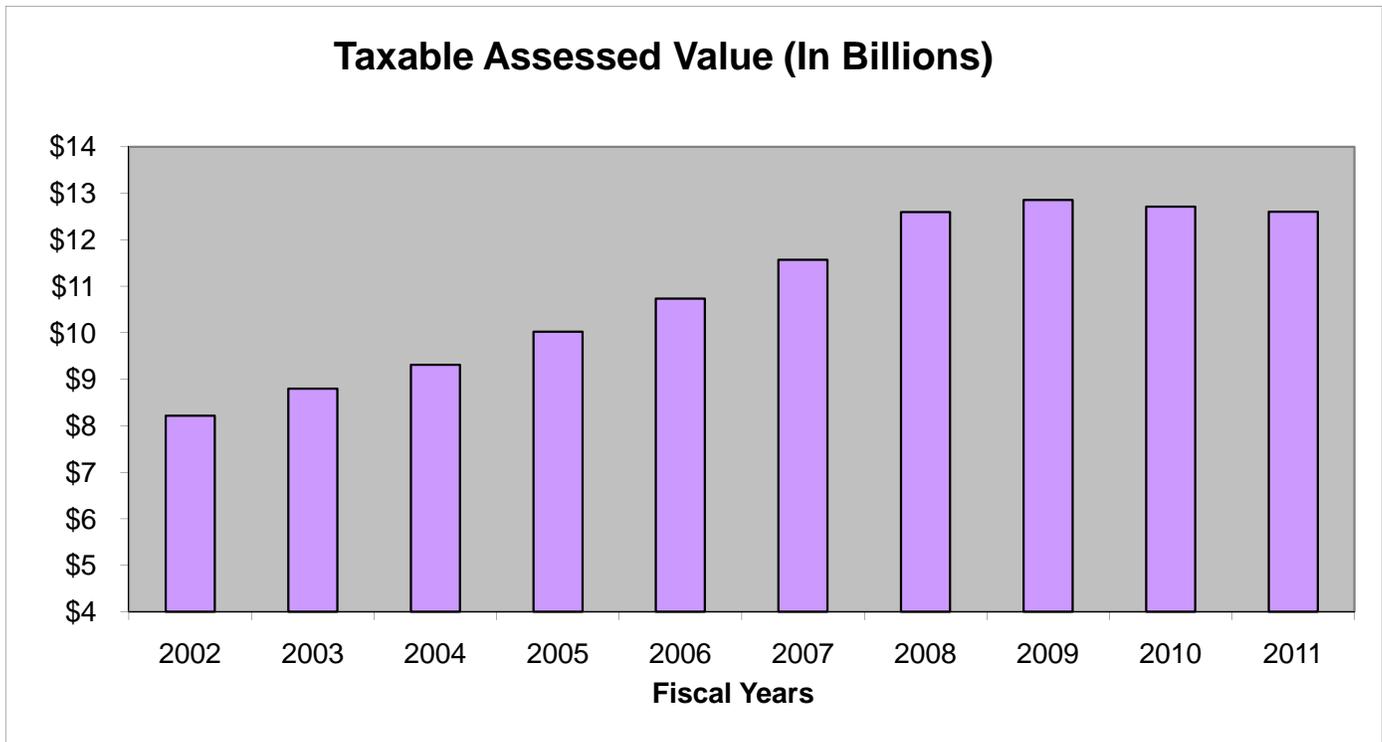
City of Walnut Creek
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Unsecured / Other Property	Less: Exemptions	Taxable Assessed Value	City Wide Avg Total Direct Tax Rate
2002	\$ 5,880,966,590	\$ 1,746,793,809	\$ 92,628,113	\$ 696,630,353	\$ (199,050,435)	\$ 8,217,968,430	10.728%
2003	6,295,869,372	1,840,102,600	121,415,222	753,794,930	(212,362,034)	8,798,820,090	11.007%
2004	6,733,977,931	1,949,132,900	102,696,926	748,494,277	(222,573,703)	9,311,728,331	11.400%
2005	7,226,797,505	2,030,755,965	97,701,565	892,638,007	(225,105,319)	10,022,787,723	11.747%
2006	7,841,750,720	2,138,407,003	107,380,337	877,071,334	(228,751,150)	10,735,858,244	11.778%
2007	8,551,138,922	2,249,334,244	115,983,129	886,110,542	(235,778,714)	11,566,788,123	11.639%
2008	9,272,700,719	2,347,625,254	115,545,668	1,109,777,694	(248,464,304)	12,597,185,031	11.578%
2009	9,538,266,067	2,474,982,973	100,668,638	987,832,377	(246,260,584)	12,855,489,471	11.681%
2010	9,302,765,275	2,573,281,647	111,603,403	973,329,306	(250,725,941)	12,710,253,690	11.830%
2011	9,245,487,993	2,639,603,044	107,266,982	890,902,216	(279,414,343)	12,603,845,892	11.838%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being assessed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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. The City-wide Direct Tax Rate is an average, the actual tax rate for each property varies according to its tax rate area. This average tax rate is net of State Shifts of local property tax revenue to Education and net of admin fees.

Source: HDL Coren & Cone, Contra Costa County Assessor Tax Rolls





City of Walnut Creek
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (Rate per \$100 of assessed value)

	Fiscal Year			
	2002	2003	2004	2005
City Direct Rate:	0.09705	0.09705	0.09705	0.09705
Walnut Creek General Fund	0.09410	0.09410	0.09410	0.09410
Walnut Creek R-8	0.00295	0.00295	0.00295	0.00295
Direct and Overlapping Rates:				
Basic Levy	1.0000	1.0000	1.0000	1.0000
Acalanes Union	0.0340	0.0324	0.0302	0.0290
Bay Area Rapid Transit Bond	-	-	-	-
Contra Costa Community College	-	0.0040	0.0038	0.0042
Contra Costa Water Land Levy	0.0078	0.0072	0.0063	0.0057
East Bay Regional Park Bond	0.0072	0.0065	0.0057	0.0057
Lafayette Elementary Bond 1995	0.0472	0.0446	0.0421	0.0415
Mt. Diablo 2002 Bond	-	0.0549	0.0525	0.0411
Pleasant Hill Recreation & Park	-	-	-	-
San Ramon Unified	0.0470	0.0001	0.0361	0.0517
Service Area R-8 Bond	0.0050	0.0046	0.0043	0.0042
Walnut Creek Elementary	0.0210	0.0199	0.0226	0.0217
Total Direct and Overlapping Rates	1.1692	1.1742	1.2036	1.2048



NOTE:

In 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 voter approved bonds from various agencies.

Source: Contra Costa County Assessor's Office

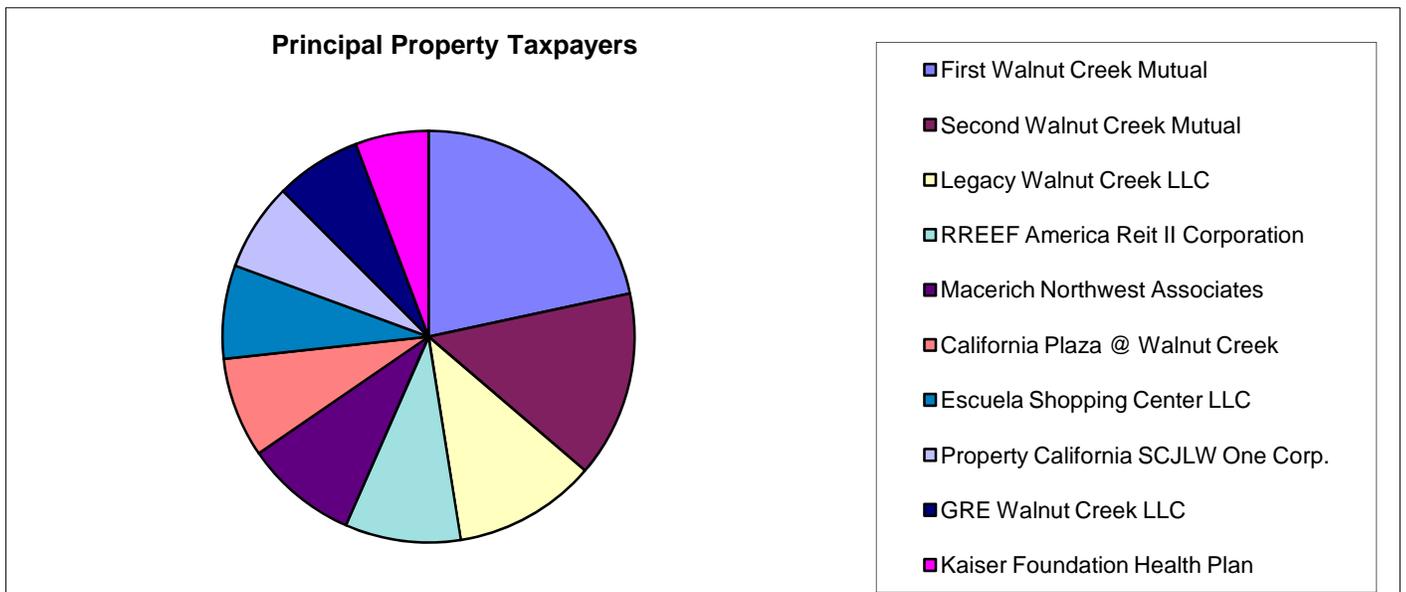
Fiscal Year					
2006	2007	2008	2009	2010	2011
0.09705	0.09705	0.09705	0.09705	0.09705	0.09705
0.09410	0.09410	0.09410	0.09410	0.09410	0.09410
0.00295	0.00295	0.00295	0.00295	0.00295	0.00295
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.0279	0.0292	0.0259	0.0289	0.0298	0.0311
0.0048	0.0050	0.0076	0.0090	0.0057	0.0031
0.0047	0.0043	0.0108	0.0066	0.0126	0.0133
0.0050	0.0043	0.0039	0.0041	0.0048	0.0049
0.0057	0.0085	0.0080	0.0100	0.0108	0.0084
0.0393	0.0377	0.0340	0.0330	0.0326	0.0326
0.0418	0.0446	0.0424	0.0455	0.0493	0.0600
-	-	-	-	-	0.0212
0.0514	0.0533	0.0517	0.0519	0.0587	0.0641
-	-	-	-	-	-
0.0230	0.0218	0.0222	0.0265	0.0166	0.0231
1.2036	1.2087	1.2065	1.2155	1.2209	1.2618



City of Walnut Creek Principal Property Tax Payers Current and Nine Years Ago

Taxpayer	2011		2002	
	Taxable Assessed Value	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Percent of Total Taxable Assessed Value
First Walnut Creek Mutual	\$ 234,042,098	1.86%	\$ 174,799,833	2.13%
Second Walnut Creek Mutual	158,515,954	1.26%	134,888,536	1.64%
Legacy Walnut Creek LLC	121,434,878	0.96%	-	-
RREEF America Reit II Corporation	98,159,889	0.78%	-	-
Macerich Northwest Associates	95,793,421	0.76%	81,933,724	1.00%
California Plaza @ Walnut Creek	85,135,439	0.68%	72,930,000	0.89%
Escuela Shopping Center LLC	79,364,284	0.63%	-	-
Property California SCJLW One Corp.	74,523,872	0.59%	63,775,306	0.78%
GRE Walnut Creek LLC	73,059,789	0.58%	-	-
Kaiser Foundation Health Plan	62,218,249	0.49%	47,868,162	0.58%
Metropolitan Life Insurance Company	-	-	63,487,243	0.77%
IRP Muller Pacific Properties	-	-	52,500,000	0.64%
Ameriton Properties Inc	-	-	49,000,000	0.60%
Northwest Mutual Life Insurance	-	-	44,419,905	0.54%
	\$ 1,082,247,873	8.59%	\$ 785,602,709	9.56%

Source: HDL Coren & Cone, Contra Costa County Assessor Combined Tax Rolls



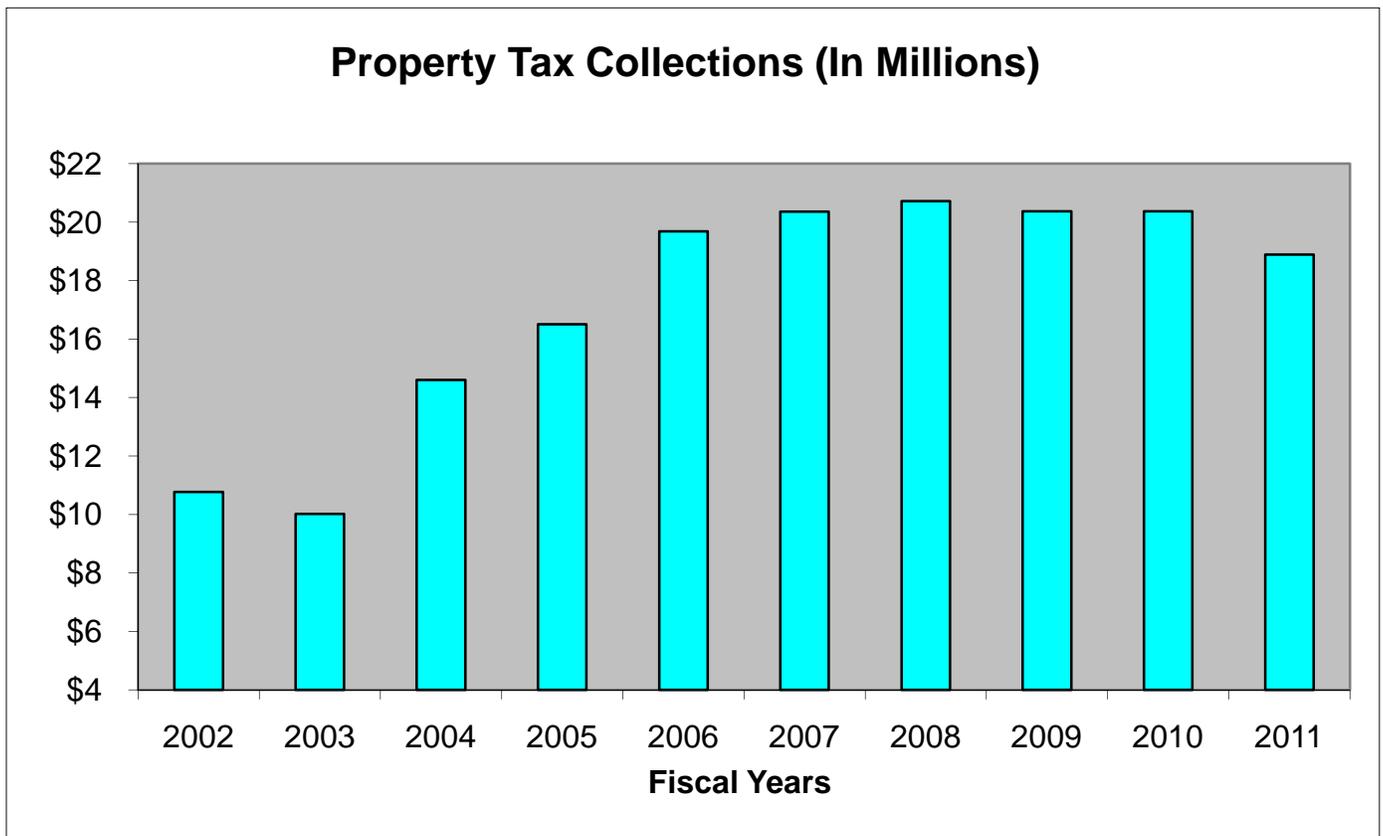


City of Walnut Creek Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections To Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2002	\$ 10,767,390	\$ 10,767,390	100%	\$ 10,767,390	100%
2003	10,020,247	10,020,247	100%	10,020,247	100%
2004	14,597,317	14,597,317	100%	14,597,317	100%
2005	16,505,365	16,505,365	100%	16,505,365	100%
2006	19,691,147	19,691,147	100%	19,691,147	100%
2007	20,362,527	20,362,527	100%	20,362,527	100%
2008	20,714,994	20,714,994	100%	20,714,994	100%
2009	20,377,168	20,377,168	100%	20,377,168	100%
2010	20,377,168	20,377,168	100%	20,377,168	100%
2011	18,894,891	18,894,891	100%	18,894,891	100%

Source: Contra Costa County Office of the Auditor-Controller (for levies), City Finance Department

Note: The City is enrolled in the "Teeter" Plan, where the County remits the entire amount levied and handles all delinquencies, retaining the interest and penalties.





City of Walnut Creek

Top 25 Sales Tax Producers

2010-2011

BUSINESS NAME

BUSINESS CATEGORY

Apple Inc.	Office Equipment
Beverages & More	Liquor Stores
Cheesecake Factory	Restaurants
Chevron U.S.A. Inc.	Service Stations
Cole European	New Car Dealers
Crate & Barrel	Miscellaneous Retail
CVS/Pharmacy	Drug Stores
Diablo Mazda	New Car Dealers
Dirito Brothers W.C. Volkswagen	New Car Dealers
General Plumbing Supply	Plumbing and Equipment
Macy's Department Store	Department Stores
Mercedes Benz of Walnut Creek	New Car Dealers
Michael Stead Chrysler/Jeep	New Car Dealers
Michael Stead Porsche	New Car Dealers
Nordstrom Inc.	Department Stores
Ross Stores	Apparel Stores
Safeway Stores	Supermarkets
Shell Service Stateion	Service Stations
Standard Register Co	Light Industry
Target Stores	Department Stores
Tesoro West Coast Company LLC	Service Stations
Toyota Walnut Creek	New Car Dealers
Walnut Creek Ford	New Car Dealers
Walnut Creek Honda	New Car Dealers
Whole Foods Market	Supermarkets

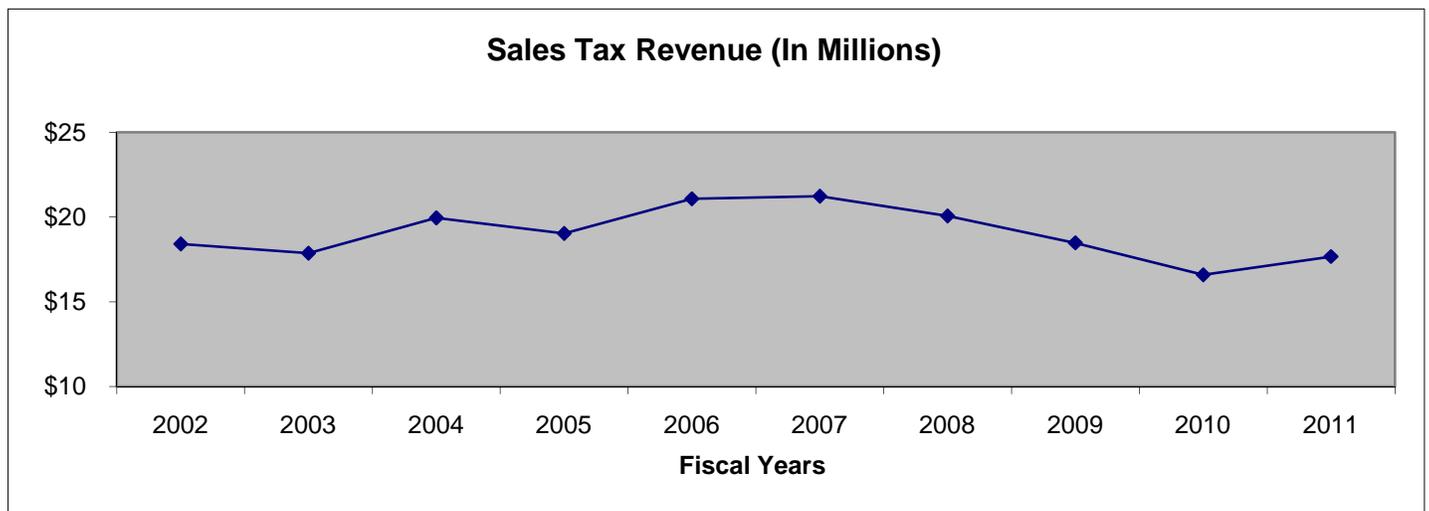
Percent of Total City Sales Tax Paid By Top 25 Accounts = 48.8%

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

Firms Listed Alphabetically

Period: April 2010 thru March 2011

Source: MBIA, State Board of Equalization





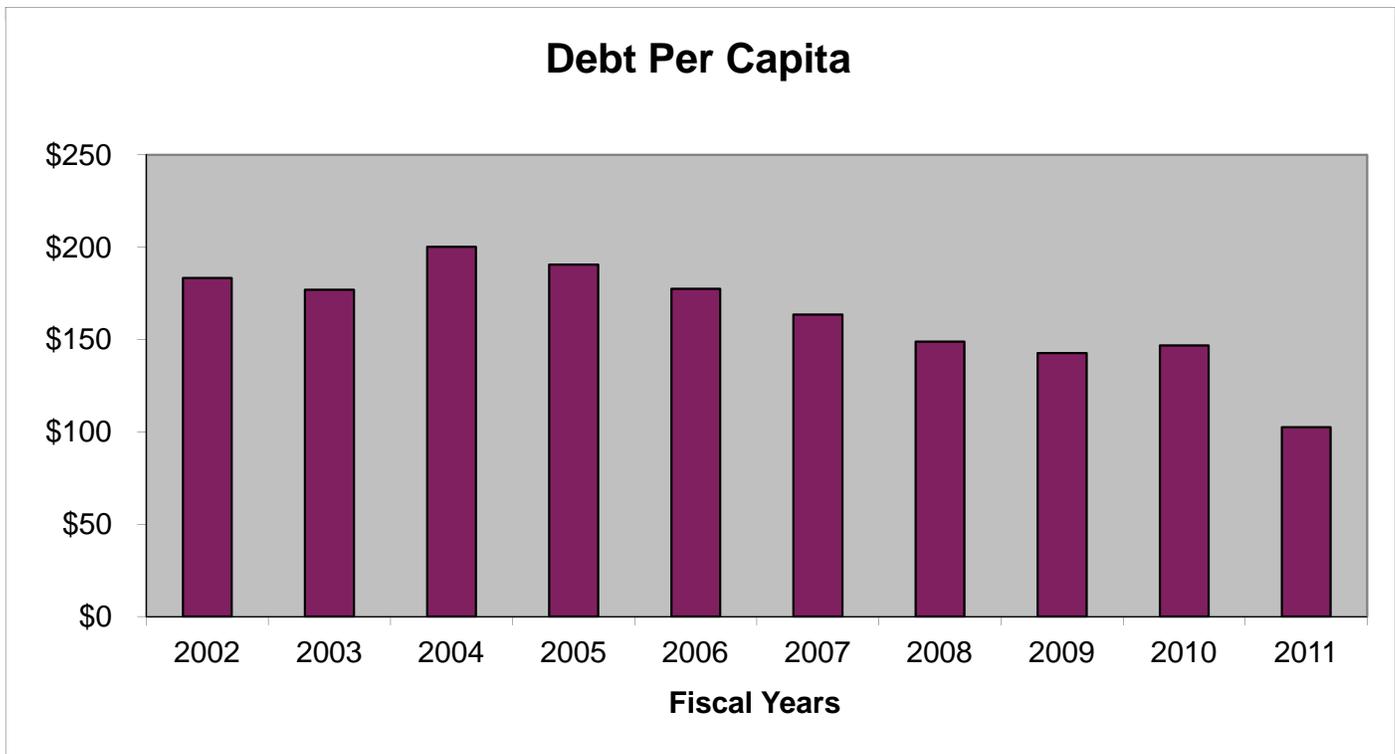
City of Walnut Creek Ratios of Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30th	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Tax Allocation Bonds	Capital Lease Obligation	Lease Revenue Bonds	Capital Lease Obligation			
2002	\$ 9,840,000	\$ -	\$ 2,245,000	\$ -	\$ 12,085,000	29.06%	\$ 183.37
2003	9,640,000	-	2,035,000	-	11,675,000	27.23%	177.00
2004	11,477,131	-	1,810,000	-	13,287,131	30.17%	200.31
2005	11,056,537	-	1,580,000	-	12,636,537	27.95%	190.65
2006	10,225,943	-	1,415,000	-	11,640,943	24.90%	177.45
2007	9,370,349	-	1,325,000	-	10,695,349	22.17%	163.58
2008	8,494,755	-	1,230,000	-	9,724,755	19.60%	148.91
2009	7,584,161	676,630	1,135,000	-	9,395,791	18.47%	142.66
2010	6,638,567	1,494,182	1,035,000	507,108	9,674,857	18.97%	146.78
2011	4,372,973	1,149,704	930,000	374,333	6,827,010	14.13%	102.53

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Economic and Demographics Statistical Schedule for personal income and population data.

Source: City Finance Department





City of Walnut Creek Ratios of Debt Outstanding, Continued Last Ten Fiscal Years

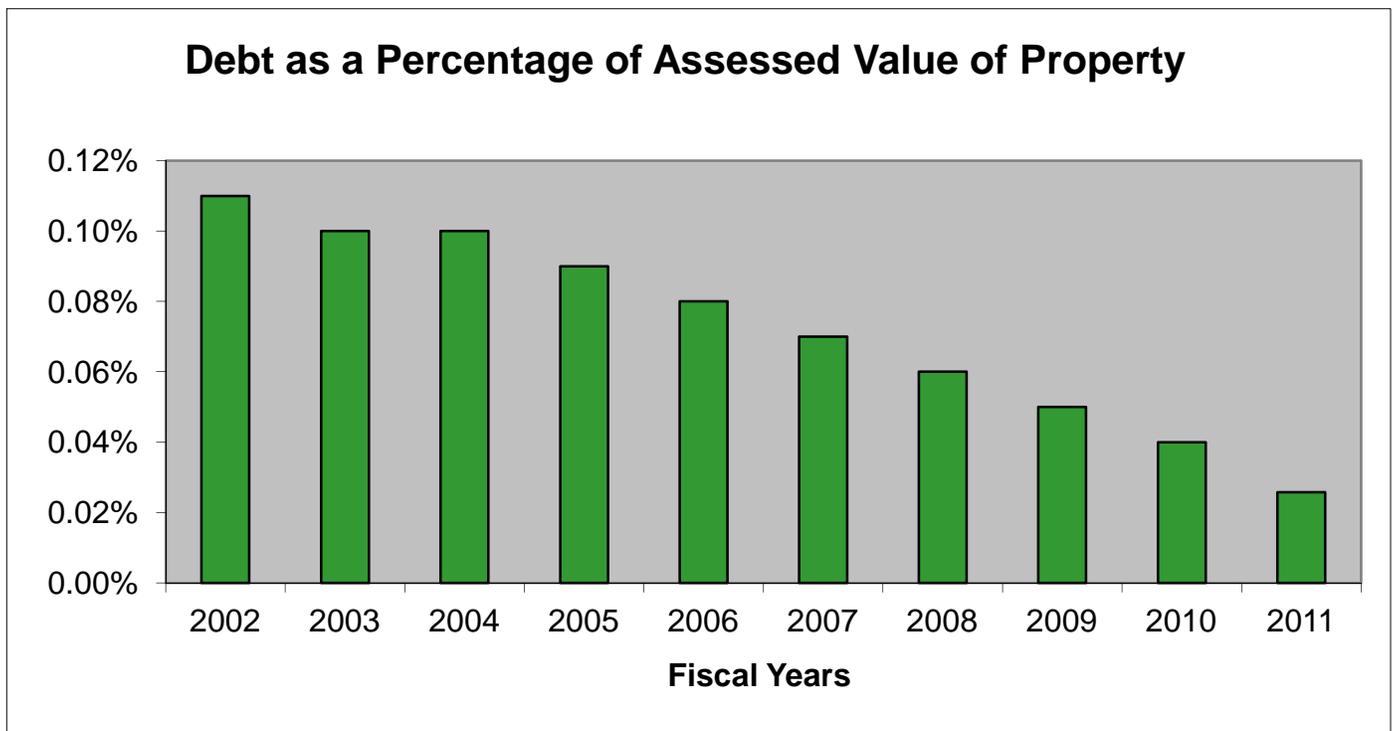
Fiscal Year Ended June 30th	Tax Allocation Bonds	Less: Amounts Available in Debt Service Fund	Net Amount	Percentage of Assessed Value of Property	Per Capita
2002	\$ 9,840,000	\$ 30,046	\$ 9,809,954	0.11%	\$ 148.85
2003	9,640,000	293,881	9,346,119	0.10%	141.69
2004	11,477,131	1,163,041	10,314,090	0.10%	155.49
2005	11,056,537	1,134,430	9,922,107	0.09%	149.69
2006	10,225,943	1,142,702	9,083,241	0.08%	138.46
2007	9,370,349	1,146,270	8,224,079	0.07%	125.78
2008	8,494,755	1,135,505	7,359,250	0.06%	112.69
2009	7,584,161	1,126,095	6,458,066	0.05%	98.06
2010	6,638,567	1,126,114	5,512,453	0.04%	83.63
2011	4,372,973	1,126,333	3,246,640	0.03%	48.76

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. See the Economic and Demographics Statistical Schedule for population data.

See the Assessed Value and Estimated Actual Value of Taxable Property for property values.

The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property.

Source: City Finance Department





City of Walnut Creek
Direct and Overlapping Debt
June 30, 2011

City's 2010-2011 Assessed Valuation	\$ 12,603,845,892
Redevelopment Agency Incremental Valuation	362,599,178
Adjusted Assessed Valuation	12,241,246,714

	Percentage Applicable to City of Walnut Creek ¹	Outstanding Debt 6/30/11	Estimated Share of Overlapping Debt
<u>Direct and Overlapping Tax and Assessment Debt:</u>			
Bay Area Rapid Transit District	2.813%	\$ 413,865,000	\$ 11,642,022
Contra Costa Community College District	9.808%	237,095,000	23,254,278
Walnut Creek Joint Unified School District	72.533%	33,469,628	24,276,525
Mount Diablo Unified School District	19.911%	319,325,057	63,580,812
Mount Diablo Unified School District Community Facilities District No. 1	19.911%	56,445,000	11,238,764
Acalanes Unified School District	29.5870%	129,304,858	38,257,428
Contra Costa County and Water District 1915 Act Bonds	39.4180%	2,495,000	983,479
California Statewide Communities Development Authority	100.0000%	2,618,810	2,618,810
Lafayette Unified School District	2.2510%	18,885,000	425,101
San Ramon Valley Unified School District	0.6920%	276,462,292	1,913,119
Pleasant Hill Recreation and Park District	0.2000%	20,000,000	40,000
East Bay Regional Park District	4.3590%	153,990,000	6,712,424
Total overlapping tax and assessment debt		\$ 1,663,955,645	184,942,763
Total net overlapping tax and assessment debt			\$ 184,942,763
<u>Direct and Overlapping Lease Obligation Debt:</u>			
Contra Costa County General Fund Obligations	9.767%	\$ 319,867,903	\$ 31,241,498
Contra Costa County Pension Obligations	9.767%	399,840,000	39,052,373
Contra Costa Community College District Certificates of Participation	9.808%	925,000	90,724
San Ramon Valley Unified School District General Fund Obligations	0.692%	25,000,000	173,000
City of Walnut Creek Public Financing Authority	100.000%	930,000	930,000
Contra Costa County Fire Protection District Pension Obligations	21.792%	116,240,000	25,331,021
Pleasant Hill Recreation and Park District Certificates of Participation	0.200%	2,390,000	4,780
Total Gross Direct and Overlapping General Fund Debt		\$ 865,192,903	96,823,396
Less: Contra Costa County revenue supported obligations			11,842,497
Total Net Direct and Overlapping General Fund Debt			84,980,899
TOTAL DIRECT DEBT			\$ 930,000
TOTAL GROSS OVERLAPPING DEBT			\$ 280,836,158
TOTAL NET OVERLAPPING DEBT			\$ 268,993,661
GROSS COMBINED TOTAL DEBT			\$ 281,766,159
NET COMBINED TOTAL DEBT			\$ 269,923,662 ²

¹ Percentage of overlapping agency's assessed valuation located within the City boundaries

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Debt to Adjusted Assessed Valuation Ratios:	Gross Debt	Net Debt
Direct Debt	1.51%	1.51%
Overlapping Debt	2.30%	2.30%
Total Debt	3.81%	3.81%

Source: California Municipal Statistics Inc.



City of Walnut Creek Legal Debt Margin Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 8,798,820	\$ 9,311,728	\$ 10,022,788	\$ 10,735,858
Add back exempted real property	212,362	222,574	225,105	228,751
Total assessed valuation	\$ 9,011,182	\$ 9,534,302	\$ 10,247,893	\$ 10,964,609
Debt limit percentage	15%	15%	15%	15%
Debt limit	\$ 1,351,677	\$ 1,430,145	\$ 1,537,184	\$ 1,644,691
Total net debt applicable to limit:				
Lease Revenue Bonds	2,245	2,035	1,810	1,580
Legal debt margin	\$ 1,349,432	\$ 1,428,110	\$ 1,535,374	\$ 1,643,111
Total debt applicable to the limit as a percentage of debt limit	0.2%	0.1%	0.1%	0.1%



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.

Source: City Finance Department

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 11,566,788	\$ 12,597,185	\$ 12,855,489	\$ 12,710,254	\$ 12,710,254	\$ 12,603,846	
235,779	248,464	246,261	250,726	250,726	279,414	
<u>\$ 11,802,567</u>	<u>\$ 12,845,649</u>	<u>\$ 13,101,750</u>	<u>\$ 12,960,980</u>	<u>\$ 12,960,980</u>	<u>\$ 12,883,260</u>	
15%	15%	15%	15%	15%	15%	
\$ 1,770,385	\$ 1,926,847	\$ 1,965,263	\$ 1,944,147	\$ 1,944,147	\$ 1,932,489	
1,415	1,325	1,230	1,135	1,035	930	
<u>\$ 1,768,970</u>	<u>\$ 1,925,522</u>	<u>\$ 1,964,033</u>	<u>\$ 1,943,012</u>	<u>\$ 1,943,112</u>	<u>\$ 1,931,559</u>	
0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	



City of Walnut Creek Pledged Revenue Coverage Last Ten Fiscal Years

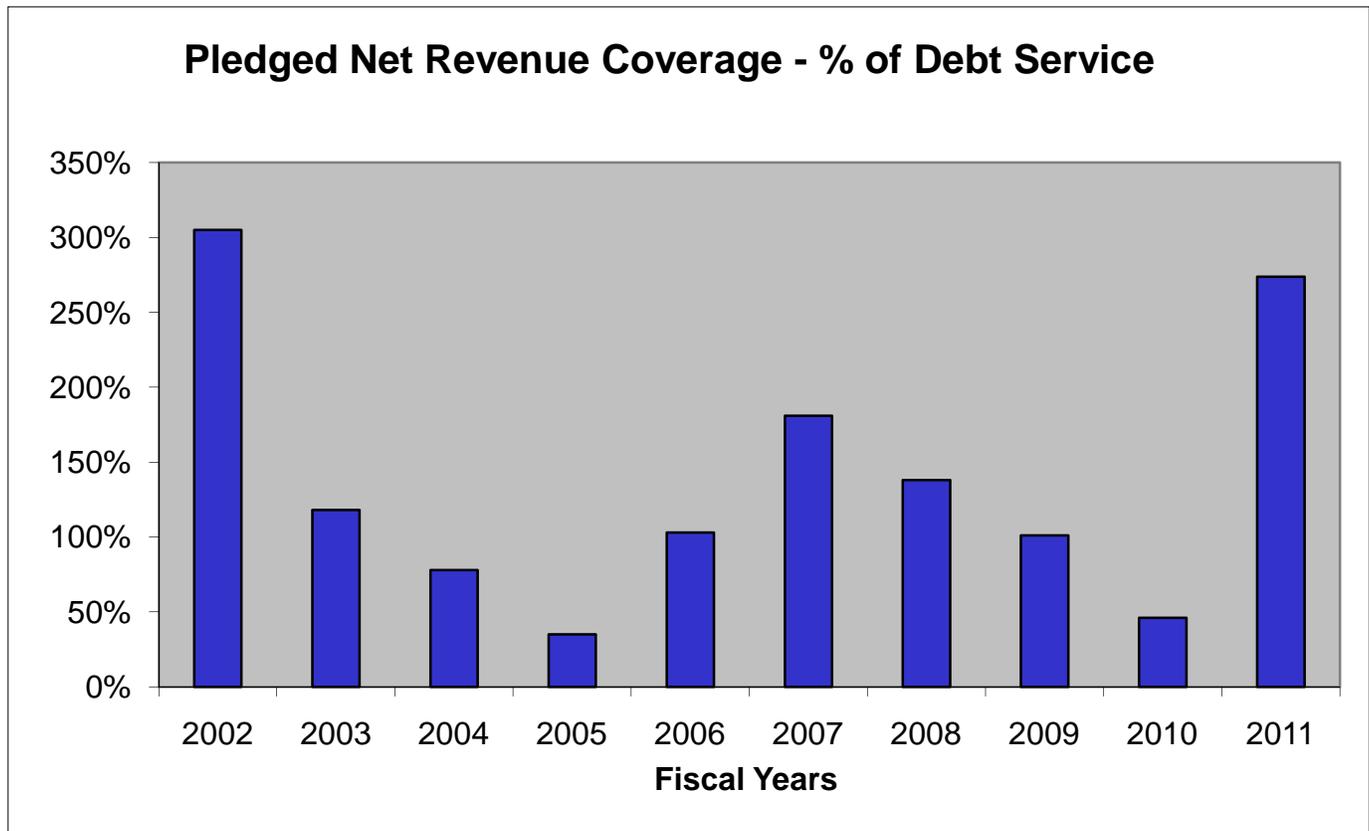
Fiscal Year Ended June 30th	Golf Course Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 2,390,622	\$ 1,399,371	\$ 991,251	\$ 200,000	\$ 124,941	305%
2003	1,939,042	1,560,018	379,024	210,000	111,361	118%
2004	1,963,958	1,709,502	254,456	225,000	101,327	78%
2005	1,838,170	1,727,157	111,013	230,000	90,491	35%
2006	1,992,050	1,741,396	250,654	165,000	79,401	103%
2007	1,834,846	1,543,513	291,333	90,000	70,687	181%
2008	1,972,378	1,715,608	256,770	95,000	90,400	138%
2009	1,839,292	1,679,187	160,105	95,000	63,161	101%
2010	3,779,380	3,706,766	72,614	100,000	57,499	46%
2011	4,003,683	3,574,174	429,509	105,000	51,847	274%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Economic and Demographics Statistical Schedule for population data.

See the Assessed Value and Estimated Actual Value of Taxable Property for property values.

Source: City Finance Department





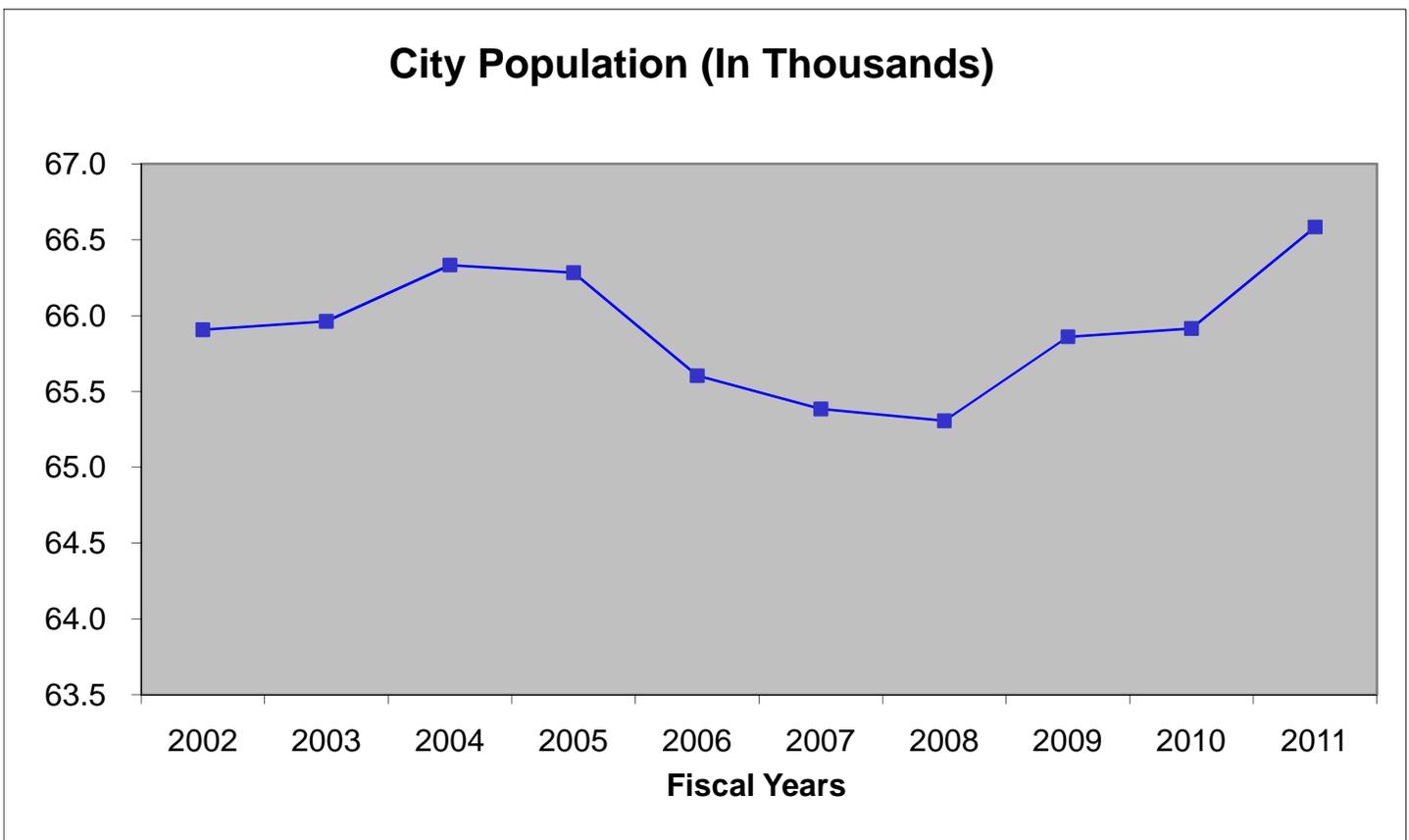
City of Walnut Creek

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30	City Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate	Rank in Size of California Cities
2002	65,906	\$ 2,741,228	\$ 41,593	N/A	97
2003	65,962	2,828,582	42,882	N/A	111
2004	66,333	2,921,305	44,040	4.10%	112
2005	66,283	2,996,787	45,212	3.60%	116
2006	65,603	3,066,547	46,744	3.20%	120
2007	65,384	3,154,909	48,252	2.80%	123
2008	65,306	3,240,876	49,626	3.10%	126
2009	65,860	3,349,908	50,864	6.80%	126
2010	65,915	3,362,538	51,013	7.00%	125
2011	66,584	3,216,606	48,309	7.60%	128

Source: State of California Department of Finance - Population Research Unit (population), City Finance Department, MuniServices LLC





City of Walnut Creek

Full-Time Equivalent City Employees by Function

Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
General government				
City Manager / City Clerk / Mail	9	9	9	9
City Attorney	4	4	4	4
	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>
Administrative Services				
Accounting / Business License	10	11	11	11
Human Resources / Administration	7	7	7	7
Information Technology / Communications	6	6	6	6
Reprographics / Warehouse	6	6	6	6
	<u>29</u>	<u>30</u>	<u>30</u>	<u>30</u>
Public Safety:				
Patrol / Investigations	65	66	66	66
Traffic / Parking	20	20	20	20
Communications / Administration	30	30	30	30
	<u>115</u>	<u>116</u>	<u>116</u>	<u>116</u>
Public Services				
Engineering / Traffic / Streets / CIP	57	58	58	58
Parks / Open Space	39	39	39	39
Public Works / Maintenance	35	35	35	35
	<u>131</u>	<u>132</u>	<u>132</u>	<u>132</u>
Arts, Recreation and Community Services				
Recreation and Community Services	25	25	25	25
Arts Education	14	14	14	14
Theaters / Gallery	18	20	20	20
	<u>57</u>	<u>59</u>	<u>59</u>	<u>59</u>
Community development				
Planning / Administration	16	17	17	18
Building	10	10	10	10
Transportation / Housing	3	4	4	4
	<u>29</u>	<u>31</u>	<u>31</u>	<u>32</u>
Totals	<u><u>374</u></u>	<u><u>381</u></u>	<u><u>381</u></u>	<u><u>382</u></u>



Source: City Finance Department

Fiscal Year					
2006	2007	2008	2009	2010	2011
9	9	9	9	9	9
4	4	4	4	4	4
13	13	13	13	13	13
11	11	10	10	9	9
7	7	8	7	7	8
6	6	6	7	7	7
6	6	6	4	-	-
30	30	30	28	23	24
66	66	68	66	62	63
20	20	21	20	18	18
30	30	30	30	31	30
116	116	119	116	111	111
58	58	53	53	48	47
39	39	39	38	36	40
35	36	41	38	25	22
132	133	133	129	109	109
25	25	24	23	18	18
14	14	14	14	9	9
20	20	21	18	20	20
59	59	59	55	47	47
18	18	18	15	11	12
10	10	10	13	13	13
4	4	4	4	4	3
32	32	32	32	28	28
382	383	386	373	331	332





City of Walnut Creek

Operating Indicators by Function

Last Seven Fiscal Years

	Fiscal Year Ended June 30th			
	2005	2006	2007	2008
Police:				
Police Calls for Service	33,742	33,750	34,700	32,300
Dispatch calls for service	106,820	106,800	106,800	105,773
Citations Issued	4,164	4,164	4,164	5,579
Cases assigned to investigations	567	575	575	567
School Presentations	608	727	727	730
Child Seat Safety Inspections	117	150	150	140
Number of Records Requests	2,583	2,583	2,583	2,800
Public Services:				
Storm Drains inspected	3,115	3,115	3,115	3,115
Trees Trimmed	N/A	500	600	600
Park Maintenance (Acres)	233	233	233	249
Parking Meters Maintained	N/A	N/A	1,600	1,647
Street Signs Maintained	8,000	8,000	8,000	8,000
Traffic Signals Maintained	96	96	96	96
Streetlights Maintained	1,600	1,600	1,600	1,600
Replace Street Asphalt (square feet)	N/A	100,000	100,000	90,000
Replace Sidewalks (square feet)	N/A	15,000	15,000	11,800
Street Sweeping (curb miles)	12,867	12,867	12,867	12,867
Ranger led programs	N/A	60	176	66
Parks and recreation:				
Arts Education Facilities (facility rental hours)	3,695	3,700	3,700	3,368
Recreation Classes (enrollment)	5,199	5,250	5,290	5,937
Ballfield (hours rented)	25,088	24,572	20,498	21,400
Scheduled Gym Hours	14,370	13,795	14,763	14,763
Bedford Gallery (number of visitors)	33,076	38,890	28,927	30,690
Leshner Theater (tickets sold)	229,104	186,055	219,580	209,922
Senior Center participants	N/A	66,000	69,000	67,300
Paid Golf Rounds	62,163	60,082	62,080	64,295
Community Development:				
Planning Applications	135	127	125	135
Number of Code Enforcement cases closed	1,211	1,145	1,194	1,300
Building Permit Applications	4,372	4,065	4,306	3,700
Building Inspection stops	11,193	11,896	11,558	11,082
General Government / Administrative Services:				
Number of Insurance Claims	54	43	56	55
Number of recruitments	27	30	30	52
Number of Information Technology work orders completed	N/A	3,325	3,425	4,385
Number of Telecommunications work orders completed	N/A	289	309	325
Amount of Mail processed per month	13,000	13,500	13,021	12,800
Items requested from City Warehouse	29,900	30,300	31,800	31,050

Source: City Finance Department
 Data Prior to Fiscal Year 2005 is not available

Fiscal Year Ended June 30th		
2009	2010	2011
30,425	32,880	44,491
92,924	84,066	105,046
9,915	9,587	7,755
901	900	925
610	170	200
150	85	123
2,485	3,152	3,099
4,000	4,000	2,800
550	600	800
249	249	235
1,647	1,550	1,550
8,000	8,000	8,000
96	96	97
1,600	1,600	1,600
130,000	125,000	100,000
15,000	16,000	14,500
13,000	14,000	14,000
131	21	92
3,315	2,251	2,221
5,628	6,188	5,774
22,136	22,000	22,600
15,080	16,000	16,500
30,200	26,000	29,600
230,926	213,466	217,960
68,410	68,460	68,000
58,505	62,722	61,028
101	90	94
818	830	712
3,228	3,200	3,118
8,493	8,400	7,617
47	45	45
24	16	17
1,406	1,600	1,780
245	350	311
9,946	7,932	N/A
31,050	30,334	N/A



City of Walnut Creek

Capital Asset Statistics by Function

Last Seven Fiscal Years

Function:	Fiscal Year Ended June 30th						
	2005	2006	2007	2008	2009	2010	2011
Public Safety:							
Police Stations	1	1	1	1	1	1	1
Public works:							
Community Facilities	18	18	18	18	18	18	18
City owned parking lots	22	22	22	22	22	22	22
Traffic Signals	96	96	96	96	96	96	96
Miles of storm drains	100	100	100	100	114	114	114
Miles of Streets	200	200	200	200	213	213	213
City vehicles	170	170	170	170	170	170	170
Parking meters	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Number of catch basins	3,000	3,000	3,000	3,000	4,410	4,410	4,410
Pavement legends	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Traffic Signs	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Street Name Signs	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Streetlights	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Parks and recreation:							
Number of Tennis Courts	35	35	35	35	35	35	35
Number of playfields	13	13	13	13	13	13	13
Number of City Parks	19	19	19	19	19	19	19
Acres of City Parks	190	190	190	190	190	190	190
Acres of Open Space	2,704	2,704	2,704	2,704	2,704	2,704	2,704



Source: City Finance Department
 Data Prior to Fiscal Year 2005 is not available
 Fire Service is provided by a separate governmental agency



City of Walnut Creek

Miscellaneous Statistical Data

June 30, 2011

Year of Incorporation	1914	Area (Square Miles)	19.77
Form of Government	Council/Manager	Elevation	131 feet
% of High School / College Graduates	96% / 57%	Number of homes (2010)	32,681
Average Annual Precipitation	22"	Median Age (2010)	48
Average Highs/Lows		Number of Registered Voters (2011)	40,815
Winter	57/40		
Spring	68/46		
Summer	83/55		
Fall	73/50		
City Crime Index (US Average 319.1)	225.6		

COMMUNITY FACILITIES:

Bedford Art Gallery
Boundary Oak Golf Course
Civic Park and Heather Farm Park Community Centers
Clarke and Larkey Aquatic Centers
Foothill and Tice Valley Gymnasiums
Leshner Center for the Arts
Old Borges Ranch / Howe Homestead
Shadelands Art Center and Museum
Skate Park and Tennis Center
Walnut Creek City Hall and Library (2 branches)
Walnut Creek Senior Center

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