

is a fiduciary fund. Trust funds are set up to account for the resources held for bond payments and for recording transactions performed by appointed trustees. The City does not budget for the trustee activities.

**Notes to the Basic Financial Statements**

This report includes notes to the basic financial statements. They provide additional information that is important to a complete understanding of the data contained in the government-wide and fund financial statements. The notes can be found on pages 21 through 47 of the report.

**Government-wide Financial Analysis**

The government-wide financial analysis focuses on net position and changes in net position for the City's governmental activities. A summary of net position as of June 30, 2013, is as follows:

	<b>Net Position</b>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 35,944,139	\$ 43,389,249
Capital assets	<u>54,613,537</u>	<u>55,734,890</u>
Total assets	<u>\$ 90,557,676</u>	<u>\$ 99,124,139</u>
Current and other liabilities	\$ 8,634,856	\$ 850,061
Long-term debt outstanding	<u>2,048,150</u>	<u>2,052,207</u>
Total liabilities	<u>\$ 10,683,006</u>	<u>\$ 2,902,268</u>
Net position (liabilities):		
Net Investment in Capital Assets	\$ 53,275,787	\$ 54,394,890
Restricted	8,254,379	17,191,701
Unrestricted	<u>18,344,504</u>	<u>24,635,280</u>
Total net position	<u>\$ 79,874,670</u>	<u>\$ 96,221,871</u>

As discussed earlier in this analysis, net position may serve as an indicator of the City's financial position. At end of the fiscal year 2013, assets exceeded liabilities by \$79,874,670.

The City's primary assets were cash - \$16,874,908, land held for resale - \$6,634,756, and capital assets - \$54,613,537. A significant portion of the City's cash is comprised by reserves and special funds for restricted uses. Therefore, much of it is unavailable to pay for current activities. Land held for resale represents the value of properties held by the City and Housing Authority for future development purposes. The capital assets figure is the estimated value of all the equipment, land, buildings, and infrastructure owned by the City. It conforms to accounting rules requiring such assets be inventoried, valued, and depreciated.

The City's primary liability is its long-term bonded indebtedness - \$2,048,150.

A summary of the changes in the City's net position for the year ended June 30, 2013 is as follows:

**Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,810,127	\$ 2,945,155
Operating grants	2,118,060	2,203,312
Capital grants	524,937	645,120
General revenues:		
Taxes	8,086,948	9,527,912
Use of money and property	284,361	313,086
Intergovernmental	1,717,343	1,722,793
Miscellaneous	<u>855,585</u>	<u>1,167,593</u>
Total revenues	<u>16,397,361</u>	<u>18,524,971</u>
Total Extraordinary gain/(loss)	<u>(7,390,118)</u>	<u>18,149,777</u>
Expenses:		
General government	3,240,349	2,995,838
Safety	3,973,007	4,179,433
Transportation	3,386,124	1,725,758
Development	12,259,388	4,457,202
Recreation and culture	2,484,520	2,555,690
Interest expense	<u>11,056</u>	<u>289,159</u>
Total expenses	<u>25,354,444</u>	<u>16,203,080</u>
Change in net position	<u>(16,347,201)</u>	<u>20,471,668</u>
Net position - beginning of year	96,221,871	75,750,203
Net position - end of year	<u>\$ 79,874,670</u>	<u>\$96,221,871</u>

At year-end, the City's net position had decreased by \$16,347,201. This decrease is directly attributable to the fact that the Redevelopment Agency was dissolved and all unencumbered funds that were identified in the follow up DDR were paid out and removed from the City's assets.

**City Fund Financial Analysis**

The city fund analysis focuses on governmental fund balances and on any restrictions or commitments that limit the availability of fund balances for future use.

As of June 30, 2013, the City's governmental funds had a total ending fund balance of \$26,024,924. This amount represents a decrease of \$15,208,822, or 37% as compared to the prior year fund balance of \$41,233,746.

Of the City's two major governmental funds both of them decreased their fund balances during the year because of DDR payments. As mentioned above, if the DDR payment is taken out of the General Fund analysis, the fund balance actually increased by \$1.4 million. While \$880,000 of that was the result of a one time residual payment from LA County, the remaining General Fund surplus of approximately \$600,000 is the result of slightly higher than expected revenues and slightly lower than budgeted

expenses. The decrease in the Housing Authority Fund balance was also the full impact of the DDR payment.

**Capital Asset and Debt Administration**

***Capital Assets***

At year-end the City had \$55 million invested in a broad range of capital assets including buildings, parks, streets, sidewalks, traffic signals, sewers, storm drains, curbs and gutters, street lights, vehicles, medians, and other assets. This amount represents an overall decrease (including additions and deductions) of \$1,121,353 as compared to the prior year. Additional information can be found in Note 6.

***Debt Administration***

At the end of the fiscal year, the City had both bonded and other long-term debt totaling \$2,048,150. A summary of the City's debt activity for the year ended is as follows:

	<b>Outstanding Debt at Year-end</b>		
	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Certificates of participation	\$ 1,340,000	\$ 1,337,750	(\$2,250)
Accrued vacation & sick leave	604,284	664,413	60,129
CJPIA Retro Deposit	<u>107,923</u>	<u>45,987</u>	<u>(61,936)</u>
 Total debt	 <u>\$ 2,052,207</u>	 <u>\$ 2,048,150</u>	 <u>(\$4,057)</u>

Additional information about the City's debt may be found in notes 7 and 14 to the basic financial statements.

**Economic Factors and Next Year's Budget**

This was a pivotal year for the City of Duarte. Last year with the dissolution of Redevelopment, there were several potential impacts for which we had braced ourselves. This year, the full impact was felt with the demand payment of \$9.4 million from the Housing Authority fund balance and the \$7.4 million in reduction from the General Fund balance with the AB1484 DDR demand. While this was slightly offset by a one time residual payment and some slightly higher than projected revenues, overall City fund balances were reduced from \$41 million to \$26 million. This is a \$15 million or 37% reduction in fund balance and while we understood the potential impact of the dissolution of Redevelopment, the full and final impact as seen on our City fund balance is nothing short of shocking. Fortunately the City of Duarte has worked hard to manage the State take-aways, dissolution of Redevelopment and the slow return of the national, state and local economies. The City has been careful to monitor all of the financial aspects that it can control by balancing operating expenses with revenues.

The State budget appears to be less in crisis than in previous years, however the recovery from the current economic recession continues to take much longer than the time it took to fall apart. More than previous years the community can see positive signs of progress through the slow and steady increase of sales tax revenue, property tax revenue and building permit fees. It appears that this steady growth may be able to manage our existing operating expenses, however it is uncertain if it can keep up with rising costs or future capital projects that have been deferred and must be addressed in the near future.

**Requests for Information**

These financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate accountability for the money it receives. If there are questions, or a need for more information, please contact the City of Duarte, 1600 Huntington Drive, Duarte, California, 91010, or call (626) 357-7931.

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CITY OF DUARTE

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 16,871,053
Receivables:	
Accounts	51,988
Taxes	864,655
Notes and loans	370,500
Accrued interest	8,742
Grants	390,485
Prepaid costs	4,954
Due from other governments	593,667
Land held for resale	6,634,756
Prepaid other postemployment benefits	645,781
Restricted assets:	
Cash with fiscal agent	3,855
Due from Successor Agency	9,503,703
Capital assets not being depreciated	22,291,035
Capital assets, net of depreciation	<u>32,322,502</u>
<b>Total Assets</b>	<b><u>90,557,676</u></b>
<b>Liabilities:</b>	
Accounts payable	1,041,379
Accrued liabilities	32,879
Accrued interest	5,882
Deposits payable	164,598
Due to Successor Agency	7,390,118
Noncurrent liabilities:	
Due within one year	229,188
Due in more than one year	<u>1,818,962</u>
<b>Total Liabilities</b>	<b><u>10,683,006</u></b>
<b>Net Position:</b>	
Net investment in capital assets	53,275,787
Restricted for:	
Development projects	4,310,908
Debt service	522,980
Public safety	14,546
Transportation	3,335,508
Recreation and culture	70,437
Unrestricted	<u>18,344,504</u>
<b>Total Net Position</b>	<b><u>\$ 79,874,670</u></b>

CITY OF DUARTE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Capital Contributions and Grants	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants		
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 3,240,349	\$ 91,820	\$ 750,741	\$ -	\$ (2,397,788)
Safety	3,973,007	175,366	238,168	-	(3,559,473)
Development	12,259,388	2,145,756	181,869	-	(9,931,763)
Recreation and culture	2,484,520	397,185	16,000	-	(2,071,335)
Transportation	3,386,124	-	931,282	524,937	(1,929,905)
Interest on long-term debt	11,056	-	-	-	(11,056)
<b>Total Governmental Activities</b>	<b>25,354,444</b>	<b>2,810,127</b>	<b>2,118,060</b>	<b>524,937</b>	<b>(19,901,320)</b>
<b>Total Primary Government</b>	<b>\$ 25,354,444</b>	<b>\$ 2,810,127</b>	<b>\$ 2,118,060</b>	<b>\$ 524,937</b>	<b>(19,901,320)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose					1,978,354
Transient occupancy taxes					94,090
Sales taxes					4,875,564
Franchise taxes					814,309
Business licenses taxes					324,631
Motor vehicle in lieu - unrestricted					1,717,343
Use of money and property					284,361
Other					855,585
<b>Extraordinary gain/(loss)</b>					<b>(7,390,118)</b>
<b>Total General Revenues and Extraordinary items</b>					<b>3,554,119</b>
Change in Net Position					(16,347,201)
Net Position at Beginning of Year					96,221,871
<b>Net Position at End of Year</b>					<b>\$ 79,874,670</b>

## CITY OF DUARTE

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Special Revenue Funds			Total Governmental Funds
	General	Housing Authority	Other Governmental Funds	
<b>Assets:</b>				
Pooled cash and investments	\$ 11,939,216	\$ -	\$ 4,931,837	\$ 16,871,053
Receivables:				
Accounts	51,988	-	-	51,988
Taxes	798,942	-	65,713	864,655
Notes and loans	-	370,500	-	370,500
Accrued interest	8,742	-	-	8,742
Grants	382,350	-	8,135	390,485
Prepaid costs	4,954	-	-	4,954
Due from other governments	593,667	-	-	593,667
Due from other funds	1,743,487	-	-	1,743,487
Land held for resale	1,645,522	4,989,234	-	6,634,756
Restricted assets:				
Cash and investments with fiscal agents	-	-	3,855	3,855
Due from Successor Agency	9,503,703	-	-	9,503,703
<b>Total Assets</b>	<b>\$ 26,672,571</b>	<b>\$ 5,359,734</b>	<b>\$ 5,009,540</b>	<b>\$ 37,041,845</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 854,114	\$ 355	\$ 186,910	\$ 1,041,379
Accrued liabilities	30,683	308	1,888	32,879
Deposits payable	164,598	-	-	164,598
Due to other funds	-	1,742,115	1,372	1,743,487
Due to Successor Agency	7,390,118	-	-	7,390,118
<b>Total Liabilities</b>	<b>8,439,513</b>	<b>1,742,778</b>	<b>190,170</b>	<b>10,372,461</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	249,260	370,500	24,700	644,460
<b>Total Deferred Inflows of Resources</b>	<b>249,260</b>	<b>370,500</b>	<b>24,700</b>	<b>644,460</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	4,954	-	-	4,954
Land held for resale	1,645,522	4,989,234	-	6,634,756
Due from Successor Agency	9,503,703	-	-	9,503,703
<b>Restricted for:</b>				
Development projects	-	-	669,252	669,252
Public safety	-	-	14,546	14,546
Recreation and culture	-	-	70,437	70,437
Transportation	-	-	3,335,508	3,335,508
Debt service	-	-	522,980	522,980
<b>Committed to:</b>				
Vehicle Replacement	388,918	-	-	388,918
<b>Assigned to:</b>				
Capital Projects	-	-	181,947	181,947
<b>Unassigned</b>	6,440,701	(1,742,778)	-	4,697,923
<b>Total Fund Balances</b>	<b>17,983,798</b>	<b>3,246,456</b>	<b>4,794,670</b>	<b>26,024,924</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 26,672,571</b>	<b>\$ 5,359,734</b>	<b>\$ 5,009,540</b>	<b>\$ 37,041,845</b>

CITY OF DUARTE

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

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Fund balances of governmental funds		\$ 26,024,924
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		54,613,537
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (1,337,750)	
Other long-term liabilities	(45,987)	
Compensated Absences	<u>(664,413)</u>	
		(2,048,150)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		645,781
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(5,882)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>644,460</u>
<b>Net Position of governmental activities</b>		<b><u>\$ 79,874,670</u></b>

CITY OF DUARTE

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

	Special Revenue Funds			Total Governmental Funds
	General	Housing Authority	Other Governmental Funds	
<b>Revenues:</b>				
Taxes	\$ 7,906,409	\$ -	\$ -	\$ 7,906,409
Assessments	-	-	1,212,444	1,212,444
Licenses and permits	939,927	-	-	939,927
Intergovernmental	2,526,475	-	1,839,653	4,366,128
Charges for services	476,041	-	23,801	499,842
Use of money and property	244,480	6,569	33,312	284,361
Fines and forfeitures	157,914	-	-	157,914
Miscellaneous	1,030,956	-	2,221	1,033,177
<b>Total Revenues</b>	<b>13,282,202</b>	<b>6,569</b>	<b>3,111,431</b>	<b>16,400,202</b>
<b>Expenditures:</b>				
Current:				
General government	3,000,901	-	91,138	3,092,039
Safety	3,838,018	-	144,642	3,982,660
Development	2,489,108	8,421,302	1,293,523	12,203,933
Recreation and Culture	2,215,190	-	2,458	2,217,648
Transportation	-	-	2,111,672	2,111,672
Capital outlay	136,603	-	450,223	586,826
Debt service:				
Principal retirement	-	-	1,340,000	1,340,000
Interest and fiscal charges	-	-	21,878	21,878
<b>Total Expenditures</b>	<b>11,679,820</b>	<b>8,421,302</b>	<b>5,455,534</b>	<b>25,556,656</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,602,382	(8,414,733)	(2,344,103)	(9,156,454)
<b>Other Financing Sources (Uses):</b>				
Transfers in	116,632	-	837,684	954,316
Transfers out	(311,384)	-	(642,932)	(954,316)
Refunding bonds issued	-	-	1,337,750	1,337,750
<b>Total Other Financing Sources (Uses)</b>	<b>(194,752)</b>	<b>-</b>	<b>1,532,502</b>	<b>1,337,750</b>
Extraordinary gain/(loss)	(7,390,118)	-	-	(7,390,118)
<b>Net Change in Fund Balances</b>	<b>(5,982,488)</b>	<b>(8,414,733)</b>	<b>(811,601)</b>	<b>(15,208,822)</b>
Fund Balances, Beginning of Year	23,966,286	11,661,189	5,606,271	41,233,746
<b>Fund Balances, End of Year</b>	<b>\$ 17,983,798</b>	<b>\$ 3,246,456</b>	<b>\$ 4,794,670</b>	<b>\$ 26,024,924</b>

CITY OF DUARTE

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

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Net change in fund balances - total governmental funds \$ (15,208,822)

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

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

Capital outlay	\$ 450,712	
Depreciation	(1,557,480)	
Gain/(loss) on sale of capital assets	<u>(14,585)</u>	(1,121,353)

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

Principal repayments	1,340,000	
Other long-term liabilities - CJPIA Retrospective Deposit	<u>61,936</u>	1,401,936

Long-term liabilities issued during the year are revenues in the governmental funds, but the issuance increases the long-term liabilities in the statement of net position.

Issuance of Certificate of Participation		(1,337,750)
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Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

10,822

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

(60,129)

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

(29,064)

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

(2,841)

**Change in net position of governmental activities**

**\$ (16,347,201)**

CITY OF DUARTE

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 23,966,286	\$ 23,966,286	\$ 23,966,286	\$ -
<b>Resources (Inflows):</b>				
Taxes	6,711,200	7,511,200	7,906,409	395,209
Licenses and permits	702,000	702,000	939,927	237,927
Intergovernmental	2,510,500	2,560,500	2,526,475	(34,025)
Charges for services	488,200	488,200	476,041	(12,159)
Use of money and property	267,000	267,000	244,480	(22,520)
Fines and forfeitures	185,500	185,500	157,914	(27,586)
Miscellaneous	1,098,000	1,098,000	1,030,956	(67,044)
Transfers in	20,000	20,000	116,632	96,632
<b>Amounts Available for Appropriation</b>	<b>35,948,686</b>	<b>36,798,686</b>	<b>37,365,120</b>	<b>566,434</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,928,400	2,877,400	3,000,901	(123,501)
Safety	3,872,200	3,919,200	3,838,018	81,182
Development	2,719,400	2,785,700	2,489,108	296,592
Recreation and Culture	2,283,900	2,283,900	2,215,190	68,710
Capital outlay	-	131,000	136,603	(5,603)
Transfers out	237,100	257,900	311,384	(53,484)
Extraordinary loss	-	-	7,390,118	(7,390,118)
<b>Total Charges to Appropriations</b>	<b>12,041,000</b>	<b>12,255,100</b>	<b>19,381,322</b>	<b>(7,126,222)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 23,907,686</b>	<b>\$ 24,543,586</b>	<b>\$ 17,983,798</b>	<b>\$ (6,559,788)</b>

CITY OF DUARTE

BUDGETARY COMPARISON STATEMENT  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,661,189	\$ 11,661,189	\$ 11,661,189	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	30,000	30,000	6,569	(23,431)
Transfers in	1,734,000	1,734,000	-	(1,734,000)
<b>Amounts Available for Appropriation</b>	<b>13,425,189</b>	<b>13,425,189</b>	<b>11,667,758</b>	<b>(1,757,431)</b>
<b>Charges to Appropriation (Outflow):</b>				
Development	488,800	488,800	8,421,302	(7,932,502)
<b>Total Charges to Appropriations</b>	<b>488,800</b>	<b>488,800</b>	<b>8,421,302</b>	<b>(7,932,502)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 12,936,389</b>	<b>\$ 12,936,389</b>	<b>\$ 3,246,456</b>	<b>\$ (9,689,933)</b>

CITY OF DUARTE

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	<u>Private- Purpose Trust Fund Successor Agency of the former RDA</u>
<b>Assets:</b>	
Pooled cash and investments	\$ 5,340,227
Restricted assets:	
Cash and investments with fiscal agents	5,026,738
Due from other governments	<u>7,390,118</u>
<b>Total Assets</b>	<b><u>17,757,083</u></b>
<b>Deferred Outflows of Resources:</b>	
Deferred charge on refunding	<u>4,024,896</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>4,024,896</u></b>
<b>Liabilities:</b>	
Accounts payable	515,602
Accrued interest	204,997
Due to other governments	173,346
Due to the County	7,390,118
Long-term liabilities:	
Due in one year	2,425,000
Due in more than one year	<u>26,175,547</u>
<b>Total Liabilities</b>	<b><u>36,884,610</u></b>
<b>Net Position:</b>	
Held in trust for other purposes	<u>(15,102,631)</u>
<b>Total Net Position</b>	<b><u>\$ (15,102,631)</u></b>

CITY OF DUARTE

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

	<u>Private- Purpose Trust Fund Successor Agency of the former RDA</u>
<b>Additions:</b>	
Contributions:	
Taxes	\$ 6,276,001
Interest and change in fair value of investments	20,649
Miscellaneous	<u>18,274</u>
<b>Total Additions</b>	<b><u>6,314,924</u></b>
<b>Deductions:</b>	
Administrative expenses	250,000
Contractual services	2,120,172
Interest expense	1,525,105
Payment of prior taxes to County	<u>7,390,118</u>
<b>Total Deductions</b>	<b><u>11,285,395</u></b>
Extraordinary gain/(loss)	<u>7,390,118</u>
<b>Changes in Net Position</b>	<b>2,419,647</b>
Net Position - Beginning of the Year	(17,028,116)
Restatement	<u>(494,162)</u>
Net Position - Beginning of Year, as restated	<u>(17,522,278)</u>
<b>Net Position - End of the Year</b>	<b><u>\$ (15,102,631)</u></b>

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Summary of Significant Accounting Policies**

The City of Duarte, California (the "City"), was incorporated on August 22, 1957. The City operates under a Council-Manager form of government. The City's major operations include police, code enforcement, animal control, parks and recreation, planning and development, public works, transit services, refuse collection, and general administrative services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (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. Reporting Entity**

The reporting entity, "City of Duarte", is comprised of the various funds of the City of Duarte (City), the Duarte Public Finance Authority (Authority), and the Duarte Housing Authority (Housing Authority). As required by generally accepted accounting principles in the United States of America, these financial statements present the City of Duarte (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Duarte elected officials have a continuing oversight responsibility over the Authority and Housing Authority.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

**Blended Component Units:**

The Duarte Public Financing Authority was organized in 1988 for the specific purpose of facilitating the issuance of debt instruments. It has no separate existence and has acted as a conduit between the issuer (the City) and the underwriters. Separate financial statements of the Public Financing Authority were not prepared.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The Duarte Housing Authority (the "Housing Authority") was established pursuant to California Housing Authorities Law (Health and Safety Code Sections 34200 et seq.) on March 22, 2011. The purpose of the Housing Authority is to provide safe and sanitary housing opportunities for Duarte residents. Although the Housing Authority is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Housing Authority. Separate financial statements of the Housing Authority were not prepared.

The Duarte Community Facilities Financing Authority was established on February 1, 2013 between the City and the Housing Authority for the specific purpose of facilitating the issuance of debt instruments. It has no separate existence and has acted as a conduit between the issuer (the City) and the underwriters. Separate financial statements of the Public Financing Authority were not prepared.

**Organizations Other Than Component Units:**

Other governmental agencies, such as the County of Los Angeles, the Duarte Unified School District, etc., provide services within the City. However, each of these agencies is governed by an independently elected governing board. Accordingly, their financial information is not included within the scope of this financial report, because the City Council does not have a continuing oversight responsibility over them, nor are their financial operation closely related thereto.

**b. Basic Financial Statements – Government-Wide Statements**

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. The City does not have any business-type activities; therefore, only governmental activities are reported.

These basic 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 and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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 types of transactions are reported as program revenues for the City in three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances by the City, which are presented as internal balances and eliminated in the total primary government column.

**c. Basic Financial Statements – Fund Financial Statements**

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. These statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental and fiduciary – are presented.

**Note 1: Summary of Significant Accounting Policies (Continued)**

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 with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds:

The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the City:

General fund accounts for all or most of a City's general activities and financial resources except those required to be accounted for in another fund.

Housing Authority fund accounts for legally restricted funds for housing activities.

Additionally, the government reports the following funds and fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of capital assets.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

Private-purpose trust funds are used to account for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

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 Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The Reconciliations 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

**d. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. The exception to this rule is that principal and interest on long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Fines, permits and parking citations are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports unavailable revenue periodically in its combined balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when cost reimbursement type grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, unavailable and/or unearned revenue is removed from the balance sheet and revenue is recognized.

**e. Financial Statement Amounts**

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, as well as cash with fiscal agent. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**Note 1: Summary of Significant Accounting Policies (Continued)**

2. Investments:

Investments are stated at fair value, (generally quoted market prices). The City's policy is to hold investments until maturity or until market values equal or exceed cost.

3. Prepaid Items:

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

4. Land Held for Resale:

Land Held for Resale is an inventory of land purchased, which will be sold. The land is recorded at the lower of acquisition cost or market.

5. Capital Assets:

Capital assets purchased or acquired with an original cost of \$50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	60 years
Sewer system	60 years
Machinery and equipment	5-35 years
Improvements	10-20 years
Other infrastructure	10-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City.

6. Deferred outflows/inflows of resources:

In addition to assets, the Statement of Financial Position and Governmental Fund Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The fiduciary funds have one item that qualifies for reporting in this category. It is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

7. Property Tax Revenues:

In general, property taxes in California are levied in accordance with Article 13B of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to State law to the appropriate units of local government, including the City. Property tax revenue is recognized in the fiscal year for which taxes have been levied, provided that the revenue is collected in the current period or will be collected within 60 days thereafter. The following dates relate to property tax levies and collections:

Lien Date	March 1
Levy Date	June 30
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

8. Net position flow assumption:

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

9. Fund balance flow assumptions:

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

10. Compensated Absences:

The City accrues accumulated unpaid vacation, sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

11. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers.

12. Fund Equity

In the fund financial statements, governmental funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council of the City of Duarte. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance or resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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**Note 1: Summary of Significant Accounting Policies (Continued)**

13. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**Note 2: Stewardship, Compliance and Accountability**

**a. Budgets and Budgetary Accounting**

The City adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The City Manager or designee is authorized to transfer budgeted amounts between the accounts of any department. Revisions that alter the total appropriations of any department or fund may be approved by City Council. Prior year appropriations lapse unless they are approved for carryover into the following fiscal year. Expenditures may not legally exceed appropriations at the fund level. As of recent years, the City has been a recipient of the Community Challenge grant from the State. During fiscal year 2012-2013, the State no longer made those grant monies available. As a result, a budget was not adopted for the Community Challenge Grant and therefore no budgetary schedule is presented as supplementary information.

**b. Excess of Appropriations over Expenditures**

Excess of expenditures over appropriations at fiscal year-end for the General Fund and major special revenue funds was as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance*</u>
General Fund	\$ 12,255,100	\$ 19,381,322	\$ (7,126,222)
Special Revenue Funds:			
Housing Authority	488,800	8,421,302	(7,932,502)

\*During the year, the Successor Agency was required to submit payments to the Department of Finance for disbursed for assets which should have been transferred to the Successor Agency upon dissolution of the former redevelopment agency on February 1, 2012. These payments were made out of the General Fund and Housing Authority. See Note 15 e & f for further discussion.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 3: Cash and Investments**

**a. Cash and Investments**

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 16,871,053
Restricted:	
Cash and investments with fiscal agent	3,855
Statement of Fiduciary Net Position:	
Cash and investments	5,340,227
Restricted:	
Cash and investments with fiscal agent	<u>5,026,738</u>
Total cash and investments	<u>\$ 27,241,873</u>

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

**b. Deposits:**

At June 30, 2013, the carrying amount of the City's deposits was \$6,428,853 and the bank balance was \$7,338,446. The \$909,593 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits by pledging government securities with a value of 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 3: Cash and Investments (Continued)**

**c. Investments:**

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

- U.S. Treasury Obligations (bills, notes and bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements
- Negotiable Certificates of Deposit
- Medium Term Corporate Notes
- Money Market Mutual Funds
- Local Agency Investment Fund (State Pool)
- County Pooled Investment Funds
- Other investments that are, or may become, legal investments through the State of California Government Code

**d. Investments Authorized by Debt Agreements:**

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

**e. Investments in State Investment Pool:**

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

**f. Credit Risk:**

The City's investment policy limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. As of June 30, 2013, the City's investments were solely in LAIF with exception to investments held with fiscal agent which included federal agency securities which were rated AA+ by Standard and Poor's. The City's investment in the State Investment Pool has not been rated by a nationally recognized statistical rating organization.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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**Note 3: Cash and Investments (Continued)**

**g. Custodial Credit Risk**

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2013, none of the City's deposits were exposed to custodial credit risk.

**h. Concentration of Credit Risk**

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2013, in accordance with GASB 40 requirements, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**i. Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2013, the City had the following investments and remaining maturities:

	Remaining Investment Maturities	
	6 months or less	Fair Value
Local Agency Investment Fund	\$ 15,782,427	\$ 15,782,427
Cash with Fiscal Agent:		
Federal agency securities	487,500	487,500
Money Market Mutual Funds	4,543,093	4,543,093
	<u>\$ 20,813,020</u>	<u>\$ 20,813,020</u>

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 4: Interfund Receivable, Payable and Transfers**

**Due To/From Other Funds**

At June 30, 2013, the City had the following short-term interfund receivables and payables:

Due from Other Funds	Due to Other Funds		Total
	Housing Authority	Other Governmental Funds	
General Fund	\$ 1,742,115	\$ 1,372	\$ 1,743,487

The due from other funds balance of \$1,742,115 in the General Fund is to cover temporary deficit cash balances at June 30, 2013.

**Interfund Transfers**

At June 30, 2013, the City had the following internal balances:

Transfers Out	Transfers In		Total
	General	Other Governmental Funds	
Governmental Funds:			
General Fund	\$ -	\$ 311,384	\$ 311,384
Other Governmental Funds	116,632	526,300	642,932
Total	\$ 116,632	\$ 837,684	\$ 954,316

Transfers in the amount of \$311,384 were made out of the General Fund into the Lighting & Landscaping fund and the community improvement fund for capital and administrative costs. Transfers in the amount of \$116,632 were made out of the Park Development Grant Fund and the Measure R LR Transit Fund and into the General Fund for reimbursement of administrative and project costs tracked in the General Fund.

**Note 5: Notes Receivable**

Notes and loans receivable as of June 30, 2013, are comprised of the following:

**Affordable Housing**

As part of development agreements with certain builders and in order to assist those individuals and families who are the most in need, the Housing Authority of the City of Duarte provides loans to low-and-moderate-income-level residents for the acquisition and rehabilitation of residences. As a part of the agreement, the Housing Authority accepted second trust deeds from eligible buyers so that they could purchase the property. The second trust deeds are cancelable after 25 years should the buyers remain in the housing. If the property is sold, the Housing Authority recovers its second trust deed and interest to be calculated within certain

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 5: Notes Receivable (Continued)**

limits. Since the amount, if any, the Housing Authority will receive is unknown, the amount is deferred until the sale of the property or the cancellation date, whichever occurs first. The balance at June 30, 2013, is:

\$370,500

**Note 6: Capital Assets**

The following schedule shows changes in capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Non-Depreciable assets:				
Land	\$ 22,291,035	\$ -	\$ -	\$ 22,291,035
Total non-depreciable assets	<u>22,291,035</u>	<u>-</u>	<u>-</u>	<u>22,291,035</u>
Depreciable assets:				
Structures and improvements	8,031,074	-	-	8,031,074
Machinery and equipment	2,820,545	-	-	2,820,545
Infrastructure	53,667,352	450,712	14,585	54,103,479
Total depreciable assets	<u>64,518,971</u>	<u>450,712</u>	<u>14,585</u>	<u>64,955,098</u>
Less accumulated depreciation				
Structures and improvements	3,378,880	124,987	-	3,503,867
Machinery and equipment	2,099,169	124,398	-	2,223,567
Infrastructure	25,597,067	1,308,095	-	26,905,162
Total accumulated depreciation	<u>31,075,116</u>	<u>1,557,480</u>	<u>-</u>	<u>32,632,596</u>
Total depreciable assets, net	<u>33,443,855</u>	<u>(1,106,768)</u>	<u>14,585</u>	<u>32,322,502</u>
Total net capital assets	<u>\$ 55,734,890</u>	<u>\$ (1,106,768)</u>	<u>\$ 14,585</u>	<u>\$ 54,613,537</u>

Depreciation expense was charged to the following functions in the Statement of Activities.

General government	\$ 140,646
Safety	1,250
Development	39,996
Recreation and culture	265,006
Transportation	<u>1,110,582</u>
Total	<u>\$ 1,557,480</u>

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 7: Long-Term Debt**

The following schedule shows changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
2001 COP Series A	\$ 1,340,000	\$ -	\$ 1,340,000	\$ -	\$ -
2013 COP	-	1,337,750	-	1,337,750	163,076
Compensated Absences	604,284	60,129	-	664,413	66,112
CJPIA Retrospective Deposit	107,923	-	61,936	45,987	-
Total	<u>\$ 2,052,207</u>	<u>\$ 1,397,879</u>	<u>\$ 1,401,936</u>	<u>\$ 2,048,150</u>	<u>\$ 229,188</u>

**a. Certificates of Participation:**

**2013 Certificates of Participation (2001 Refunding)**

In April 2013, the City of Duarte issued \$1,337,750 in Certificates of Participation (Series A) with an interest rate of 2.01%. The City issued the bonds to refund \$1,245,000 2001 Certificates of Participation on a current basis and pay for issuance costs. The current refunding resulted in a cash flow difference of \$62,950 and resulted in an economic gain (difference between the present values of the old debt and new debt service payments) of \$52,129.

The Series A Certificates of Participation mature on August 1, 2022, and bear interest at 2.01% per annum. Interest on the bonds is payable semi-annually every August 1 and February 1

Year Ending June 30,	2013 Certificate of Participation - (2001 Refunding)	
	Principal	Interest
2013-2014	\$ 163,076	\$ 20,282
2014-2015	128,059	22,971
2015-2016	130,646	20,384
2016-2017	133,286	17,745
2017-2018	135,978	15,052
2018-2023	646,705	32,930
Total	<u>\$ 1,337,750</u>	<u>\$ 129,364</u>

**2001 Certificates of Participation**

**\$6,000,000 of the City of Duarte Variable Rate Refunding Certificates of Participation (Consisting of a Series A \$2,090,000 [Tax-Exempt] and a Series B \$3,910,000 [Taxable])**

Bonds shall be due in annual sinking fund installments ranging from \$125,000 to \$445,000 beginning July 1, 2002 through July 1, 2022. Interest rates are variable (weekly rate) until converted to a fixed rate in accordance with the trust agreement. These certificates represent undivided proportionate rights to City lease payments on the Civic Center Complex.

On June 1, 2001, the City entered into a lease back arrangement with the Financing Authority whereby the Authority, from proceeds of the previous certificates of participation, defeased

**Note 7: Long-Term Debt (Continued)**

and refunded the outstanding 1992 COP issue. The City has leased the Complex for the period through July 1, 2022. When all obligations under the lease and certificates have been met, title to the Civic Center Complex will revert to the City. The 2001 COP Series A was refunded in full during the fiscal year 2012-2013 and the COP Series B was redeemed in full during the fiscal year 2007-2008.

**b. Compensated Absences**

The City accrues accumulated unpaid vacation, sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee as described in Note 1. The City at June 30, 2013, had an outstanding accrued balance of unpaid vacation, sick and associated employee of \$664,413 that will be liquidated from various funding sources in future years.

**c. CJPIA Retrospective Deposit Liability**

Retrospective deposits and refunds are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by members. The payment deferral period extends until July 1, 2013 for the Liability program and July 1, 2015 for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume on these dates. The October 2011 annual retrospective adjustment is included in these balances. The City at June 30, 2013, had a retrospective deposit due of \$45,987.

Optional Payment Plans

When retrospective deposit payments resume as indicated above, members will have the opportunity to select from a variety of optional payment plans. Discounts under the incentive plan are available to members choosing to voluntarily accelerate payment during the deferral period.

After the deferral period, members choosing from among the optional payment plans will be subject to a moderate annual fee. The fee is intended to provide a means for the Authority to recover otherwise foregone investment earnings and to serve as a minor disincentive for the selection of longer financing terms.

Retrospective Balances will Change Annually

Retrospective balances will change with each annual computation during the payment deferral period. Member balances may increase or decrease as a result of the most recent year's claim development. Accordingly, some members who chose to pay off their balance in full may be required to pay additional retrospective deposits in the future based on outcome

**Note 7: Long-Term Debt (Continued)**

of actual claim development reflected in subsequent retrospective deposit computations. Conversely, if claim development is favorable then subsequent retrospective adjustments could potentially result in refunds to the member.

More information on retrospective balances can be found on the CJPIA website at CJPIA.org.

**Note 8: Liability, Workers' Compensation, and Purchased Insurance**

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

The City of Duarte is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**b. Self-Insurance Programs of the Authority**

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

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

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2012-13,

**Note 8: Liability, Workers' Compensation, and Purchased Insurance (Continued)**

reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

**c. Purchased Insurance**

Property Insurance

The City of Duarte participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Duarte property is currently insured according to a schedule of covered property submitted by the City of Duarte to the Authority. City of Duarte property currently has all-risk property insurance protection in the amount of \$22,220,006. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Duarte purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Duarte property currently has earthquake protection in the amount of \$3,062,268. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 8: Liability, Workers' Compensation, and Purchased Insurance (Continued)**

Crime Insurance

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

**d. Adequacy of Protection**

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

**Note 9: Deferred Compensation Plan**

The City has made available to its employees a deferred compensation plan, whereby employees authorize the City to withhold funds from salaries to be invested in individual investment accounts. Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plan. The amount held by trustees for the employees at June 30, 2013, was \$1,640,236. These amounts are not recorded in the books of the City and as such not included in these financial statements.

**Note 10: Retirement Plan**

**Plan Description: PERS Defined Benefit Pension Plan**

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

**Funding Policy**

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 24.989% for miscellaneous employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**Required Contribution**

For 2013, the City's required contribution of \$933,311 for PERS was equal to the City's actuarial required contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial costs method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 10: Retirement Plan (Continued)**

value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over nineteen years.

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

Year Ending June 30	Required Contribution	Percentage Contributed
2011	\$ 1,023	100%
2012	980	100%
2013	933	100%

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

**Public Employees' Pension Reform Act - PEPRA**

Assembly Bill (AB) 340 created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. New miscellaneous members will participate in the Miscellaneous 2% at age 62 risk pool that was created by the CalPERS Board in November 2012 in response to the passage of PEPRA. The employer contribution rate is 6.7% of reportable compensation and will be good until June 30, 2015. This rate will not be revised until the June 30, 2013, actuarial valuation of the Miscellaneous 2% at the 62 risk pool is completed in the fall of 2014 that will set the contribution requirement for fiscal year July 1, 2015 through June 30, 2016. The member contribution rate is 6.7% of reportable compensation.

**Note 11: Other Post-Employment Benefits**

**Plan Description**

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan administered by the Public Agency Retirement Services (PARS). These benefits are provided per contract between the City and the employee associations. Separate financial statements are not available for the plan.

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City, City Council and/or the employee associations. Currently, contributions are not required from plan members. The City contributed \$307,658 during the current

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 11: Other Post-Employment Benefits (Continued)**

fiscal year to cover the required contribution rate of 8.4% of annual covered payroll (annual payroll of active employees covered by the plan). At June 30, 2013, prepaid OPEB obligation was as follows:

Annual required contribution (ARC)	\$ 307,000
Interest on net OPEB obligation	(23,620)
Adjustment to ARC	<u>53,342</u>
Annual OPEB cost	336,722
Contributions made	<u>(307,658)</u>
(Decrease) increase in Net OPEB obligation	29,064
Net OPEB obligation (asset) June 30, 2012	<u>(674,845)</u>
Net OPEB obligation (asset) June 30, 2013	<u>\$ (645,781)</u>

The contribution rate of 8.4% is based on the ARC of \$307,000, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a twenty year period.

**Annual OPEB Costs and Net OPEB Obligation (Asset)**

For the fiscal year 2012-2013, the City's annual OPEB cost (expense) was \$336,722. Information on the OPEB cost and percentage of Annual OPEB cost contributed is presented below:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/11	\$ 263,495	\$ 235,114	89.23%	\$ (704,774)
06/30/12	326,767	296,838	90.84%	(674,845)
06/30/13	336,722	307,658	91.37%	(645,781)

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

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

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Two Actuarial Valuation Dates are presented since the City implemented the provision of GASB statement No. 45 in fiscal year 2008-2009 and gets an actuarial valuation every three years.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

Note 11: Other Post-Employment Benefits (Continued)

Schedule of Funding Progress for Other Post-Employment Benefits (In thousands)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as percent of Covered Payroll	Interest Rate
Actual	1/1/2008	\$ 582	\$ 1,932	0.0%	\$ 3,430	56%	7.00%
Actual	6/30/2011	753	3,160	0.0%	3,376	94%	6.50%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.5% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 10.9% beginning January 1, 2010, and reduced by decrements to an ultimate rate of 4.5% after eight years. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2013, was twenty-six years. The number of active participants as of the plan valuation was 49.

Note 12: Conduit Debt Obligations

**Financial Cooperation Agreements**

The City from time to time has provided financial assistance to health care providers for the acquisition of equipment and facilities deemed to be in the public interest. The agreements are secured by the property financed and are payable solely from payments received on the underlying security liens. Upon repayment of the debt ownership of the property transfers to the private-sector entity served by the loan agreement, neither the Agency, the City of Duarte, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, such debt is not reported as liabilities in the accompanying financial statements.

Note 13: Commitments and Contingencies

a. Grant Audits:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City Management believes disallowance, if any, will be immaterial.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 13: Commitments and Contingencies (Continued)**

**b. Tax Increment Financing:**

The City has no power to levy and collect taxes, and any legislative property tax de-emphasis might necessarily reduce the amount of tax revenues that would otherwise be available to pay principal and interest bonds or loans from the City. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or reduction or elimination of present exceptions, would necessarily increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

**c. Construction commitments:**

The City awarded a contract for engineering services related to the Huntington Drive/Pops Road Signal project. As of June 30, 2013, the City has incurred \$0 related to this project and had remaining commitments totaling \$267,067.

**Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency**

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 16, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-R-03(A).

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

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

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

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill.

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

**a. Cash and investments**

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

Cash and investments pooled with the City	\$ 5,340,227
Cash and investments with fiscal agent	<u>5,026,738</u>
	<u>\$ 10,366,965</u>

**b. Long-Term Debt**

A description of long-term debt outstanding of the Successor Agency as of June 30, 2013, follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Fiduciary Activities:					
City Loans	\$ 9,503,703	\$ -	\$ -	\$ 9,503,703	\$ -
Merged Project - 2007 Series A	11,285,000	-	910,000	10,375,000	945,000
Merged Project - 2007 Series B	6,785,000	-	990,000	5,795,000	1,040,000
Merged Project - 2007 Series C	3,320,000	-	420,000	2,900,000	440,000
	<u>30,893,703</u>	<u>-</u>	<u>2,320,000</u>	<u>28,573,703</u>	<u>2,425,000</u>
Total - Agency Bonds					
Unamortized net original premium	32,563	-	5,719	26,844	-
	<u>30,926,266</u>	<u>\$ -</u>	<u>\$ 2,325,719</u>	<u>\$ 28,600,547</u>	<u>\$ 2,425,000</u>
Total					

City Loans

In previous fiscal years, the City made loans to the former Redevelopment Agency. As of June 30, 2013, principal on those loans was \$9,503,703.

Tax Allocation Bonds

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**\$25,645,000 Redevelopment Agency of the City of Duarte Merged Redevelopment Project Area 2007 Tax Allocation Refunding, (Consisting of Series A \$15,385,000 [Tax-exempt] and Series B \$10,260,000 [Taxable])**

In June 2007, the former Redevelopment Agency issued \$25,645,000 in Merged Redevelopment Project Area 2007 Tax Allocation Refunding bonds with interest rates ranging between 3.60% and 5.375%. The agency issued the bonds to advance refund \$15,687,343 of the outstanding series 1997 Amended Davis Addition Project Area Tax Allocation Refunding Bonds, the Series 1998 Merged Redevelopment Project Area Tax Allocation Refunding Bonds, and the series 1999 Merged Redevelopment Project Area Subordinate Tax Allocation Bonds. The Agency used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1997 series bonds, the 1998 series bonds, and the 1999 series bonds. As a result, that portion of the 1997 series bonds, the 1998 and 1999 series bonds is considered defeased, and the Agency has removed the liability from its accounts.

The Series A serial bonds mature between October 1, 2007 and October 1, 2019, and bear interest rates of 3.60% to 4.00% per annum. Term bonds maturing on October 1, 2016 to October 1, 2019, bear an interest rate of 4.00% per annum. Interest on the bonds is payable semi-annually every April 1 and October 1.

The Series B serial bonds mature between October 1, 2007 and October 1, 2017, and bear interest rates of 5.25% to 5.375% per annum. Term bonds maturing on October 1, 2010 to October 1, 2017, bear an interest rate of 5.375% per annum. Interest on the bonds is payable semi-annually every April 1 and October 1. The bonds are secured by and payable solely from a pledge of tax increment revenue. This liability was transferred to the Successor agency upon dissolution of the former redevelopment agency.

The debt service requirements to maturity for the Series A and Series B bonds are as follows:

Year Ending June 30,	Series A		Series B	
	Principal	Interest	Principal	Interest
2013-2014	\$ 945,000	\$ 388,698	\$ 1,040,000	\$ 283,531
2014-2015	980,000	353,085	1,095,000	226,153
2015-2016	1,015,000	316,178	1,155,000	165,684
2016-2017	1,050,000	276,400	1,220,000	101,856
2017-2018	1,095,000	233,500	1,285,000	34,534
2019-2023	5,290,000	217,800	-	-
<b>Total</b>	<b>\$ 10,375,000</b>	<b>\$ 1,785,661</b>	<b>\$ 5,795,000</b>	<b>\$ 811,758</b>

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**\$4,875,000 Redevelopment Agency of the City of Duarte Merged Redevelopment Project Area 2007 Tax Allocation Refunding Bonds, Series C**

In November 2007, the former Redevelopment Agency issued \$4,875,000 in Merged Redevelopment Project Area 2007 Tax Allocation Refunding bonds with an interest rate of 4% per annum. The agency issued the bonds to refund and redeem the remaining \$4,430,000 of the outstanding series 1997 Amended Davis Addition Project Area Tax Allocation Refunding Bonds. The bonds were issued under an Indenture of Trust dated November 1, 2007. Interest on the Bonds is payable on April 1 and October 1, beginning April 1, 2008.

Unless and until the Agency amends the Redevelopment Plan for the Project Area to increase the cumulative limit on the receipt of Tax Increment Revenues, the Bonds maturing on or after October 1, 2014, are subject to special mandatory redemption commencing October 1, 2008 and each October 1 thereafter, from certain excess revenues of the Project Area on a pro-rata basis with the Series A Bonds.

Bonds maturing on or before October 1, 2013, shall not be subject to optional redemption prior to their respective maturities. The Bonds maturing on or after October 1, 2014, shall be subject to redemption as shall be determined by the Agency, at the option of the Agency, on any date on or after October 2013, at the option of the Agency from any available source of funds.

A Reserve Account for the Bonds that must be maintained is equal to the lesser of 10% of the par amount of the Bonds, maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The Indenture provides that in lieu of a cash deposit, the Agency may satisfy all or a portion of a Reserve Requirement by means of a Qualified Reserve Account Credit Instrument.

Other than the Series A and Series B Bonds, the Agency may issue or incur additional Parity Debt secured by Tax Revenues on a parity with the Bonds, subject to various specific conditions as stated in the Indenture of Trust. The bonds are secured by and payable solely from a pledge of tax increment revenue. This liability was transferred to the Successor agency upon dissolution of the former redevelopment agency.

The debt service requirements to maturity for the Series C bonds are as follow:

Year Ending June 30,	Series C	
	Principal	Interest
2013-2014	\$ 440,000	\$ 107,200
2014-2015	455,000	89,300
2015-2016	475,000	70,700
2016-2017	490,000	51,400
2017-2018	505,000	31,500
2019-2023	535,000	10,700
Total	<u>\$ 2,900,000</u>	<u>\$ 360,800</u>

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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Note 14: **Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the former Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$22,028,219 with annual debt service requirements as indicated above. For the current year, the debt service obligation on the bonds was \$3,205,503 and tax revenues received to pay enforceable obligations was \$6,276,001.

**c. Insurance**

The Successor Agency is covered under the City of Duarte's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 8.

**d. Commitments and Contingencies**

At June 30, 2013, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

**e. Subsequent Events**

Assembly Bill 1484

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. During fiscal year 2011-2012, the Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$9,395,398, which was paid in December 2012. In addition, the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$7,390,118, which was paid in October 2013.

**f. Extraordinary item:**

The City recognized an extraordinary loss in the amount of \$7,390,118 and the Successor Agency recognized an extraordinary gain for \$7,390,118 for assets which should have been transferred to the Successor Agency upon dissolution of the former redevelopment agency, as determined by the Department of Finance.

CITY OF DUARTE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 14: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**g. Changes in accounting principle:**

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

**h. Restatement of Net Position:**

As restatement was recorded by the Successor Agency for \$494,162 as part of the City's implementation of GASB Statement 65.

CITY OF DUARTE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Special Revenue Funds			
	State Gasoline Tax	Lighting & Landscaping	Community Development Block Grant	Supplemental Law Enforcement
<b>Assets:</b>				
Pooled cash and investments	\$ 303,948	\$ 136,770	\$ 6	\$ 58,046
Receivables:				
Taxes	47,708	18,005	-	-
Grants	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 351,656</b>	<b>\$ 154,775</b>	<b>\$ 6</b>	<b>\$ 58,046</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 75,782	\$ -	\$ 43,500
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>75,782</b>	<b>-</b>	<b>43,500</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	24,700	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>24,700</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Development projects	-	54,293	6	-
Public safety	-	-	-	14,546
Recreation and culture	-	-	-	-
Transportation	351,656	-	-	-
Debt service	-	-	-	-
<b>Assigned to:</b>				
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<b>351,656</b>	<b>54,293</b>	<b>6</b>	<b>14,546</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 351,656</b>	<b>\$ 154,775</b>	<b>\$ 6</b>	<b>\$ 58,046</b>

CITY OF DUARTE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Bicycle & Pedestrian	Air Quality Management	Community Challenge Grant	Park Development Grant
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 41,817	\$ 16,853	\$ 16,019
Receivables:				
Taxes	-	-	-	-
Grants	1,372	6,763	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,372</b>	<b>\$ 48,580</b>	<b>\$ 16,853</b>	<b>\$ 16,019</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 260	\$ -	\$ 16,000
Accrued liabilities	-	-	-	-
Due to other funds	1,372	-	-	-
<b>Total Liabilities</b>	<b>1,372</b>	<b>260</b>	<b>-</b>	<b>16,000</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Development projects	-	-	-	-
Public safety	-	-	-	-
Recreation and culture	-	-	16,853	19
Transportation	-	48,320	-	-
Debt service	-	-	-	-
<b>Assigned to:</b>				
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>48,320</b>	<b>16,853</b>	<b>19</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,372</b>	<b>\$ 48,580</b>	<b>\$ 16,853</b>	<b>\$ 16,019</b>

CITY OF DUARTE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Special Revenue Funds			
	Quimby Act	Prop A Transit	Prop C Transit	PEG
<b>Assets:</b>				
Pooled cash and investments	\$ 53,565	\$ 2,391,610	\$ 294,086	\$ 116,218
Receivables:				
Taxes	-	-	-	-
Grants	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 53,565</b>	<b>\$ 2,391,610</b>	<b>\$ 294,086</b>	<b>\$ 116,218</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 24,759	\$ -	\$ -
Accrued liabilities	-	1,888	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>26,647</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Development projects	-	-	-	116,218
Public safety	-	-	-	-
Recreation and culture	53,565	-	-	-
Transportation	-	2,364,963	294,086	-
Debt service	-	-	-	-
<b>Assigned to:</b>				
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<b>53,565</b>	<b>2,364,963</b>	<b>294,086</b>	<b>116,218</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 53,565</b>	<b>\$ 2,391,610</b>	<b>\$ 294,086</b>	<b>\$ 116,218</b>

CITY OF DUARTE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds	Capital Projects Funds		Debt Service Funds
	Measure R LR Transit Fund	Community Improvement	Inclusionary Housing	Town Center Debt Service
<b>Assets:</b>				
Pooled cash and investments	\$ 281,592	\$ 203,447	\$ 498,735	\$ 519,125
Receivables:				
Taxes	-	-	-	-
Grants	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	3,855
<b>Total Assets</b>	<b>\$ 281,592</b>	<b>\$ 203,447</b>	<b>\$ 498,735</b>	<b>\$ 522,980</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,109	\$ 21,500	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>5,109</b>	<b>21,500</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Development projects	-	-	498,735	-
Public safety	-	-	-	-
Recreation and culture	-	-	-	-
Transportation	276,483	-	-	-
Debt service	-	-	-	522,980
<b>Assigned to:</b>				
Capital Projects	-	181,947	-	-
<b>Total Fund Balances</b>	<b>276,483</b>	<b>181,947</b>	<b>498,735</b>	<b>522,980</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 281,592</b>	<b>\$ 203,447</b>	<b>\$ 498,735</b>	<b>\$ 522,980</b>

CITY OF DUARTE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	<b>Total Governmental Funds</b>
<b>Assets:</b>	
Pooled cash and investments	\$ 4,931,837
Receivables:	
Taxes	65,713
Grants	8,135
Restricted assets:	
Cash and investments with fiscal agents	<u>3,855</u>
<b>Total Assets</b>	<b><u>\$ 5,009,540</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 186,910
Accrued liabilities	1,888
Due to other funds	<u>1,372</u>
<b>Total Liabilities</b>	<b><u>190,170</u></b>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenues	<u>24,700</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>24,700</u></b>
<b>Fund Balances:</b>	
<b>Restricted for:</b>	
Development projects	669,252
Public safety	14,546
Recreation and culture	70,437
Transportation	3,335,508
Debt service	522,980
<b>Assigned to:</b>	
Capital Projects	<u>181,947</u>
<b>Total Fund Balances</b>	<b><u>4,794,670</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 5,009,540</u></b>

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CITY OF DUARTE

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

	Special Revenue Funds			
	State Gasoline Tax	Lighting & Landscaping	Community Development Block Grant	Supplemental Law Enforcement
<b>Revenues:</b>				
Assessments	\$ -	\$ 1,212,444	\$ -	\$ -
Intergovernmental	524,937	-	18,947	135,000
Charges for services	-	-	-	-
Use of money and property	1,714	-	-	132
Miscellaneous	-	2,221	-	-
<b>Total Revenues</b>	<b>526,651</b>	<b>1,214,665</b>	<b>18,947</b>	<b>135,132</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Safety	-	-	-	144,642
Development	-	1,274,576	18,947	-
Recreation and Culture	-	-	-	-
Transportation	1,405,420	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,405,420</b>	<b>1,274,576</b>	<b>18,947</b>	<b>144,642</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(878,769)	(59,911)	-	(9,510)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	268,920	-	-
Transfers out	-	(225,000)	-	-
Refunding bonds issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>43,920</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(878,769)	(15,991)	-	(9,510)
Fund Balances, Beginning of Year	1,230,425	70,284	6	24,056
<b>Fund Balances, End of Year</b>	<b>\$ 351,656</b>	<b>\$ 54,293</b>	<b>\$ 6</b>	<b>\$ 14,546</b>

CITY OF DUARTE

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

(CONTINUED)

	Special Revenue Funds			
	Bicycle & Pedestrian	Air Quality Management	Community Challenge Grant	Park Development Grant
<b>Revenues:</b>				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	16,464	25,830	-	16,000
Charges for services	-	-	-	-
Use of money and property	-	-	-	154
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>16,464</b>	<b>25,830</b>	<b>-</b>	<b>16,154</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Safety	-	-	-	-
Development	-	-	-	-
Recreation and Culture	-	-	2,458	-
Transportation	-	3,850	-	-
Capital outlay	16,464	-	-	16,672
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>16,464</b>	<b>3,850</b>	<b>2,458</b>	<b>16,672</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	21,980	(2,458)	(518)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(96,632)
Refunding bonds issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(96,632)</b>
Net Change in Fund Balances	-	21,980	(2,458)	(97,150)
Fund Balances, Beginning of Year	-	26,340	19,311	97,169
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 48,320</b>	<b>\$ 16,853</b>	<b>\$ 19</b>

CITY OF DUARTE

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

	Special Revenue Funds			
	Quimby Act	Prop A Transit	Prop C Transit	PEG
<b>Revenues:</b>				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	396,061	296,731	-
Charges for services	-	-	-	23,801
Use of money and property	-	8,255	1,243	133
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>404,316</b>	<b>297,974</b>	<b>23,934</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Safety	-	-	-	-
Development	-	-	-	-
Recreation and Culture	-	-	-	-
Transportation	-	692,402	10,000	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>692,402</b>	<b>10,000</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(288,086)	287,974	23,934
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	301,300	-	-
Transfers out	-	-	(301,300)	-
Refunding bonds issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>301,300</b>	<b>(301,300)</b>	<b>-</b>
Net Change in Fund Balances	-	13,214	(13,326)	23,934
Fund Balances, Beginning of Year	53,565	2,351,749	307,412	92,284
<b>Fund Balances, End of Year</b>	<b>\$ 53,565</b>	<b>\$ 2,364,963</b>	<b>\$ 294,086</b>	<b>\$ 116,218</b>

## CITY OF DUARTE

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

(CONTINUED)

	Special Revenue Funds	Capital Projects Funds		Debt Service Funds
	Measure R LR Transit Fund	Community Improvement	Inclusionary Housing	Town Center Debt Service
<b>Revenues:</b>				
Assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	222,026	187,657	-	-
Charges for services	-	-	-	-
Use of money and property	935	17,583	1,758	1,405
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>222,961</b>	<b>205,240</b>	<b>1,758</b>	<b>1,405</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	91,138
Safety	-	-	-	-
Development	-	-	-	-
Recreation and Culture	-	-	-	-
Transportation	-	-	-	-
Capital outlay	275,571	141,516	-	-
Debt service:				
Principal retirement	-	-	-	1,340,000
Interest and fiscal charges	-	-	-	21,878
<b>Total Expenditures</b>	<b>275,571</b>	<b>141,516</b>	<b>-</b>	<b>1,453,016</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,610)	63,724	1,758	(1,451,611)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	42,464	-	225,000
Transfers out	(20,000)	-	-	-
Refunding bonds issued	-	-	-	1,337,750
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>42,464</b>	<b>-</b>	<b>1,562,750</b>
Net Change in Fund Balances	(72,610)	106,188	1,758	111,139
Fund Balances, Beginning of Year	349,093	75,759	496,977	411,841
<b>Fund Balances, End of Year</b>	<b>\$ 276,483</b>	<b>\$ 181,947</b>	<b>\$ 498,735</b>	<b>\$ 522,980</b>

CITY OF DUARTE

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

	<u>Total Governmental Funds</u>
<b>Revenues:</b>	
Assessments	\$ 1,212,444
Intergovernmental	1,839,653
Charges for services	23,801
Use of money and property	33,312
Miscellaneous	<u>2,221</u>
<b>Total Revenues</b>	<b><u>3,111,431</u></b>
<b>Expenditures:</b>	
Current:	
General government	91,138
Safety	144,642
Development	1,293,523
Recreation and Culture	2,458
Transportation	2,111,672
Capital outlay	450,223
Debt service:	
Principal retirement	1,340,000
Interest and fiscal charges	<u>21,878</u>
<b>Total Expenditures</b>	<b><u>5,455,534</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,344,103)</u>
<b>Other Financing Sources (Uses):</b>	
Transfers in	837,684
Transfers out	(642,932)
Refunding bonds issued	<u>1,337,750</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>1,532,502</u></b>
Net Change in Fund Balances	<u>(811,601)</u>
Fund Balances, Beginning of Year	<u>5,606,271</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 4,794,670</u></b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 STATE GASOLINE TAX  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,230,425	\$ 1,230,425	\$ 1,230,425	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	607,800	607,800	524,937	(82,863)
Use of money and property	4,000	4,000	1,714	(2,286)
<b>Amounts Available for Appropriation</b>	<b>1,842,225</b>	<b>1,842,225</b>	<b>1,757,076</b>	<b>(85,149)</b>
<b>Charges to Appropriation (Outflow):</b>				
Transportation	270,400	1,391,400	1,405,420	(14,020)
<b>Total Charges to Appropriations</b>	<b>270,400</b>	<b>1,391,400</b>	<b>1,405,420</b>	<b>(14,020)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,571,825</b>	<b>\$ 450,825</b>	<b>\$ 351,656</b>	<b>\$ (99,169)</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 LIGHTING & LANDSCAPING  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 70,284	\$ 70,284	\$ 70,284	\$ -
<b>Resources (Inflows):</b>				
Assessments	1,192,400	1,192,400	1,212,444	20,044
Miscellaneous	1,000	1,000	2,221	1,221
Transfers in	227,000	227,000	268,920	41,920
<b>Amounts Available for Appropriation</b>	<b>1,490,684</b>	<b>1,490,684</b>	<b>1,553,869</b>	<b>63,185</b>
<b>Charges to Appropriation (Outflow):</b>				
Development	1,195,400	1,216,200	1,274,576	(58,376)
Transfers out	225,000	225,000	225,000	-
<b>Total Charges to Appropriations</b>	<b>1,420,400</b>	<b>1,441,200</b>	<b>1,499,576</b>	<b>(58,376)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 70,284</b>	<b>\$ 49,484</b>	<b>\$ 54,293</b>	<b>\$ 4,809</b>

CITY OF DUARTE

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6	\$ 6	\$ 6	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	19,000	18,947	(53)
<b>Amounts Available for Appropriation</b>	<b>6</b>	<b>19,006</b>	<b>18,953</b>	<b>(53)</b>
<b>Charges to Appropriation (Outflow):</b>				
Development	-	19,000	18,947	53
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>19,000</b>	<b>18,947</b>	<b>53</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ -</b>

CITY OF DUARTE

**BUDGETARY COMPARISON SCHEDULE  
 SUPPLEMENTAL LAW ENFORCEMENT FUND  
 YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,056	\$ 24,056	\$ 24,056	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	135,000	135,000	-
Use of money and property	-	-	132	132
<b>Amounts Available for Appropriation</b>	<b>124,056</b>	<b>159,056</b>	<b>159,188</b>	<b>132</b>
<b>Charges to Appropriation (Outflow):</b>				
Safety	100,000	135,000	144,642	(9,642)
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>135,000</b>	<b>144,642</b>	<b>(9,642)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 24,056</b>	<b>\$ 24,056</b>	<b>\$ 14,546</b>	<b>\$ (9,510)</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 BICYCLE & PEDESTRIAN  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	11,200	11,200	16,464	5,264
<b>Amounts Available for Appropriation</b>	<b>11,200</b>	<b>11,200</b>	<b>16,464</b>	<b>5,264</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	11,200	11,200	16,464	(5,264)
<b>Total Charges to Appropriations</b>	<b>11,200</b>	<b>11,200</b>	<b>16,464</b>	<b>(5,264)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 AIR QUALITY MANAGEMENT  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,340	\$ 26,340	\$ 26,340	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	29,000	29,000	25,830	(3,170)
Use of money and property	100	100	-	(100)
<b>Amounts Available for Appropriation</b>	<b>55,440</b>	<b>55,440</b>	<b>52,170</b>	<b>(3,270)</b>
<b>Charges to Appropriation (Outflow):</b>				
Transportation	11,300	12,800	3,850	8,950
<b>Total Charges to Appropriations</b>	<b>11,300</b>	<b>12,800</b>	<b>3,850</b>	<b>8,950</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 44,140</b>	<b>\$ 42,640</b>	<b>\$ 48,320</b>	<b>\$ 5,680</b>

CITY OF DUARTE

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 97,169	\$ 97,169	\$ 97,169	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	16,000	16,000	16,000	-
Use of money and property	-	-	154	154
<b>Amounts Available for Appropriation</b>	<b>113,169</b>	<b>113,169</b>	<b>113,323</b>	<b>154</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	16,000	16,000	16,672	(672)
Transfers out	-	-	96,632	(96,632)
<b>Total Charges to Appropriations</b>	<b>16,000</b>	<b>16,000</b>	<b>113,304</b>	<b>(97,304)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 97,169</b>	<b>\$ 97,169</b>	<b>\$ 19</b>	<b>\$ (97,150)</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 QUIMBY ACT  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 53,565	\$ 53,565	\$ 53,565	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	100	100	-	(100)
<b>Amounts Available for Appropriation</b>	<b>53,665</b>	<b>53,665</b>	<b>53,565</b>	<b>(100)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	15,000	15,000	-	15,000
<b>Total Charges to Appropriations</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 38,665</b>	<b>\$ 38,665</b>	<b>\$ 53,565</b>	<b>\$ 14,900</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 PROP A TRANSIT  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,351,749	\$ 2,351,749	\$ 2,351,749	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	361,700	361,700	396,061	34,361
Use of money and property	20,000	20,000	8,255	(11,745)
Transfers in	301,300	301,300	301,300	-
<b>Amounts Available for Appropriation</b>	<b>3,034,749</b>	<b>3,034,749</b>	<b>3,057,365</b>	<b>22,616</b>
<b>Charges to Appropriation (Outflow):</b>				
Transportation	683,000	702,000	692,402	9,598
<b>Total Charges to Appropriations</b>	<b>683,000</b>	<b>702,000</b>	<b>692,402</b>	<b>9,598</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,351,749</b>	<b>\$ 2,332,749</b>	<b>\$ 2,364,963</b>	<b>\$ 32,214</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 PROP C TRANSIT  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 307,412	\$ 307,412	\$ 307,412	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	280,000	280,000	296,731	16,731
Use of money and property	3,000	3,000	1,243	(1,757)
<b>Amounts Available for Appropriation</b>	<b>590,412</b>	<b>590,412</b>	<b>605,386</b>	<b>14,974</b>
<b>Charges to Appropriation (Outflow):</b>				
Transportation	10,000	10,000	10,000	-
Transfers out	301,300	301,300	301,300	-
<b>Total Charges to Appropriations</b>	<b>311,300</b>	<b>311,300</b>	<b>311,300</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 279,112</b>	<b>\$ 279,112</b>	<b>\$ 294,086</b>	<b>\$ 14,974</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 PEG  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 92,284	\$ 92,284	\$ 92,284	\$ -
<b>Resources (Inflows):</b>				
Charges for services	25,000	25,000	23,801	(1,199)
Use of money and property	300	300	133	(167)
<b>Amounts Available for Appropriation</b>	<b>117,584</b>	<b>117,584</b>	<b>116,218</b>	<b>(1,366)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	115,000	115,000	-	115,000
<b>Total Charges to Appropriations</b>	<b>115,000</b>	<b>115,000</b>	<b>-</b>	<b>115,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,584</b>	<b>\$ 2,584</b>	<b>\$ 116,218</b>	<b>\$ 113,634</b>

CITY OF DUARTE

**BUDGETARY COMPARISON SCHEDULE  
MEASURE R LR TRANSIT FUND  
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 349,093	\$ 349,093	\$ 349,093	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	208,000	208,000	222,026	14,026
Use of money and property	1,400	1,400	935	(465)
<b>Amounts Available for Appropriation</b>	<b>558,493</b>	<b>558,493</b>	<b>572,054</b>	<b>13,561</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	271,000	271,000	275,571	(4,571)
Transfers out	-	20,000	20,000	-
<b>Total Charges to Appropriations</b>	<b>271,000</b>	<b>291,000</b>	<b>295,571</b>	<b>(4,571)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 287,493</b>	<b>\$ 267,493</b>	<b>\$ 276,483</b>	<b>\$ 8,990</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY IMPROVEMENT  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 75,759	\$ 75,759	\$ 75,759	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	187,657	187,657
Use of money and property	-	-	17,583	17,583
Transfers in	-	-	42,464	42,464
<b>Amounts Available for Appropriation</b>	<b>75,759</b>	<b>75,759</b>	<b>323,463</b>	<b>247,704</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	117,100	317,100	141,516	175,584
<b>Total Charges to Appropriations</b>	<b>117,100</b>	<b>317,100</b>	<b>141,516</b>	<b>175,584</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (41,341)</b>	<b>\$ (241,341)</b>	<b>\$ 181,947</b>	<b>\$ 423,288</b>

CITY OF DUARTE

BUDGETARY COMPARISON SCHEDULE  
 INCLUSIONARY HOUSING  
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 496,977	\$ 496,977	\$ 496,977	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,800	1,800	1,758	(42)
<b>Amounts Available for Appropriation</b>	<u>498,777</u>	<u>498,777</u>	<u>498,735</u>	<u>(42)</u>
<b>Budgetary Fund Balance, June 30</b>	<u>\$ 498,777</u>	<u>\$ 498,777</u>	<u>\$ 498,735</u>	<u>\$ (42)</u>

CITY OF DUARTE

**BUDGETARY COMPARISON SCHEDULE  
TOWN CENTER DEBT SERVICE  
YEAR ENDED JUNE 30, 2013**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 411,841	\$ 411,841	\$ 411,841	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	900	900	1,405	505
Transfers in	225,000	225,000	225,000	-
Refunding bonds issued	-	-	1,337,750	1,337,750
<b>Amounts Available for Appropriation</b>	<b>637,741</b>	<b>637,741</b>	<b>1,975,996</b>	<b>1,338,255</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	32,000	32,000	91,138	(59,138)
Debt service:				
Principal retirement	100,000	100,000	1,340,000	(1,240,000)
Interest and fiscal charges	31,100	31,100	21,878	9,222
<b>Total Charges to Appropriations</b>	<b>163,100</b>	<b>163,100</b>	<b>1,453,016</b>	<b>(1,289,916)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 474,641</b>	<b>\$ 474,641</b>	<b>\$ 522,980</b>	<b>\$ 48,339</b>

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November 21, 2013

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Duarte (the City) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

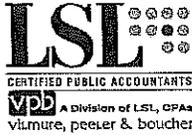
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.



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

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of audit procedures by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
GASB 31 Adjustment	\$ (4,312)
State of California Energy Resources Loan	(209,432)
Cumulative effect (before effect of prior year differences)	(213,744)
Effect of unadjusted audit difference - prior year	-
Cumulative effect (after effect of prior year differences)	\$ (213,744)

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 21, 2013.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



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

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2012-2013 audit:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. *The City was not affected by this pronouncement at this time.*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statement 14 and 34*. *The City properly implemented this pronouncement.*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. *The City properly implemented this pronouncement.*

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. *The City properly implemented this pronouncement.*

The City elected to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2013-2014 audit and should be reviewed for proper implementation by management:

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

This information is intended solely for the use of the members of the City Council or individual(s) charged with governance and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brea, California