

City of Covina California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2008

City of Covina California



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CITY OF COVINA, CALIFORNIA
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CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

February 27, 2009

Honorable Mayor and City Council
City of Covina
Covina, California

The Comprehensive Annual Financial Report of the City of Covina, California, as of June 30, 2008 and for the year then ended, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements are the responsibility of the City of Covina's management. Completeness and reliability of the information contained in this report is based upon a comprehensive framework of internal controls that is established for this purpose. The costs of internal control should not exceed the anticipated benefits. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Management's Discussion and Analysis (MD&A) interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variations in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. MD&A complement this letter of transmittal and should be read in conjunction with it.

Independent Audit. City policy requires that its financial statements be audited by a certified public accountant. Macias Gini and O'Connell, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Covina's financial statements for the fiscal year ended June 30, 2008. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report.

The City of Covina is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Not for Profit Organizations*. A separate single audit report includes the schedule of expenditures of federal awards, auditors' report on the internal control structure, and compliance with applicable laws and regulations.

Profile of the City of Covina

The City of Covina is a mature, suburban city located twenty-three miles east of downtown Los Angeles in the eastern portion of the San Gabriel Valley. The City encompasses an area of approximately seven square miles and is virtually completely built out. There are four major retail areas, three industrial areas, and an office park and high rise. The current population is 49,720 according to the State of California Department of Finance.

The City is a general law city, incorporated in 1901. The City Council is composed of five members elected biannually at large to four year alternating terms. The Mayor and Mayor Pro Tem are selected by the City Council.

The City has a Council/Manager form of government. The City Manager is appointed by the City Council to manage the daily affairs of the City and to implement policies established by the Council.

This report includes all the funds of the City. The City provides a full range of services including police and fire protection; construction and maintenance of highways, streets and infrastructure; library and recreational services; public transportation; planning and economic development; housing; and administrative services. In addition to general municipal activities, the City provides water, sewer, and refuse and recycling collection services.

The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City of Covina’s financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g., police patrol). Department heads may transfer resources within each activity as needed. The City Manager may transfer resources between activities within a fund. Transfers between funds require approval from the City Council.

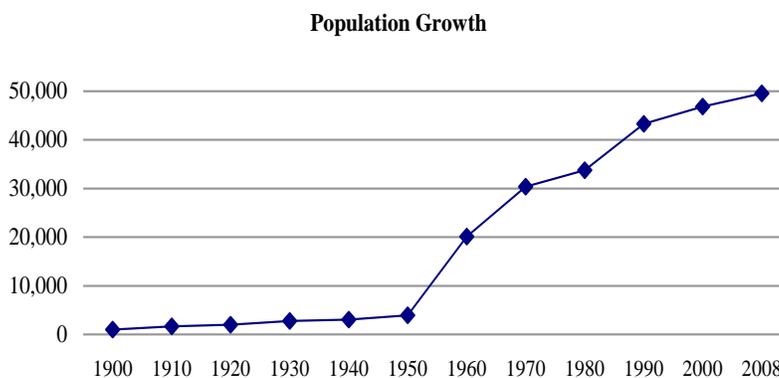
In accordance with the reporting entity definition of the Government Accounting Standards Board, the City has included the Covina Public Finance Authority and Covina Redevelopment Agency in the financial report. The Covina Redevelopment Agency was created in 1969, pursuant to the State of California Health and Safety Code, Section 33000 to provide for certain economic development activities and is governed by the City Council.

Several state and county agencies, and school districts provide services to the City, but do not meet the established criteria for inclusion, and accordingly are excluded from this report.

Economic Condition and Outlook

The prospects for the future of the City of Covina are good. The population has grown as follows:

<u>Year</u>	<u>Population</u>
1900	1,000
1910	1,652
1920	1,999
1930	2,775
1940	3,043
1950	3,956
1960	20,124
1970	30,380
1980	33,751
1990	43,287
2000	46,837
2008	49,552



Source: City of Covina Planning Division and State Department of Finance.

Much of the local development of Covina occurred during the post-World War II building boom, which took place from the late 1940’s through the 1960’s. Prior to the building boom, Covina was a major citrus producing area.

The character of the City of Covina is one of predominantly low to medium density residential and low-intensity commercial and light industrial uses. Single-family residential properties are the most common use. In addition, there are many commercial establishments, particularly community and neighborhood shopping centers, and a relatively large number of small to medium-sized professional offices and light manufacturing operations. The local economy is based on a variety of service, retail, and light manufacturing businesses as well as government agencies.

The City’s economy always has been healthy, though relatively small in population and area. Covina consistently ranks high in retail sales tax generation and sales tax per capita among San Gabriel Valley cities. Despite being in the middle of the well-established San Gabriel Valley, Covina retains a small-town atmosphere. The nearby San Bernardino, Foothill, and Orange Freeways, and the Southern California Regional Rail Authority Metrolink Commuter Rail Line link the City to other areas of metropolitan Los Angeles.

The City of Covina is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City of Covina for calendar years 2004 through September 2008:

LOS ANGELES COUNTY AND CITY OF COVINA STATISTICAL AREA
 Civilian Labor Force, Employment, Unemployment and Unemployment Rate
 Annual Averages (000's) ⁽¹⁾

	2004		2005		2006		2007 ⁽²⁾		2008	
	County	City	County	City	County	City	County	City	County	City
Civilian labor force ⁽³⁾	4,710	25.6	4,887	25.7	4,861	26.2	4,975	26.7	4,995	26.3
Employment	4,494	24.4	4,641	24.8	4,632	25.3	4,717	25.7	4,717	25.2
Unemployment	316	1.2	246	0.9	229	0.9	258	1.0	278	1.10
Unemployment rate	4.59%	4.7%	5.0%	3.7%	4.7%	3.3%	5.2%	3.6%	5.57%	4.18%

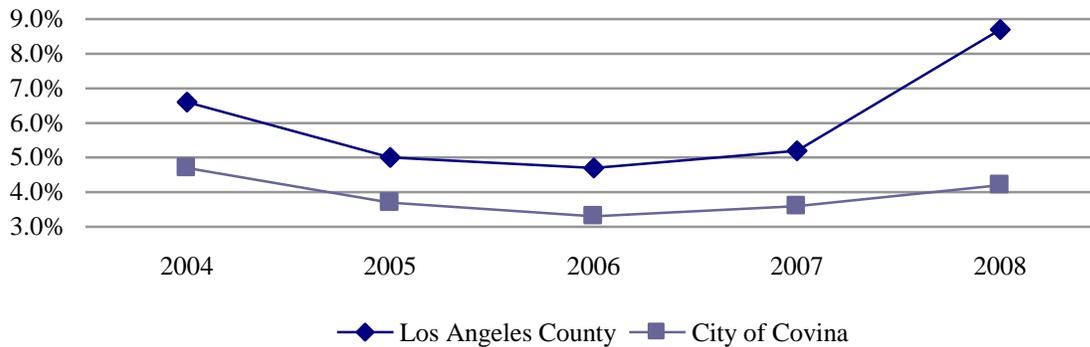
⁽¹⁾ Not seasonally adjusted.

⁽²⁾ Figures as of nine months ending September 2005.

⁽³⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: Labor Market Information Division of the California State Employment Development Department.

**Unemployment Rate
 Covina versus LA County**



The City's average unemployment rate has been consistently lower than the Los Angeles County area average.

Long-term Financial Planning

As part of a financial strategic plan, the City Council developed the following budget policy guidelines for budgetary and financial planning purposes:

Program - Base Budget

1. *Appropriations*

- Each program will identify activities and the recommended appropriations
- Identify recurring vs. nonrecurring appropriations
- Identify general vs. restricted appropriations
- Continuing appropriations for year-end
 - *Encumbrances and contractual commitments*
 - *Grant, restricted donation and capital project appropriations are considered life-cycle appropriations*
 - *All other appropriations shall lapse at year-end unless carried forward by City Council action*

2. *Estimated Revenues*

- Estimated revenues will be identified by fund, program and activity
- Fund types include general, special revenue, debt service, capital projects, enterprise and internal service
- Identify recurring vs. nonrecurring revenues
- Identify general revenues vs. restricted revenues

3. *Fund Balances/Working Capital*

- Program-base budget will calculate available fund balances and/or working capital available in the various funds
- Program-base budget will establish adequate reserves
 - *Capital needs*
 - *Offset economic hard times*
 - *Stabilize fluctuations in cash flow requirements*
 - *Emergency Situations*
- General Fund
 - *Minimum of three months working capital reserve exclusive of risk management requirements*
 - *Excess reserves will be designated for nonrecurring activities or capital improvements*
- Restricted Funds
 - *Reserves can be used for only designated purposes*
 - *Excess reserves can be designated for recurring and nonrecurring activities or capital improvements depending on the nature of the fund*

Program – Base Budget Will Link Resources with Results

1. *Identifying community needs for essential services*
2. *Describing the programs required to provide the essential services*
3. *Identifying the purpose of activities performed in delivering services*
4. *Establishing goals and objectives which define the nature and level of services required*
5. *Identifying resources required to perform program activities and accomplish goals and objectives*
6. *Setting standards to measure and evaluate*
 - Output and outcomes of program activities
 - Accomplishment of program activities
 - Staffing levels
 - Program activity revenue and appropriations
 - *Make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses*
 - *The greater the uncertainty and/or volatility of the budgetary and financial estimates, the more conservative the estimates*

Program Base Budget-Change in Service

1. *The base budget is the required appropriation level needed to maintain the previous year budget service level*
2. *Change in service is the proposed increase or decrease in service level in the program-based budget activity*
3. *Increase in services shall be offset with new revenue or a corresponding decrease in other program services*
4. *Grants shall not have a negative impact on General Fund services*
5. *Future operating grants will not be funded by the General Fund unless there is a new revenue source or decrease in other program services*

Program – Base Budget Shall Be Balanced On a Long-Term Basis

1. *Ongoing and recurring costs shall be funded with ongoing and recurring revenues*
2. *One-time and nonrecurring costs shall be funded with excess ongoing revenues, available one-time revenues or excess reserves*
3. *One-time or nonrecurring revenues shall not fund ongoing cost*
4. *Current costs shall be recognized and funded in the current year, not deferred or funded in future years*
5. *Maintain current full costs providing City services*
6. *The General Fund shall maintain a minimum 1% operating contingency for unanticipated events*
7. *Make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only a portion of the tax paying public*
8. *Review financial position based on a five-year financial profile analysis*
 - Formalize five-year capital improvement
 - Formalize five-year personnel need program
 - Formalize five-year operating program
9. *The purpose of the five-year financial plan*
 - Identify priorities
 - Service levels
 - Revenue sources
 - Trends
 - Future impact on decisions made today

Infrastructure Maintenance

1. *Identify preventive maintenance of infrastructure to minimize future expenditure*
2. *Amortize capital costs*
 - Replacing or expanding existing facilities and equipment
 - With respect to equipment, rates shall be established to recover the replacement cost of each item at the end of its useful life
 - Facilities shall be amortized to cover ongoing maintenance and cyclical repairs, and for the replacement or expansion of major structures

Exceptions

1. *City Council/Agency Board authorization required*
 - Emergencies
 - Loans

Implementation

1. *The City Manager shall be responsible for the preparation and submission of the program-based budget*
- 2) *The City Manager shall be authorized to make the appropriate changes to adhere to the budget policy*

A majority of the policy guidelines has implemented to date. City staff is in the process of developing a five-year financial plan.

Major Initiatives

For the Year. The City of Covina library was one of six libraries in the State of California to be awarded a “California of the Past” Digital Storytelling Station Pilot Program grant. The library received a workstation for recording stories and \$7,000 cash for expenses. Most of our stories were from senior citizens relating experiences of their younger days. So far, 30 stories have been collected are available for viewing at www.covina.blip.tv. The library also hosted a library sleepover for children “Snoozin’ in the stacks” that was very popular and a lot of fun the staff and children. The summer Reading Program was a hit with the children. Its insect theme gathered a lot of attention, as did the hatching butterflies in the jars at the Circulation Desk.

The parks and recreation program successfully implemented a new CLASS registration software, handled more than 30,000 customer contacts and provided outstanding customer service to the citizens of Covina and our surrounding communities. The aquatics program served 3,324 participants and implemented the Parent & Me practice swim sessions. Nine successful day excursions were held this year, with 347 participants participating. The Leisure Lifestyle Class Program had attendance of 4,078. This Program hosted the Fall 2007 Dance Recital, with 300 performers and 800 audience members. The 8th Annual Tennis Tournament was also hosted. There was also a Spring 2008 Dance Recital, with 300 performers and 800 audience members. The Parks Maintenance Division coordinated four community service projects, completed the Trails Project at Jalapa Park, the Covina Park Restroom and Improvement Project and the Kahler Russell Park Tennis and Paddle Ball Court Project. The Recreation Services Division’s Halloween Carnival attendance increased by 500, and the Teen/Family Trips hosted throughout the year were sold out. In the Senior Services Division, 5,191 volunteer hours were donated, the Joslyn Center hosted 13 successful events servicing 1,444 participants, the flu shot clinic served 200, and the senior trips were attended by 497 participants. The Community Program Division facilitated nine youth sports organizations with overall attendance of 4,500, assisted with the completion of the AYSO-Region 602 Snack Shack facility, and provided facilities for the Covina Hills Girls Softball League’s first A.S.A. Girls Fast Pitch Softball Tournament that brought over 31 teams from all over Southern California to Covina.

The Public Works Department completed a total of \$1.8 million of street and water distribution system and fire suppression improvements in a variety of industrial and residential areas; including the Front Street east of Azusa Avenue, Front Street between Citrus Avenue and Barranca Avenue, and the entire residential area bordered by Citrus Avenue, Covina Boulevard, Barranca Avenue and Cypress Street.

Other completed Public Works projects included the design and construction of various security improvements at the City’s Charter Oak and Forestdale reservoirs, the installation of handicapped ramps at various locations to meet Americans with Disabilities Act requirements, and the implementation of a “reverse 9-1-1” messaging system to communicate potential water contamination and other emergency situations to residents and local businesses.

The Covina Center for the Performing Arts (CCPA) renovation was completed in October, 2007. The new multimillion dollar CCPA includes the state of the art sound and lighting for its patrons. The center is located on 104 North Citrus Avenue is the primary performing locale in the East San Gabriel Valley. The facility will also be available for conferences, seminars and special events.

The Redevelopment Agency assisted expansion of Bert's Mega mall on Azusa Avenue, the nation's largest motorcycle, watercraft and ATV superstore. Store renovations were complete in April, 2008. The Redevelopment Agency acquired several parcels in the downtown area, north of City Hall to prepare for the civic center project, a mixed-use development planned for the east side of the 300 block of North Citrus Avenue.

The construction of a 115 thousand square foot Home Depot store at the Azusa/Badillo Commercial Center was completed and opened in December 2007.

For the Future. The City is nearing completion of a new 125 space parking structure located across from City Hall on College Street. The new parking facility will assist patrons of the renovated Covina Center for the Performing Arts (CCPA), downtown businesses and provide parking for transit riders. The project is funded with redevelopment agency and other restricted funds and should be completed in November, 2008.

Public Works will be constructing over \$3 million of street, sewer, water distribution and fire suppression system improvements in various residential and commercial areas including the Adams Park area, the Grovecenter area west of Azusa Avenue, Wingate between Grand and Glendora, and the entire residential area bordered by Cypress Street, Citrus Avenue, Edna Place, and the westerly city limit.

In recognition of the need for heavy investment in the city's infrastructure, Public Works will also be taking the necessary steps to request significant rate increases for both the Sanitary Sewer District and the Water Utility District to fund the improvement of these two enterprise activities outside the scope of the General Fund.

Several Redevelopment Agency assisted new building facades will be completed in the downtown area in the coming year.

The Community Development Department and the Redevelopment Agency are working to simplify and streamline the development process so that as the economy recovers and development once again begins to increase, the City will be prepared to provide efficient and effective service.

Awards and Acknowledgments

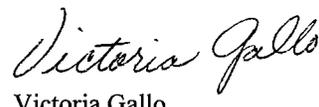
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Covina for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the sixth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the finance department. Credit also must be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Covina's finances.

Sincerely,


Cynthia J. Kurtz
Interim City Manager


Victoria Gallo
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covina
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



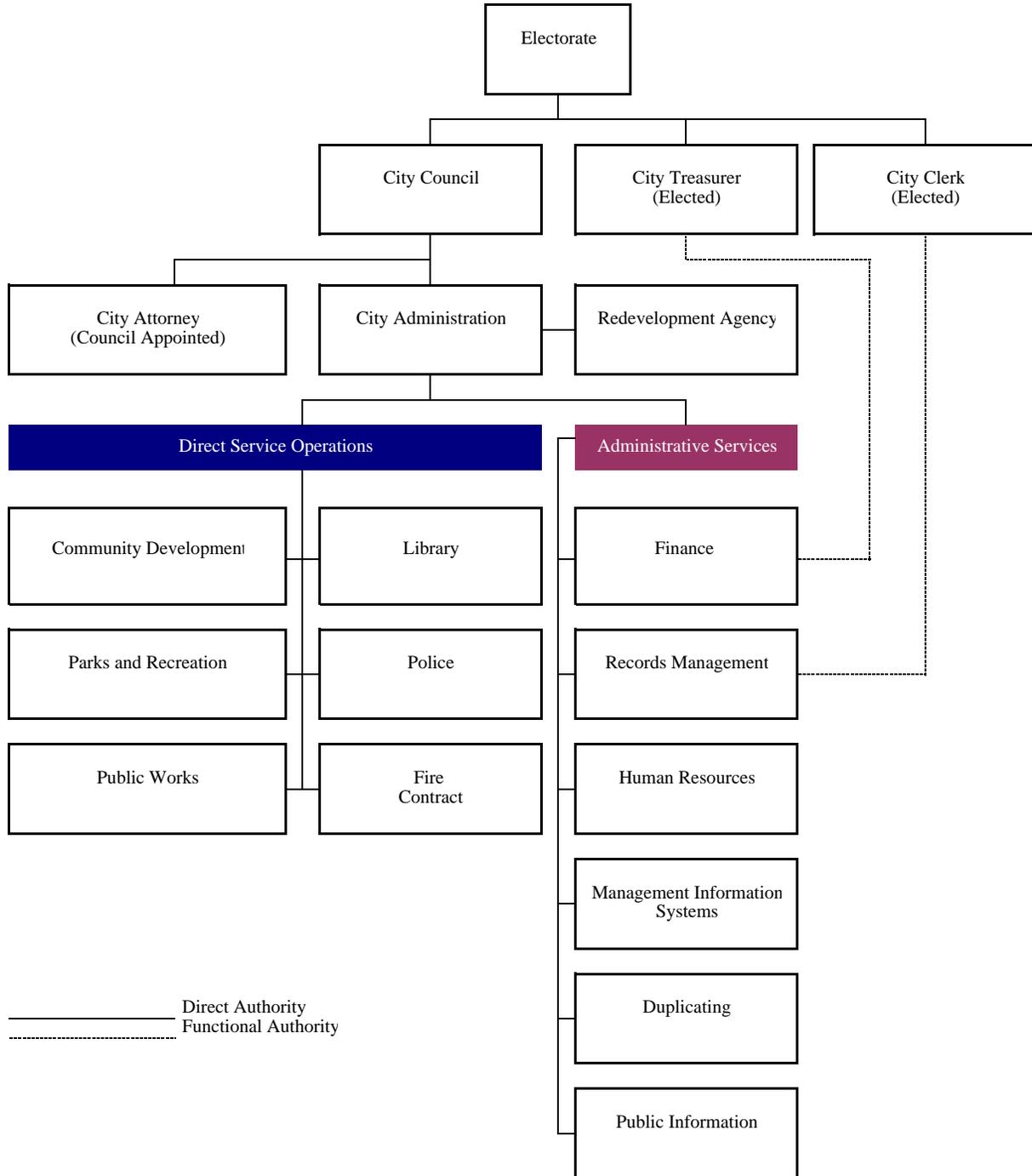
President

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart

June 30, 2008



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2007-2008

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Kevin Stapleton	March 2009
Mayor Pro Tem: Walter Allen III	March 2011
Council Members: Peggy A. Delach Meline D. Juarez John C. King	March 2011 March 2009 March 2009
City Clerk: Rosie Fabian	March 2009
City Treasurer: John B. Fielding	March 2009
<u>Administrative Staff</u>	<u>Date of Hire</u>
Interim City Manager: * Cynthia Kurtz	October 2008
City Attorney: * Edward W. Lee	January 2005
Assistant City Manager: Karen S. Gallivan	January 1988
Interim Finance Director: Victoria Gallo	October 2008
Human Resources Director: Gregg Yost	April 2008
Chief Deputy City Clerk: Toni Taber	May 2008
Police Chief: Kim Raney	December 1977
Fire Chief: ** Daniel B. Scott	July 2002
Public Works Director: Steve Henley	August 2006
Library Director: Roger Possner	August 1994
Parks and Recreation Director: Amy Hall-McGrade	July 1983
Community Development Director: Robert Neuber	July 1990

* Appointed by City Council

** Appointed by Los Angeles County Fire District



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Covina, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Covina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.N., to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and 27*.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of the City of Covina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

February 27, 2009

Management's Discussion and Analysis

Our discussion and analysis of the City of Covina's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Covina exceeded its liabilities at the close of the fiscal year by \$147,098,911. Of this amount, \$23,409,984 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$7,709,199 or 5.8% from the previous fiscal year as a result from operations.
- The total cost of all City activities was \$50,503,771 for the current fiscal year. Net cost of all activities was \$29,873,385.
- During the current fiscal year, the City's revenues exceeded net expenses of the governmental activities by \$6,508,256.
- In the City's business-type activities, revenues exceeded expenses by \$1,200,943.
- The total fund balances of the City governmental funds was \$77,416,385 at the close of the fiscal year. 37.6% of this amount, \$29,085,664, is reserved and *not available for spending* at the City's discretion.
- General Fund revenues exceeded expenditures and other financing uses by \$2,422,682 for the fiscal year ended.
- The total fund balance of the General Fund was \$20,498,756 for the year. \$19,467,883 is unreserved of which \$5,060,370 is undesignated (see note 15 of *Notes to the Financial Statements*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Covina's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) and notes to the financial statements. The report also contains required supplementary information and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

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

Statement of Net Assets

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

Statement of Activities

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, culture and recreation, community development, transit and redevelopment and housing. The business-type activities include water utility and environmental protection.

The government-wide financial statements include not only the City of Covina itself (known as the *primary government*) but also the blending of the legally separate Covina Public Finance Authority and Covina Redevelopment Agency for which the City is financially accountable. These *component units* are therefore included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This will provide a better understanding of the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Covina maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, low-moderate income housing, tax allocation, and redevelopment agency funds, all of which are considered to be major funds. The low-moderate income housing, tax allocation, and redevelopment agency funds are funds of the Covina Public Financing Authority and Covina Redevelopment Agency. Information from the other nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplemental information section of the report.

The City adopts an annual appropriated budget for all of the governmental funds. Budgetary comparison schedules have been provided in the required supplementary information section for the general and major special revenue funds to demonstrate compliance with the budget. Budgetary comparison schedules have been provided in the supplemental information section for the remaining major and nonmajor governmental funds.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City's enterprise funds account for the water utility and environmental protection operations. *Internal service funds* are used to accumulate and allocate costs internally among various City functions. The City's internal service funds account for the management information systems and central equipment services. These services predominately benefit governmental rather than business-type functions and have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility and environmental protection operations. Both proprietary funds are considered to be major funds of the City. Conversely, both central equipment and management information systems internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplemental information section of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City of Covina's assets exceeded liabilities by \$147,098,911 at the close of the fiscal year.

The largest portion of the City's net assets (73%) is in capital assets (land, buildings and structures, infrastructure, and machinery and equipment) less any related debt outstanding used to acquire those assets. Capital assets provide services to citizens and are not available for future spending. Resources needed to repay the related debt outstanding must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

An additional portion of net assets (10.8%) represents resources that are subject to external restrictions on how it may be used. The remaining balance of *unrestricted net assets* of \$23,409,984 may be used to meet the City's ongoing obligations to citizens and creditors designated by certain federal, state, and local statutes.

The City's net assets increased by \$7,709,199 or 5.8% during the fiscal year as a result of ongoing revenues being exceeding expenses. The total cost of all City activities was \$50,503,771 for the fiscal year. Net cost of all activities was \$29,873,385.

Governmental Activities

This analysis focuses on the net assets and changes in net assets of the City's governmental activities which are presented in the government-wide financial statements.

Governmental Activities Net Assets

	2008	2007
Current and other assets	\$ 86,924,381	\$ 84,005,830
Capital assets	96,508,948	93,750,674
Total assets	<u>183,433,329</u>	<u>177,756,504</u>
Long-term liabilities outstanding	50,339,445	52,615,659
Other liabilities	4,654,074	3,209,291
Total liabilities	<u>54,993,519</u>	<u>55,824,950</u>
Net assets:		
Invested in capital assets, net of related debt	93,809,311	93,463,987
Restricted	18,530,089	15,004,400
Unrestricted	16,100,410	13,463,167
Total net assets	<u>\$ 128,439,810</u>	<u>\$ 121,931,554</u>

The net assets of the governmental activities represent 87.3% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, and redevelopment and housing.

Governmental Activities Change in Net Assets

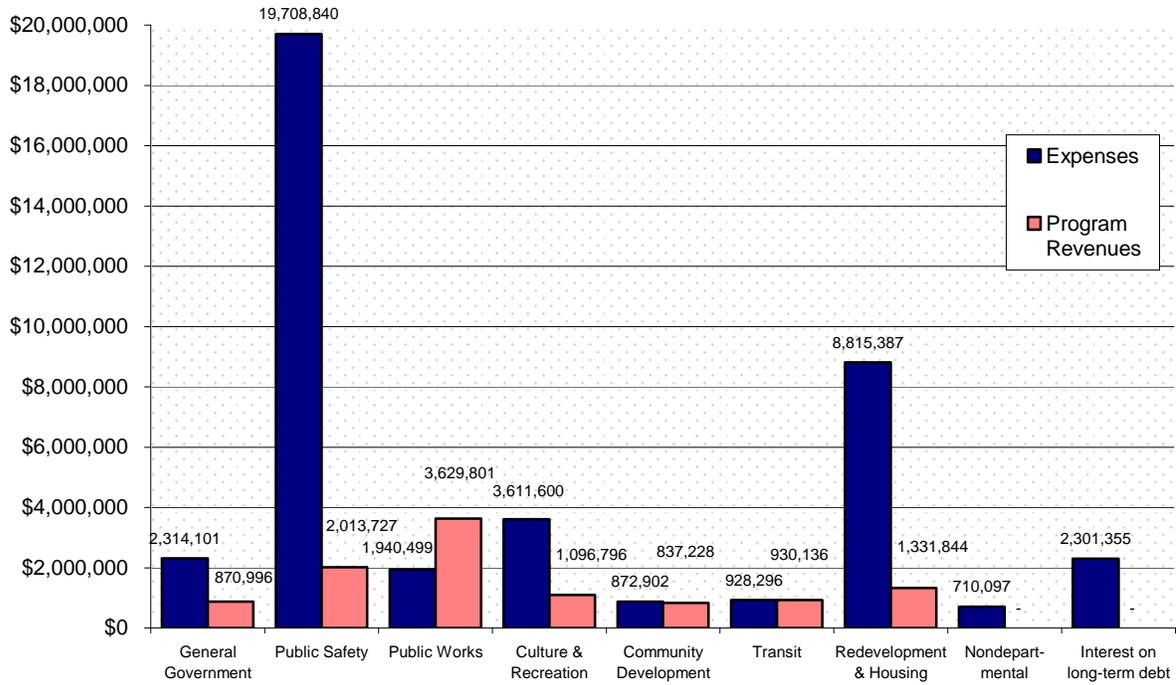
	2008	2007
Revenues		
Program revenues:		
Charges for services	\$ 5,259,550	\$ 5,207,150
Operating grants and contributions	3,051,803	3,520,504
Capital grants and contributions	2,399,175	2,224,198
General revenues:		
Property taxes	16,124,178	14,725,235
Sales taxes	8,633,461	9,035,103
Utility users taxes	5,433,339	5,395,617
Other taxes	2,169,264	2,385,994
Intergovernmental-unrestricted	498,071	675,895
Other revenues	4,142,492	3,141,529
Total revenues	47,711,333	46,311,225
Expenses		
General government	2,314,101	2,865,088
Public safety	19,708,840	19,474,983
Public works	1,940,499	5,958,931
Culture and recreation	3,611,600	3,639,406
Community development	872,902	871,061
Transit	928,296	842,987
Redevelopment and housing	8,430,738	6,823,408
Nondepartmental	710,097	783,515
Interest on long-term debt	2,686,004	1,971,948
Total expenses	41,203,077	43,231,327
Change in net assets	\$ 6,508,256	\$ 3,079,898

The City's revenues exceeded net expenses of the governmental activities by \$6,508,256. Revenues increased by \$1,400,108 or 3.0% from the previous fiscal year. Increases in program revenue were due to certain charges for services (fees) and operating grants. General revenue taxes increased by \$818,293 or 2.6%. The increase is primarily due to an active real estate market (increase in property taxes), increase in retail sales activity (increase in sales taxes) and general improvement in the economy. The increase in general other revenue is attributed to higher investment earnings.

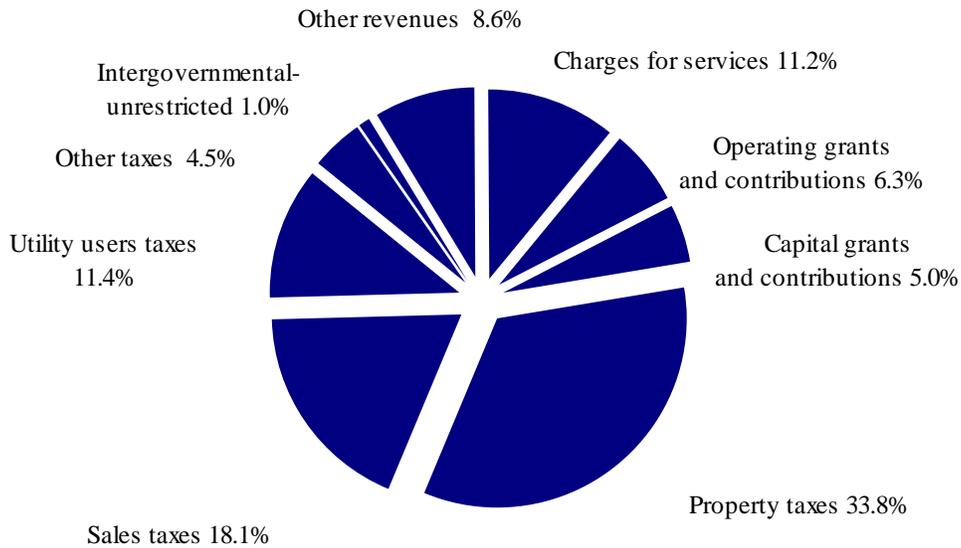
Expenses decreased by \$2,028,250 or 4.9% from the previous fiscal year. The decrease of \$4,018,432 in public works expenses was attributed to the City eliminating all non-Water Utility capital projects in anticipation of the expiration of the Utility User Tax during the fiscal year. Redevelopment and housing expenses increased by \$1,607,330 due to additional economic and redevelopment projects.

Net expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. Public works and transit recover their expenses with program revenues. General government, public safety, culture and recreation, community development, redevelopment and housing, nondepartmental, and interest on long-term debt are financed primarily from general revenues.

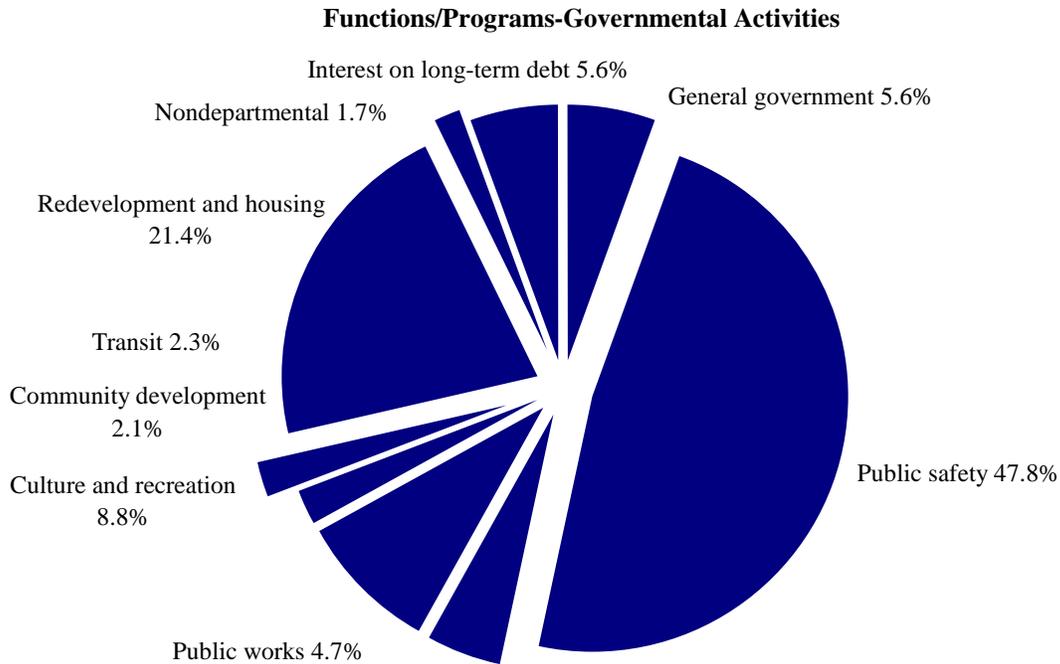
Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Taxes, intergovernmental-unrestricted, and operating grants and contributions provide 75.3% of the overall revenue sources of the governmental activities. Taxes include property, sales, utility users and other (transient occupancy, property transfer, business registration and franchise). Motor vehicle in-lieu fees are the primary unrestricted intergovernmental revenue. The City of Covina is aggressive in the use of both operating and capital grants.



Public safety and public works represents 52.5% of the programs of the governmental activities. This is consistent with the City's highest priority of citizen safety and well being. The City of Covina is aggressive in economic development which is reflected in the redevelopment and housing program (21.4%) and interest on long-term debt (5.6%). A majority of the long-term debt is associated with redevelopment.

Business-type Activities

The analysis of business-type activities focuses on the net assets and changes in net assets of the City's water utility and environmental protection functions which are presented in the government-wide financial statements.

Business-type Activities Net Assets

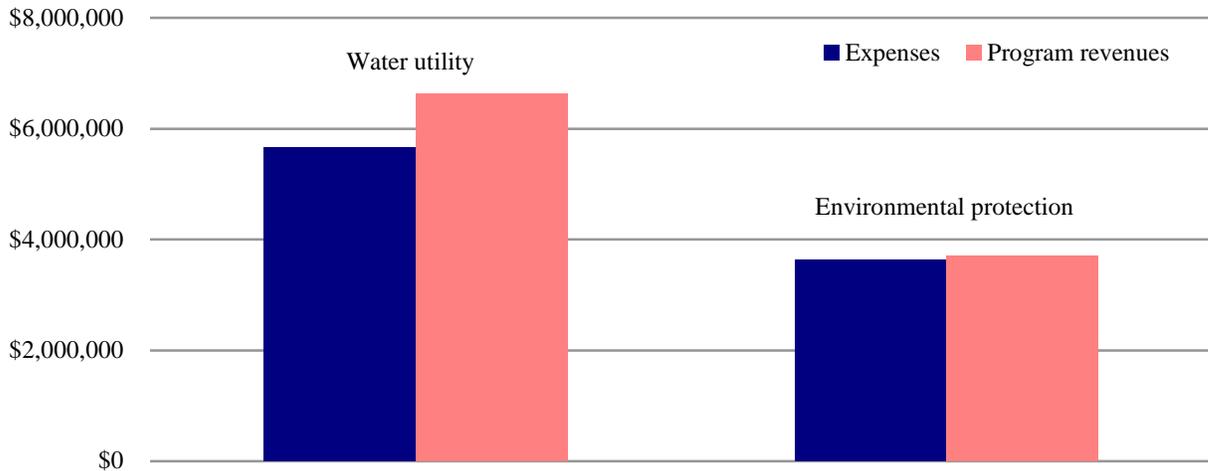
	2008	2007
Current assets and other assets	\$ 9,106,102	\$ 9,496,873
Capital assets	<u>12,873,529</u>	<u>11,262,088</u>
Total assets	<u>21,979,631</u>	<u>20,758,961</u>
Long-term liabilities outstanding	1,911,301	2,090,374
Other liabilities	1,409,229	1,210,429
Total liabilities	<u>3,320,530</u>	<u>3,300,803</u>
Net assets:		
Invested in capital assets, net of related debt	11,106,918	9,340,814
Restricted for debt service	242,609	-
Unrestricted	7,309,574	8,117,344
Total net assets	<u>\$ 18,659,101</u>	<u>\$ 17,458,158</u>

The net assets of the business-type activities represent 12.7% of the City's total net assets. Business-type net assets increased by \$1,200,943 from the previous year. The increase is primarily attributed to an increase in program revenues with no significant increase in expenses.

Business-type Activities Change in Net Assets

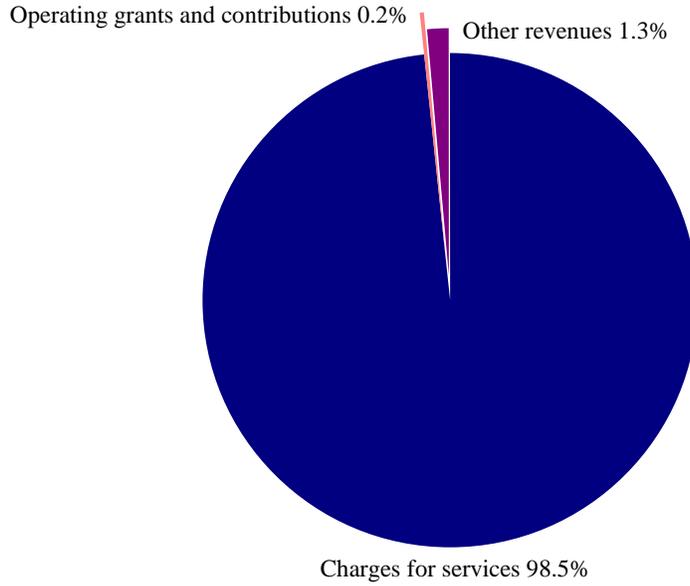
	2008	2007
Revenues		
Program revenues:		
Charges for services	\$ 9,893,720	\$ 9,724,968
Operating grants and contributions	26,138	26,326
General revenues-other revenues	581,779	131,122
Total revenues	<u>10,501,637</u>	<u>9,882,416</u>
Expenses		
Water utility	5,663,819	4,701,051
Environmental protection	3,636,875	3,406,782
Total expenses	<u>9,300,694</u>	<u>8,107,833</u>
Change in net assets	<u>\$ 1,200,943</u>	<u>\$ 1,774,583</u>

Expenses and Program Revenues-Business-type Activities



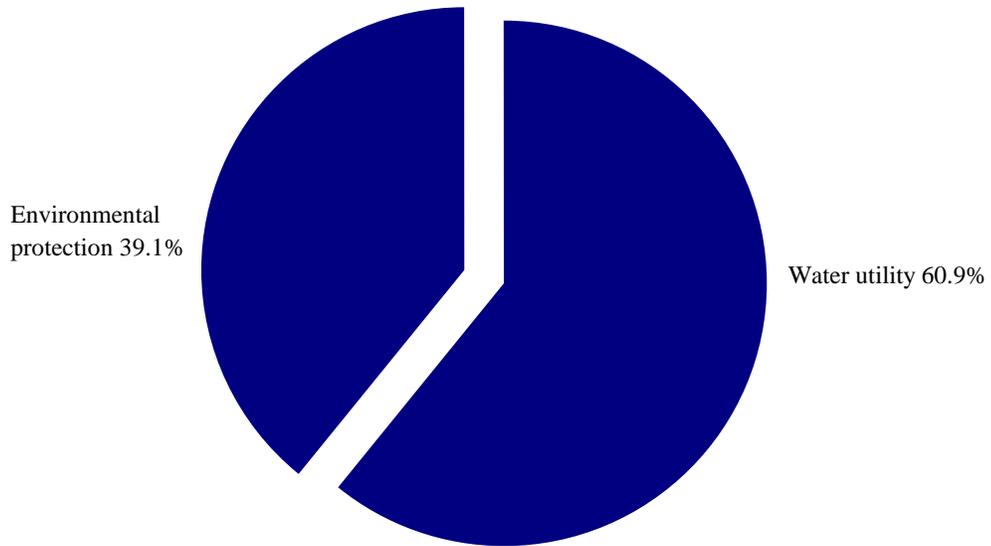
The City's business-type program revenues exceeded expenses by \$619,164. Water utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services and operating grants and contributions also recovered all operating expenses.

Revenues by Source-Business-type Activities



Total business-type revenues increased to \$10,501,637 from \$9,882,416 of the previous fiscal year. Charges for services is the major revenue source which provides for both operating and capital maintenance costs. Water utility charges for services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental protection charges include environmental fees for refuse and recycling services.

Functions/Programs-Business-type Activities



Total business-type expenses increased to \$9,300,694 from \$8,107,833 of the previous fiscal year. The increase in expenses is attributed to the environmental protection operation. Water utility services include general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution. Water utility expenses also include interest expense. Environmental protection includes general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management.

FINANCIAL ANALYSIS OF THE CITY FUNDS

The City of Covina uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

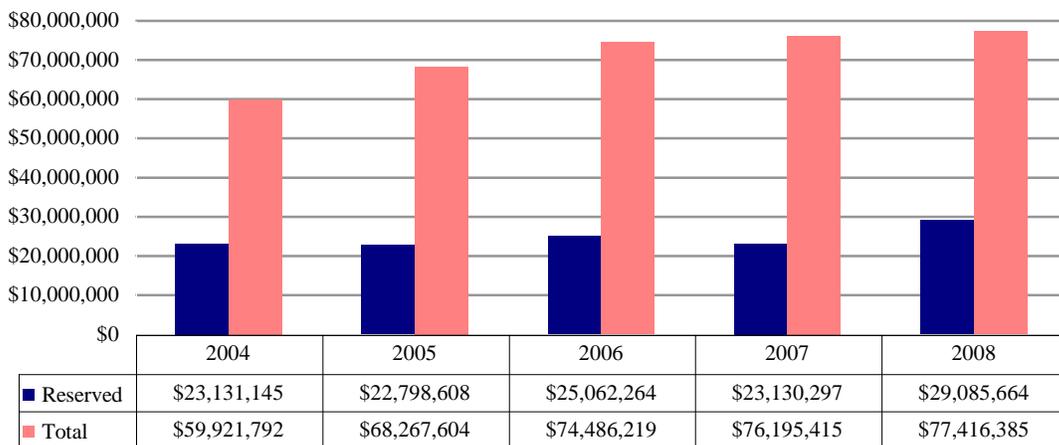
The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses the City’s financing requirements. *Unreserved fund balance* is a measure of the City’s net resources available for designation or spending at the end of the fiscal year.

As of June 30, 2008, the City’s governmental funds reported combined fund balances of \$77,416,385, an increase of \$1,220,970 from the prior year. *Unreserved fund balance* of \$48,330,721 is available for designation and/or future spending at the City’s discretion. A majority of the unreserved fund balance is designated by certain federal, state and local statutes. The remainder of fund balance of \$29,085,664 is *reserved* to indicate that it is not available for future spending because it is already committed to:

- Encumbrances
- Prepaid items
- Land held for resale
- Restricted revenue
- Advances to other funds
- Debt service

The following is a summary of fund balances of the governmental funds for fiscal years 2004-2008:

Fund Balances of Governmental Funds



The general fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$20,498,756 of which \$19,467,883 was unreserved. Comparing both total and unreserved fund balances to total fund expenditures is a measure of the general fund's liquidity. Total fund balance represents 73% and unreserved fund balance represents 69.3% of total general fund expenditures.

Note 15 of the *Notes to the Financial Statements* further designates the unreserved fund balance of the general fund for general liability and workers compensation claims (self-insurance), emergency contingency, continuing appropriations, and the subsequent year budget. The general fund has an undesignated fund balance of \$5,060,370 as of June 30, 2008.

The fund balance of the general fund increased by \$2,422,682 during the fiscal year. The increase is attributed primarily to the following:

- Increase in tax revenue (property, sales and other).
- Increase in charges for services revenue.
- Increase in investment earnings revenue.

Carryovers include encumbrances (reserved) of \$38,493 and continuing appropriations (unreserved-designated) of \$581,304.

The low-moderate income housing, tax allocation debt and redevelopment agency funds are major funds of the Covina Public Finance Authority and Covina Redevelopment Agency. The total fund balances of these funds are \$51,277,916 of which \$27,685,317 is reserved. The total fund balances decreased by \$1,168,402 during the fiscal year. The decrease is attributed to an increase in the economic and redevelopment activity.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the water utility fund decreased to \$7,161,471 in the fiscal year from \$7,837,635 of the prior year. Environmental fund unrestricted net assets increased to \$382,213 from \$307,269 of the prior year. Other factors concerning the finances of these two funds are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were \$282,935 which represents a 2.4% decrease. The largest general fund appropriation increases were attributed to the fire suppression and paramedic contract and additional street improvement projects.

During the fiscal year, revenues exceeded budgetary estimates by \$1,180,412 and expenditures and transfers out were less than budgetary appropriations by \$4,355,460. This eliminated the need to draw on existing fund balance. The most significant budgetary appropriation variances between the final budget and actual amounts are as follows:

- **General government.** Risk management expenditures (workers compensation, human resources, civic center) were less than budget which resulted in a positive variance of \$416,032.
- **Public works.** Not all of the street improvement projects and yard center improvements were completed during the fiscal year, which resulted in a positive variance of \$2,278,695.
- **Public safety.** Actual Fire Suppression expenses were less than budgeted during the fiscal year which provided a positive variance of \$575,155.

A large portion of the positive spending variance is designated as continuing appropriations and subsequent year budget in the General Fund unreserved fund balance (see note 15 of *Notes to the Financial Statements*).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2008 is \$109,382,477 (net of accumulated depreciation). Capital assets include buildings and structures, improvements other than buildings, domain infrastructure, water system infrastructure, sanitary sewer infrastructure, and machinery and equipment. The net increase (deletions less additions) in capital assets for the fiscal year was \$4,369,715. The following is a summary of capital assets (net of depreciation) at June 30, 2008 and 2007:

	Capital Assets (net of depreciation)	
	2008	2007
Governmental activities		
Land	\$ 8,286,116	\$ 7,875,010
Buildings and structures	16,422,588	16,472,662
Improvements other than buildings	1,349,532	1,031,375
Public domain infrastructure	60,622,479	62,305,715
Sanitary sewer infrastructure	2,995,462	653,313
Machinery and equipment	2,180,866	2,666,226
Construction in progress	4,651,905	2,746,373
Total governmental activities	<u>96,508,948</u>	<u>93,750,674</u>
Business-type activities		
Land	377,408	377,408
Buildings and structures	2,596,391	2,638,311
Improvements other than buildings	-	143
Water system infrastructure	8,266,960	7,215,097
Machinery and equipment	577,492	654,723
Construction in progress	1,055,278	376,406
Total business-type activities	<u>12,873,529</u>	<u>11,262,088</u>
Total capital assets	<u>\$ 109,382,477</u>	<u>\$ 105,012,762</u>

The largest change in capital assets is attributed to construction in progress for various street and general improvements.

Please refer to note 7 of the *Notes to the Financial Statements* for a more detailed description of the capital asset activity.

Debt Administration

At the end of the fiscal year, the City had total long-term debt outstanding of \$45,262,476. This included notes, capital lease, tax allocation bonds, and certificates of participation payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2008 and 2007:

Outstanding Debt
(net of unamortized charges)

	2008	2007
Governmental activities		
Notes payable	\$ 951,988	\$ 1,187,398
Capital lease payable	194,637	286,687
Tax allocation bonds payable	39,623,416	41,352,646
Revenue bonds payable	2,725,824	3,112,628
Total governmental activities	43,495,865	45,939,359
Business-type activities		
Certificates of participation payable	1,766,611	1,921,274
Total outstanding debt	\$ 45,262,476	\$ 47,860,633

The City of Covina and the Covina Public Financing Authority both maintain a “AAA” (insured) rating from Standard and Poor’s for the tax allocation bonds and certificates of participation.

State statutes limit the amount of applicable debt the City may issue to 15 percent of the total assessed valuation. The current debt limitation for the City of Covina is \$614,354,790 which is also the current debt margin.

Additional information on the City’s long-term debt and other long-term liabilities can be found in note 12 of the *Notes to the Financial Statements*.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The local economy has declined from the previous fiscal year. This is due to many factors that continue to impact the City of Covina. The increase of unemployment, decline in consumer confidence and the decline in sales tax are factors that have had a negative impact to the City of Covina. The unemployment rate for the City of Covina is 4.2% in comparison to 8.7% for Los Angeles County. As of November 18, 2008 general fund revenues have decreased by 4.24%. Despite the decrease in general fund revenues, Covina continues to support the governmental activities of the City. This has been accomplished by adjusting the budget policy that was approved by City Council.

On December 16, 2008 City Council approved the 2008-09 Budget and amended the Budget Policy for the City of Covina. The General Fund Emergency Reserve was set at 20% previously it was at 25% of the operating budget. The Workers Compensation Claims Reserve was set at 75% confidence level, instead of 85%. The Workers Compensation Reserve is based on an actuarial valuation and the General Contingency for operating expenses was set at \$100,000. The 2008-09 Budget is projecting that expenditures will exceed revenue by \$2,758,500. However, projected revenues and changes in reserve policy will still provide sufficient funding for general fund programs. Due to the uncertainty of the economy, Council directed staff to provide quarterly reports on the status of the financial condition of the City.

It is impossible to predict whether or not the economic situation will decline further or when recovery may be anticipated. For the City of Covina the primary decline is in sales tax, however other revenue is also being affected by the weak economy. Close attention to the economy and the State Budget are critical and adjustments may be necessary in the future. At this point in time, no major cuts in programs and services are needed.

REQUESTS FOR INFORMATION

This financial report is designated to provide a general overview of the City’s finances for all those with an interest in the City’s finances. A copy of the financial report is available for review at the Covina Public Library, 234 North Second Avenue, Covina, California, 91723. Questions concerning any of the information provided in this report should be addressed to City of Covina Finance Department, 125 East College Street, Covina, California, 91723.

Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe two basic government-wide financial statements:

- Statement of Net Assets
- Statement of Activities

The government-wide financial statements include all governmental and business-type activities of the City of Covina. Their purpose is to summarize the City's consolidated financial activities and position. The government-wide financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Statement of Net Assets is the basic government-wide statement of position. A statement of position presents all of an entity's assets, liabilities and net assets (equity). The presentation is referred to as the *statement of net assets* (rather than *balance sheet*), and the difference between assets and liabilities is referred to as *net assets* (rather than *equity*).

GAAP require the City's governmental activities be reported separately from its business-type activities. In general, governmental activities include activities reported in the general, special revenue, debt service and capital projects funds. Business-type activities include activities reported in the enterprise funds. Residual balances of internal service funds are included in governmental activities.

The City's government-wide statement of net assets provides a column for the governmental activities, a column for the business-type activities, and a total column for the entire City. All internal balances (payables and receivables between governmental activities and business-type activities) are eliminated from the statement of net assets.

The difference of assets and liabilities in the government-wide statement of net assets is referred to as *net assets*. Net assets are categorized as follows:

- Net assets invested in capital assets, net of related debt
- Restricted net assets
- Unrestricted net assets

Statement of Activities is used to report changes in net assets reported on the government-wide statement of net assets. The government-wide statement of activities presents expenses before revenues. This emphasizes that in the public sector, revenues are generated for the express purpose of providing services rather than as an end in themselves.

The first column of the government-wide statement of activities present the direct expenses associated with each of the City's functional activities:

- General government
- Public safety
- Public works
- Culture and recreation
- Community development
- Transit
- Redevelopment and housing
- Nondepartmental

Business-type activities include direct expenses of the water utility and environmental functions.

The government-wide statements include the financial activities of the City of Covina, Covina Public Financing Authority and the Covina Redevelopment Agency.

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (note 4)	\$ 59,498,397	\$ 3,017,746	\$ 62,516,143
Cash and investments-fiscal agent (note 4)	1,693,782	265,865	1,959,647
Accrued interest receivable	517,868	-	517,868
Receivables (net of allowances for uncollectibles):			
Property taxes (note 6)	776,030	-	776,030
Sales taxes	1,053,935	-	1,053,935
Utility user taxes	429,169	-	429,169
Other taxes	142,888	-	142,888
Accounts	263,914	1,865,458	2,129,372
Special assessments	16,239	-	16,239
Loans (note 14)	1,352,523	-	1,352,523
Notes (note 13)	552,319	-	552,319
Due from other governments	1,601,794	1,715	1,603,509
Internal balances (note 5)	(8,499)	8,499	-
Inventories	73,926	239,747	313,673
Prepaid items	768,334	-	768,334
Deposits	1,273,807	-	1,273,807
Deferred charges	1,446,280	-	1,446,280
Investment in Covina Irrigating Company (note 18)	-	3,707,072	3,707,072
Land held for resale	15,471,675	-	15,471,675
Capital assets, not depreciated (note 7)	12,938,021	1,432,686	14,370,707
Capital assets, depreciated, (net of accumulated depreciation) (note 7)	83,570,927	11,440,843	95,011,770
Total assets	<u>183,433,329</u>	<u>21,979,631</u>	<u>205,412,960</u>
Liabilities			
Accounts payable	2,230,206	1,161,335	3,391,541
Deposits payable	719,482	169,102	888,584
Accrued liabilities	1,094,713	55,536	1,150,249
Due to other governments	129,514	-	129,514
Accrued interest payable	179,038	23,256	202,294
Unearned revenue	301,121	-	301,121
Long-term liabilities (notes 9, 10, 11 and 12):			
Due within one year	4,386,453	183,720	4,570,173
Due in more than one year (net of unamortized discount and premium)	45,952,992	1,727,581	47,680,573
Total liabilities	<u>54,993,519</u>	<u>3,320,530</u>	<u>58,314,049</u>
Net assets			
Invested in capital assets, net of related debt	93,809,311	11,106,918	104,916,229
Restricted for:			
Public safety	386,854	-	386,854
Public works	2,484,616	-	2,484,616
Culture and recreation	97,866	-	97,866
Transit	1,541,797	-	1,541,797
Debt service	1,514,744	242,609	1,757,353
Redevelopment and housing	12,504,212	-	12,504,212
Unrestricted	16,100,410	7,309,574	23,409,984
Total net assets	<u>\$ 128,439,810</u>	<u>\$ 18,659,101</u>	<u>\$ 147,098,911</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,314,101	\$ 870,996	\$ -	\$ -	\$ (1,443,105)		\$ (1,443,105)
Public safety	19,708,840	1,108,955	904,772	-	(17,695,113)		(17,695,113)
Public works	1,940,499	720,499	926,547	1,982,755	1,689,302		1,689,302
Culture and recreation	3,611,600	625,015	114,188	357,593	(2,514,804)		(2,514,804)
Community development	872,902	837,228	-	-	(35,674)		(35,674)
Transit	928,296	223,334	706,802	-	1,840		1,840
Redevelopment and housing	8,430,738	873,523	399,494	58,827	(7,098,894)		(7,098,894)
Nondepartmental	710,097	-	-	-	(710,097)		(710,097)
Interest on long-term debt	2,686,004	-	-	-	(2,686,004)		(2,686,004)
Total governmental activities	41,203,077	5,259,550	3,051,803	2,399,175	(30,492,549)		(30,492,549)
Business-type activities:							
Water utility	5,663,819	6,185,853	-	-	-	\$ 522,034	522,034
Environmental protection	3,636,875	3,707,867	26,138	-	-	97,130	97,130
Total business-type activities	9,300,694	9,893,720	26,138	-	-	619,164	619,164
Total functions/programs	\$ 50,503,771	\$ 15,153,270	\$ 3,077,941	\$ 2,399,175	(30,492,549)	619,164	(29,873,385)
General revenues:							
Property taxes (note 6)					16,124,178	-	16,124,178
Sales taxes					8,633,461	-	8,633,461
Transient occupancy taxes					423,861	-	423,861
Property transfer taxes					158,340	-	158,340
Business license taxes					395,503	-	395,503
Utility user taxes					5,433,339	-	5,433,339
Franchise taxes					1,191,560	-	1,191,560
Intergovernmental-unrestricted					498,071	-	498,071
Investment earnings					3,448,945	135,192	3,584,137
Investment gain in CIC					-	446,587	446,587
Miscellaneous					693,547	-	693,547
Total general revenues					37,000,805	581,779	37,582,584
Change in net assets					6,508,256	1,200,943	7,709,199
Net assets at beginning of year					121,931,554	17,458,158	139,389,712
Net assets at end of year					\$ 128,439,810	\$ 18,659,101	\$ 147,098,911

See accompanying notes to the financial statements.

Governmental Fund Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe the following basic governmental fund financial statements:

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund financial statements include all the major individual governmental funds and the total of non-major funds of the City of Covina. The governmental fund financial statements are prepared on a modified accrual basis. The major governmental funds of the City are as follows:

General Fund accounts for the revenues and expenditures used to carry out basic governmental activities of the City such as general government, public safety, public works, culture and recreation, and community development. Revenue is recorded by source (e.g., property taxes, licenses and permits, intergovernmental, charges for services and fines and forfeits). General Fund expenditures are made primarily for current day-to-day operations and operating equipment. They are recorded by major functional classification and operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

Low-Moderate Income Housing is a special revenue fund and accounts for the revenues and expenditures associated with the Covina Redevelopment Agency (Agency) low-moderate income housing program. Under California redevelopment law, twenty percent of property tax increments generated by the Agency's project areas are set aside and utilized for housing and related activities that benefit low-moderate income people.

Tax Allocation is a debt service fund and accounts for revenues and expenditures used for the payment of principal, interest and fiscal charges on general long-term indebtedness of the Covina Public Finance Authority (Authority) and Covina Redevelopment Agency (Agency). Revenues include property tax increments generated from the Agency's project areas. Expenditures are related to the tax allocation bonds of the Authority and loans of the Agency.

Redevelopment Agency is a capital projects fund and accounts for the financial resources used for economic development activities in the Covina Redevelopment Agency. Financial resources include property rentals, sale of property and tax allocation bond proceeds.

Budgetary comparison schedules for the General and major special revenue funds are included in the required supplementary information section. Budgetary comparison schedules for the Tax Allocation, Redevelopment Agency and individual non-major funds are located in the supplemental information section of the financial statements.

CITY OF COVINA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (note 4)	\$ 15,278,921	\$ 11,234,272	\$ 5,200,557	\$ 19,868,904	\$ 5,552,285	\$ 57,134,939
Cash and investments-fiscal agent (note 4)	-	-	1,421,649	-	272,133	1,693,782
Accrued interest receivable	416,648	-	-	101,220	-	517,868
Receivables (net of allowances for uncollectibles):						
Property taxes (note 6)	347,978	84,676	341,833	-	1,543	776,030
Sales taxes	1,053,935	-	-	-	-	1,053,935
Utility user taxes	429,169	-	-	-	-	429,169
Other taxes	142,888	-	-	-	-	142,888
Accounts	110,896	-	-	66,390	71,821	249,107
Special assessments	-	-	-	-	16,239	16,239
Loans (note 14)	-	788,013	-	-	564,510	1,352,523
Notes (note 13)	-	-	-	552,319	-	552,319
Due from other governments	97,282	-	-	-	1,489,705	1,586,987
Due from other funds (note 5)	5,104,023	-	-	-	2,036,437	7,140,460
Prepaid items	670,414	10,000	-	75	8,867	689,356
Deposits	-	-	-	1,273,807	-	1,273,807
Advances to other funds (note 5)	321,966	459,458	-	566,236	-	1,347,660
Land held for resale	-	1,151,150	-	14,320,525	-	15,471,675
Total assets	<u>\$ 23,974,120</u>	<u>\$ 13,727,569</u>	<u>\$ 6,964,039</u>	<u>\$ 36,749,476</u>	<u>\$ 10,013,540</u>	<u>\$ 91,428,744</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 880,452	\$ 3,499	\$ 10,313	\$ 705,869	\$ 563,714	\$ 2,163,847
Deposits payable	579,254	-	-	135,702	4,526	719,482
Accrued liabilities	658,354	1,170	371,206	4,885	17,275	1,052,890
Due to other governments	8,307	-	-	-	121,207	129,514
Due to other funds (note 5)	481,640	430,675	1,879,836	1,256,076	3,106,803	7,155,030
Advances from other funds (note 5)	566,236	-	459,458	-	-	1,025,694
Deferred revenue (notes 13 and 14)	301,121	788,013	-	116,466	560,302	1,765,902
Total liabilities	<u>3,475,364</u>	<u>1,223,357</u>	<u>2,720,813</u>	<u>2,218,998</u>	<u>4,373,827</u>	<u>14,012,359</u>
Fund balances:						
Reserved for:						
Encumbrances	38,493	188,850	-	5,471,990	-	5,699,333
Prepaid items	670,414	10,000	-	75	8,867	689,356
Deposits	-	-	-	1,273,807	-	1,273,807
Land held for resale	-	1,151,150	-	14,320,525	-	15,471,675
Restricted revenue	-	-	-	-	360,607	360,607
Advances to other funds	321,966	459,458	-	566,236	-	1,347,660
Debt service	-	-	4,243,226	-	-	4,243,226
Unreserved, reported in (note 15):						
General Fund	19,467,883	-	-	-	-	19,467,883
Special revenue funds	-	10,694,754	-	-	2,944,222	13,638,976
Capital projects funds	-	-	-	12,897,845	2,326,017	15,223,862
Total fund balances	<u>20,498,756</u>	<u>12,504,212</u>	<u>4,243,226</u>	<u>34,530,478</u>	<u>5,639,713</u>	<u>77,416,385</u>
Total liabilities and fund balances	<u>\$ 23,974,120</u>	<u>\$ 13,727,569</u>	<u>\$ 6,964,039</u>	<u>\$ 36,749,476</u>	<u>\$ 10,013,540</u>	<u>\$ 91,428,744</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2008

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

Fund balances-total governmental funds	\$	77,416,385
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net assets includes those capital assets (net of accumulated depreciation) among the assets of the City as a whole.		95,091,919
The focus of governmental funds is on short-term financing, therefore, some assets will not be available to pay for current-period expenditures. Those assets are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with these assets is not included in the statement of net assets.		1,464,781
Bond issuance costs are reported as other financing uses in the governmental funds. These costs are deferred in the statement of activities and amortized over the life of the bond.		1,446,280
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest.		(179,038)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Long-term liabilities (both current and long-term) are reported in the statement of net assets.		(50,238,906)
Internal service funds are used by management to charge the costs of central equipment and management information systems activities to individual funds. The internal service funds assets and liabilities are included in governmental activities in the statement of net assets.		<u>3,438,389</u>
Net Assets of governmental activities	\$	<u>128,439,810</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2008

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes (note 6)	\$ 8,478,207	\$ 1,721,723	\$ 5,898,885	-	\$ 25,363	\$ 16,124,178
Sales taxes	8,633,461	-	-	-	-	8,633,461
Transient occupancy taxes	423,861	-	-	-	-	423,861
Property transfer taxes	158,340	-	-	-	-	158,340
Business license taxes	394,423	-	-	-	1,080	395,503
Utility user taxes	5,433,339	-	-	-	-	5,433,339
Franchise taxes	1,191,560	-	-	-	-	1,191,560
Licenses and permits	444,730	-	-	-	-	444,730
Intergovernmental	894,526	2,658	10,632	-	5,041,233	5,949,049
Charges for services	2,000,713	-	-	873,523	358,630	3,232,866
Fines and forfeits	755,574	-	-	-	-	755,574
Special assessments	-	-	-	-	646,256	646,256
Investment earnings	1,181,196	474,444	370,196	1,076,326	281,428	3,383,590
Miscellaneous	241,166	324,177	-	93,957	34,247	693,547
Total revenues	<u>30,231,096</u>	<u>2,523,002</u>	<u>6,279,713</u>	<u>2,043,806</u>	<u>6,388,237</u>	<u>47,465,854</u>
Expenditures:						
Current:						
General government	3,539,841	-	-	-	-	3,539,841
Public safety	18,855,656	-	-	-	686,629	19,542,285
Public works	772,683	-	-	-	2,163,702	2,936,385
Culture and recreation	3,284,439	-	-	-	147,153	3,431,592
Community development	878,362	-	-	-	-	878,362
Transit	-	-	-	-	715,454	715,454
Redevelopment and housing	-	861,048	61,836	6,603,304	423,492	7,949,680
Nondepartmental	52,987	-	-	-	-	52,987
Capital outlay	540,164	-	-	-	1,536,490	2,076,654
Debt service:						
Principal retirement	92,044	175,000	2,135,409	-	350,000	2,752,453
Interest and fiscal charges	46,990	217,638	1,960,688	-	143,875	2,369,191
Total expenditures	<u>28,063,166</u>	<u>1,253,686</u>	<u>4,157,933</u>	<u>6,603,304</u>	<u>6,166,795</u>	<u>46,244,884</u>
Excess (deficiency) of revenues over expenditures	<u>2,167,930</u>	<u>1,269,316</u>	<u>2,121,780</u>	<u>(4,559,498)</u>	<u>221,442</u>	<u>1,220,970</u>
Other financing sources (uses):						
Transfers in (note 5)	335,571	-	-	-	80,819	416,390
Transfers out (note 5)	(80,819)	-	-	-	(335,571)	(416,390)
Total other financing sources (uses)	<u>254,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,752)</u>	<u>-</u>
Net change in fund balances	<u>2,422,682</u>	<u>1,269,316</u>	<u>2,121,780</u>	<u>(4,559,498)</u>	<u>(33,310)</u>	<u>1,220,970</u>
Fund balances at						
beginning of year	<u>18,076,074</u>	<u>11,234,896</u>	<u>2,121,446</u>	<u>39,089,976</u>	<u>5,673,023</u>	<u>76,195,415</u>
Fund balances at end of year	<u>\$ 20,498,756</u>	<u>\$ 12,504,212</u>	<u>\$ 4,243,226</u>	<u>\$ 34,530,478</u>	<u>\$ 5,639,713</u>	<u>\$ 77,416,385</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

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

Net change in fund balances-total governmental funds	\$ 1,220,970
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year.	3,225,826
The focus of governmental funds is on short-term financing, therefore, some assets are offset by deferred revenue and reported as expenditures in the governmental funds. The assets are not reported as expenses in the statement of activities.	(327,316)
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest. Unamortized charges are included in the statement of net assets and is amortized as an expense in the statement of activities.	(7,854)
Long-term bond proceeds (including issuance costs) are reported as other financing sources. Principal bond retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Principal bond payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Accreted interest on capital appreciation bonds are not recorded as expenditures in the governmental funds but as expenses in the statement of activities.	2,188,188
Internal service funds are used by management to charge the costs of the central equipment and management information systems activities to individual funds. The adjustments for internal service funds "closes" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	208,442
	\$ 6,508,256

See accompanying notes to the financial statements.

Proprietary Fund Financial Statements

Generally accepted accounting principles (GAAP) for state and local governments prescribe following basic proprietary fund financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows

The proprietary fund financial statements include all the major individual enterprise and internal service funds of the City of Covina. Internal service funds are reported separately on the statement of net assets; statement of revenues, expenses, and changes in fund net assets; and statement of cash flows immediately following the total column for enterprise funds. This facilitates tracing amounts between fund financial statements and the government-wide financial statements.

The proprietary financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. The intent is to recover costs of operation on a continuing basis through user charges.

Water Utility is used to account for general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution operations. The intent of this fund is to recover costs of operation and capital maintenance (depreciation).

Environmental accounts for the general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management operations. The intent of the fund is to recover costs of operation.

Individual internal service funds are located in the supplemental information section of the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Assets				
Current assets:				
Cash and investments (note 4)	\$ 2,779,366	\$ 238,380	\$ 3,017,746	\$ 2,363,458
Cash and investments-fiscal agent (note 4)	265,865	-	265,865	-
Accounts receivable (net of allowances for uncollectibles)	1,254,846	610,612	1,865,458	14,807
Due from other funds	-	-	-	14,570
Due from other governments	-	1,715	1,715	14,807
Prepaid items	-	-	-	78,978
Inventories	239,747	-	239,747	73,926
Total current assets	<u>4,539,824</u>	<u>850,707</u>	<u>5,390,531</u>	<u>2,560,546</u>
Noncurrent assets:				
Investment in Covina Irrigating Company (note 18)	3,707,072	-	3,707,072	-
Capital assets:				
Land	377,408	-	377,408	-
Building and structures	3,854,995	291,193	4,146,188	-
Improvements other than buildings	21,500	-	21,500	-
Water system infrastructure	12,967,510	-	12,967,510	-
Machinery and equipment	1,382,858	14,771	1,397,629	6,766,331
Construction in progress	1,055,278	-	1,055,278	-
Less accumulated depreciation	(7,006,852)	(85,132)	(7,091,984)	(5,349,302)
Total capital assets, net	<u>12,652,697</u>	<u>220,832</u>	<u>12,873,529</u>	<u>1,417,029</u>
Total assets	<u>20,899,593</u>	<u>1,071,539</u>	<u>21,971,132</u>	<u>3,977,575</u>
Liabilities				
Current liabilities:				
Accounts payable	737,214	424,121	1,161,335	66,359
Deposits payable	153,114	15,988	169,102	-
Current portion of compensated absences payable	12,110	6,610	18,720	9,570
Accrued liabilities	42,601	12,935	55,536	41,823
Accrued interest payable	23,256	-	23,256	-
Current portion of certificates of participation payable	165,000	-	165,000	-
Total current liabilities	<u>1,133,295</u>	<u>459,654</u>	<u>1,592,949</u>	<u>117,752</u>
Noncurrent liabilities:				
Compensated absences payable	117,130	8,840	125,970	90,969
Advances from other funds (note 5)	-	-	-	321,966
Certificates of participation payable (net of unamortized discount)	1,601,611	-	1,601,611	-
Total noncurrent liabilities	<u>1,718,741</u>	<u>8,840</u>	<u>1,727,581</u>	<u>412,935</u>
Total liabilities	<u>2,852,036</u>	<u>468,494</u>	<u>3,320,530</u>	<u>530,687</u>
Net assets				
Invested in capital assets, net of related debt	10,886,086	220,832	11,106,918	1,417,029
Restricted	242,609	-	242,609	-
Unrestricted (note 20)	6,918,862	382,213	7,301,075	2,029,859
Total net assets	<u>\$ 18,047,557</u>	<u>\$ 603,045</u>	<u>18,650,602</u>	<u>\$ 3,446,888</u>
Some amounts reported for <i>business-type activities</i> in the statement of net assets are different to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>8,499</u>	
Net assets of business-type activities			<u>\$ 18,659,101</u>	

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2008

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Operating Revenues:				
Water sales	\$ 5,939,007	\$ -	\$ 5,939,007	\$ -
Environmental fees	-	3,707,867	3,707,867	-
Information technology charges	-	-	-	1,105,140
Motor pool charges	-	-	-	1,419,244
Fire line fees	63,577	-	63,577	-
Meter installation fees	58,528	-	58,528	-
Late fees	16,287	-	16,287	-
Antenna rentals and other	77,732	-	77,732	-
Intergovernmental-environmental	-	26,138	26,138	-
Total operating revenues	<u>6,155,131</u>	<u>3,734,005</u>	<u>9,889,136</u>	<u>2,524,384</u>
Operating expenses:				
General and administrative	834,117	512,286	1,346,403	-
Management information systems	-	-	-	721,974
Utility billing	80,182	73,562	153,744	-
Customer service	194,323	-	194,323	-
Sales promotion	2,123	-	2,123	-
Source and supply	2,715,495	-	2,715,495	-
Production and storage	541,948	-	541,948	-
Transmission and distribution	786,324	-	786,324	-
Street sweeping	-	164,870	164,870	-
Environmental services	-	157,250	157,250	-
Refuse collection	-	1,801,602	1,801,602	-
Waste management	-	918,872	918,872	-
Central equipment	-	-	-	975,436
Depreciation	411,491	8,433	419,924	657,110
Total operating expenses	<u>5,566,003</u>	<u>3,636,875</u>	<u>9,202,878</u>	<u>2,354,520</u>
Operating income (loss)	<u>589,128</u>	<u>97,130</u>	<u>686,258</u>	<u>169,864</u>
Nonoperating revenues (expenses):				
Investment gain-CIC (note 18)	446,587	-	446,587	-
Investment earnings	131,333	3,859	135,192	65,355
Interest expense	(97,816)	-	(97,816)	-
Gain on sale and disposal of capital assets	-	-	-	3,945
Total nonoperating revenues (expenses)	<u>480,104</u>	<u>3,859</u>	<u>483,963</u>	<u>69,300</u>
Change in net assets	1,069,232	100,989	1,170,221	239,164
Net assets at beginning of year	<u>16,978,325</u>	<u>502,056</u>		<u>3,207,724</u>
Net assets at end of year	<u>\$ 18,047,557</u>	<u>\$ 603,045</u>		<u>\$ 3,446,888</u>

Some amounts reported for *business-type activities* in the statement of activities are different to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities	<u>30,722</u>
	<u>\$ 1,200,943</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2008

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Increase in cash and cash equivalents				
Cash flows from operating activities:				
Cash received from customers, users and grants	\$ 5,927,895	\$ 3,687,538	\$ 9,615,433	\$ 2,528,046
Cash deposits received from customers	(353,238)	2,783	(350,455)	-
Cash paid to suppliers for goods and services	(3,274,616)	(2,793,701)	(6,068,317)	(1,057,476)
Cash paid to employees for services	(756,463)	(224,199)	(980,662)	(511,045)
Cash paid for interfund services-net	(730,212)	(424,413)	(1,154,625)	(162,569)
Net cash provided by operating activities	<u>813,366</u>	<u>248,008</u>	<u>1,061,374</u>	<u>796,956</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	-	-	3,945
Acquisition and construction of capital assets	(1,982,970)	(34,478)	(2,017,448)	(204,132)
Principal paid on certificates of participation	(160,000)	-	(160,000)	-
Interest paid on certificates of participation	(113,553)	-	(113,553)	-
Net cash used by capital and related financing activities	<u>(2,256,523)</u>	<u>(34,478)</u>	<u>(2,291,001)</u>	<u>(200,187)</u>
Cash flows from investing activities - interest and dividends received on investments				
	<u>132,722</u>	<u>3,859</u>	<u>136,581</u>	<u>65,355</u>
Net increase (decrease) in cash and cash equivalents	(1,310,435)	217,389	(1,093,046)	662,124
Cash and investments at beginning of year	<u>4,355,666</u>	<u>20,991</u>	<u>4,376,657</u>	<u>1,701,334</u>
Cash and investments at end of year	<u>\$ 3,045,231</u>	<u>\$ 238,380</u>	<u>\$ 3,283,611</u>	<u>\$ 2,363,458</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	<u>\$ 589,128</u>	<u>\$ 97,130</u>	<u>\$ 686,258</u>	<u>\$ 169,864</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	411,491	8,433	419,924	657,110
Change in operating assets and liabilities:				
Decrease(increase) in other taxes receivable	-	(108,128)	(108,128)	-
Decrease(increase) in accounts receivable	(227,235)	63,376	(163,859)	(14,807)
Decrease (increase) in due from other governments	-	(1,715)	(1,715)	18,466
Decrease(increase) in prepaid items	-	-	-	(34,323)
Increase (decrease) in inventories	47,348	-	47,348	(26,385)
Increase (decrease) in accounts payable	314,301	210,099	524,400	(1,175)
Increase (decrease) in deposits payable	(353,238)	2,783	(350,455)	-
Increase (decrease) in compensated absences payable	5,729	(30,140)	(24,411)	9,533
Increase (decrease) in accrued liabilities	<u>25,842</u>	<u>6,170</u>	<u>32,012</u>	<u>18,673</u>
Total adjustments	<u>224,238</u>	<u>150,878</u>	<u>375,116</u>	<u>627,092</u>
Net cash provided by operating activities	<u>\$ 813,366</u>	<u>\$ 248,008</u>	<u>\$ 1,061,374</u>	<u>\$ 796,956</u>
Noncash capital, financing and investing activities				
Investment gain-CIC (note 18)	<u>\$ 446,587</u>	<u>\$ -</u>	<u>\$ 446,587</u>	<u>\$ -</u>
Net effect on noncash activities	<u>\$ 446,587</u>	<u>\$ -</u>	<u>\$ 446,587</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The financial statements of the City of Covina include the financial activities of the City, the Covina Redevelopment Agency and the Covina Public Financing Authority. Their financial operations are closely related and the City Council has a continuing responsibility over the entities. The responsibility is determined on the basis of budget adoption, taxing authority, funding and appointments of the governing board. Blended component units, although legally separate entities, are part of the City's operations and so data from these units are combined with data of the City.

Since the Covina City Council acts as the Board of Directors and is able to impose its will on the Covina Redevelopment Agency and the Covina Public Financing Authority, the City is considered to be the primary government and the other two entities are component units. Additionally, since the governing boards of the City and the two other component units are the same, the financial statements of the City and the two component units are blended. The financial statements of the Redevelopment Agency and the Public Financing Authority can be obtained from the Covina Finance Department located at Covina City Hall 125 East College Street.

The City of Covina was incorporated in 1901 as a "General Law" City. The City provides a broad range of services to its citizens, including general government, public safety, streets, sanitation and health, culture and park facilities, and social services.

The Covina Redevelopment Agency was established in 1969, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Covina.

The Covina Public Financing Authority is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement between the City of Covina and the Covina Redevelopment Agency. Its purpose is to facilitate financing for public capital improvements of the City and Agency.

The accounting policies of the City of Covina, the Covina Redevelopment Agency and the Covina Public Financing Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

B. Government-wide and Fund Financial Statements

The accompanying financial statements are presented on the basis prescribed in Government Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The *Basic Financial Statements* of the City are as follows:

Government-wide Financial Statements

The *Statement of Net Assets* and *Statement of Activities* report information on all of the activities of the primary government (including its blended component units) and its discretely presented component units. The City of Covina has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements of the City (including blended component units) are provided for major individual governmental and proprietary funds, fiduciary funds and nonmajor funds reported in the aggregate. The City of Covina currently has no fiduciary funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. With this measurement focus, all assets and all liabilities associated with the operation of the City are included on the statement of net assets. Net assets (assets less liabilities) are segregated into invested in capital assets (net of related debt), restricted and unrestricted components. Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Under this determination, unbilled service receivables are recorded at year-end.

Nonexchange transactions are typically described as taxes, fines and certain grants and donations. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; i.e., when they become measurable and available to finance expenditures of the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues excluding property taxes to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the current fiscal period. Certain grant revenues are considered to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized when due. General capital asset acquisitions and debt service principal payments are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services and investment earnings are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Licenses and permits, and fines and forfeitures are not susceptible to accrual because they are not measurable until received in cash. Grant revenues earned but not received are recorded as a receivable, and grants received before the related revenue recognition criteria have been met are reported as deferred revenues.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

The City of Covina reports the following major governmental funds:

General Fund

This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Low-Moderate Income Housing Fund

The special revenue fund accounts for the revenues and expenditures associated with the Covina Redevelopment Agency low-moderate income housing program.

Tax Allocation Fund

This debt service fund accounts for revenues and expenditures used for the payment of principal, interest and fiscal charges on general long-term indebtedness of the Covina Public Financing Authority and Covina Redevelopment Agency.

Redevelopment Agency Fund

The capital projects fund accounts for the financial resources used for economic development activities in the Covina Redevelopment Agency.

The City reports the following major proprietary funds:

Water Utility Fund

This enterprise fund is used to account for general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution operations.

Environmental Fund

The enterprise fund accounts for the general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management operations.

Additionally, the City reports the following fund types:

Internal Service Funds

These funds account for the central equipment and management information systems services provided to other departments of the City.

In reporting the financial activities of its business-type activities and proprietary funds, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges for the City water utility and environmental services and indirect general government expenses to other functions and funds of the City. Elimination of the water utility and environmental service charges would distort the direct costs and program revenues reported for the various functions concerned. Expenses reported in various funds include allocated indirect general government expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses from operations generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility and Environmental enterprise funds and the City's internal service funds are charges to customers for sales and services. The Water Utility recognizes as operating revenue capital improvement fees intended for construction and rehabilitation of the water system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded, is employed in governmental funds. Amounts encumbered in the current year are treated as a reservation of fund equity since they do not constitute expenditures or liabilities. At year end, encumbrances outstanding are shown as a reservation of fund balance.

E. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments, except for cash and investments with fiscal agents, are pooled with the City's pooled cash and investments, and are therefore considered cash equivalents.

G. Investments

Investments are stated at fair value using quoted market prices. Investment elements, including interest and changes in fair value, are aggregated and reported as investment income in the financial statements.

H. Inventories and Prepaid Items

Inventories are priced at the lower of cost or market on a first-in, first-out basis. The inventories consist primarily of water parts, vehicle and equipment parts and gasoline. Inventories of governmental funds are considered immaterial and are recorded as expenditures when purchased. 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.

I. Compensated Absences

The City permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and a portion of the sick pay are accrued when incurred in the government-wide and proprietary fund financial statements (see notes 9 and 12).

CITY OF COVINA, CALIFORNIA
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J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, water, sewer and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with a cost of more than \$5,000 (more than \$1,000 for certain vehicles and information technology equipment) and an estimated useful life of more than two years. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

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

Major capital outlays and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed in enterprise funds.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Life in Years</u>
Buildings and structures	20 - 40 years
Improvements other than buildings	20 years
Public domain infrastructure	15 - 50 years
Water system infrastructure	20 - 50 years
Sanitary sewer system infrastructure	20 - 50 years
Machinery and equipment	5 - 20 years

K. Land Held for Resale

Land held for resale are generally acquired under Developer Disposition Agreements (DDAs) in the normal course of redevelopment activity. The DDAs provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. The property is carried at cost until an event occurs to indicate a lower net realizable value.

L. Leased Property

The City and Covina Redevelopment Agency own and lease certain properties located in the City to various tenants. The following is a list of properties and tenants:

<u>Lessor/Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term Beginning/Ending</u>	<u>Monthly Rent</u>
<i>City of Covina</i>				
Covina Emergency Aid	125 E. College St.	Storage room	7/01/87 monthly	None
Comcast	Public right of way	Easements	7/02/79 indefinite	5% franchise
Bank of America	212 E. Badillo St.	ATM site	7/98 monthly	\$ 3,000
Nextel	2001 Edmund Halley	Communication	8/00 monthly	\$ 1,267
Verizon Wireless	P.O. Box 2167	Communication	6/02 monthly	\$ 1,231
T-Mobile	6100 Atlantic Blvd	Communication	6/02 monthly	\$ 536
Sprint	P.O. Box 7977	Communication	9/96 monthly	\$ 972

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Covina Redevelopment Agency

Bozzani Volkswagen	528 S. Citrus Ave.	Commercial	2/03/86-11/01/16	\$ 6,298
Bozzani Volvo	626 S. Citrus Ave.	Commercial	5/15/01-10/31/16	\$ 9,267
Jack in the Box	602 S. Citrus Ave.	Commercial	1/31/98-9/11	\$ 6,143
Off Citrus, Inc.	114 E. Italia	Commercial	Month to month	\$ 780
Sheer Pleasure	312 N. Citrus Ave.	Commercial	Month to month	\$ 750
Enterprise Car Sales	635 S. Citrus Ave.	Commercial	7/01/98-8/31/13	\$ 7,000
Med Plus	161 E. College St.	Commercial	Month to month	\$ 1,800
Ginchi Givil	312 N. Citrus Ave.	Commercial	Month to month	\$ 530
Whistle Stop	115 E. Italia	Commercial	Month to month	\$ 2,100
La Tazza	116 E. School	Commercial	Month to month	\$ 900

M. Claims and Judgments

The accrual for workers' compensation and general liability claims is based upon an actuarial review of the past experience which has been modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2008 is dependent on future developments, based on information from the plan administrators, City management believes that the aggregate accrual is adequate to cover such losses, including amounts for incurred but not reported claims (see notes 10 and 12).

N. New Pronouncements

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Application of this statement is effective for the City's fiscal year ended June 30, 2008. The additional disclosure concerning the implementation of GASB 50 is available in Note 8.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between Governmental Fund Balance Sheets and the Statement of Net Assets

"Total fund balances" of the City's governmental funds is \$77,416,385 which differs from "net assets" of \$128,439,810 in governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The main differences are as follows:

CITY OF COVINA, CALIFORNIA
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Capital Assets

Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 152,665,264
Accumulated depreciation	<u>(57,573,345)</u>
	<u>\$ 95,091,919</u>

Long-term Receivables and Deferred Revenue

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (long-term loans and notes receivables) are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with the long-term loans and notes receivable is not included in the statement of net assets.

Adjustment of deferred revenue	<u>\$1,464,781</u>
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Deferred Charges

Bond issuance costs are reported as other financing uses in the governmental funds. These costs are deferred in the statement of activities and amortized over the life of the bond.

Deferred charges addition	<u>\$1,446,280</u>
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Accrued Interest Payable

Accrued interest payable applicable to the City's governmental activities (tax allocation bonds) is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest associated with the tax allocation bonds.

Accrued interest payable addition	<u>\$ (179,038)</u>
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Long-term Liabilities

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Long-term liabilities (both current and long-term) are reported in the statement of net assets.

Compensated absences payable	\$ (2,396,041)
Claims and judgments payable	(4,347,000)
Notes payable	(951,988)
Capital lease payable	(194,637)
Tax allocation bonds payable (net of unamortized premium)	(39,623,416)
Revenue bonds payable (net of unamortized premium)	<u>(2,725,824)</u>
	<u>\$ (50,238,906)</u>

Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment and management information systems activities to individual funds. The internal service funds assets and liabilities are included in governmental activities in the statement of net assets.

Net assets of internal service funds	<u>\$3,438,389</u>
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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” increase of \$1,220,970 for governmental funds differs from the “change in net assets” increase of \$6,508,256 for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Assets

Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year. Gains or losses on sale and disposal of capital assets are reported only in the redevelopment agency governmental fund.

Capital outlay	\$ 8,660,551
Capital asset deletions	(920,299)
Depreciation expense	(4,536,907)
Loss on sale and disposal of capital assets	22,481
	<u>\$ 3,225,826</u>

Long-term Receivables

Because the focus of governmental funds is on short-term financing, some assets (long-term loans and notes receivables) are offset by deferred revenue and reported as expenditures in the governmental funds. The loans and notes are not reported as expenses in the statement of activities.

Change in operating expense	<u>\$ (327,316)</u>
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Interest on Long-term Debt

Accrued interest payable applicable to the City’s governmental activities (tax allocation bonds) is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest associated with the tax allocation bonds. Unamortized charges and premiums are included in the statement of net assets and are amortized in the statement of activities.

Change in interest on long-term debt	<u>\$ (7,854)</u>
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Long-term Liabilities

Bonds issued are reported as other financing sources. Principal retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Principal bond payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Accreted interest on capital appreciation bonds is not recorded as expenditures in the governmental funds but as expenses in the statement of activities.

Principal retirement	\$ 2,752,460
Amortization of premium on bonds	75,683
Deferred charges	(97,555)
Claims and judgments	(55,000)
Compensated absences	(102,751)
Accreted interest on capital appreciation bonds	(384,649)
	<u>\$ 2,188,188</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
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Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment and management information systems activities to individual funds. The adjustments for internal service funds “closes” those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year.

Net change in net assets of
internal service funds \$ 208,442

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations as follows:

	Budget	Actual	Variance
Other governmental funds:			
Law Enforcement Special Revenue Fund	501,640	663,034	161,394
Narcotic Seizure Special Revenue Fund	-	23,595	23,595
Air Quality Special Revenue Fund	59,000	61,156	2,156
Lighting Assessment District Special Revenue Fund	137,050	225,534	88,484
Landscaping Assessment District Special Revenue Fund	156,280	162,758	6,478
Sewer Assessment District Special Revenue Fund	812,220	864,689	52,469
Community facilities District Special Revenue Fund	-	3,600	3,600
Library Grant Special Revenue Fund	114,710	116,754	2,044
City Donation Special Revenue Fund	360	30,399	30,039
Shoppers Lane Parking District Capital Projects Fund	19,600	21,707	2,107

B. Deficit Fund Equity

The following nonmajor funds had a deficit fund balance as of June 30, 2008.

Special Revenue Funds:	
Community development block grant	\$ 91,419
Lighting assessment district	103,806
Sewer assessment district	46,920
Community facilities district	23,262
Capital Projects Fund:	
Shoppers lane parking district	20,627

Future collection of revenues from assessments, taxes and reimbursements of costs will help fund these deficits.

CITY OF COVINA, CALIFORNIA
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4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 62,516,143
Cash and investments - fiscal agent	<u>1,959,647</u>
Total cash and investments	<u><u>\$ 64,475,790</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 9,860
Deposits with financial institutions	4,018,960
Investments	<u>60,446,970</u>
Total cash and investments	<u><u>\$ 64,475,790</u></u>

Authorized Investments

Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Certificates and time deposits	5 years	30%	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Mutual funds (money market funds)	90 days	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Repurchase agreements	1 year	None	None

Investments Authorized by Debt Agreements

Investment of debt proceeds and reserves held by bond trustees are governed by the debt agreements, rather than the general provisions of the California Government Code. The City and Agency bond reserves are held in money market mutual funds.

Interest Rate Risk

Changes in interest rates could adversely affect the fair market values of an investment. The interest rate risk is monitored by measuring the weighted average maturity of the portfolio. Generally, the longer the maturity of an investment, the greater sensitivity of its fair market value to changes in market interest rates. The City manages its exposure to declines in market values by limiting the weighted average maturity of its investments to less than twenty-four months. The investments held by bond trustees are primarily invested in highly liquid money market mutual funds, and thus are not highly sensitive to interest rate fluctuations.

Investment type	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Local Agency Investment Fund (LAIF)	\$ 22,940,636	0.58
U.S. Agency Securities	10,356,417	1.42
U.S. Treasury Notes	23,254,557	1.19
Money market funds	1,935,713	0.95
Held by bond trustee-money market funds	<u>1,959,647</u>	1.15
Total	<u><u>\$ 60,446,970</u></u>	

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Covina's investment policy, or debt agreements and the actual rating per Moody's as of year end for each investment type:

	Rating as of June 30, 2008		Total
	AAA	Not Rated	
Local Agency Investment Fund (LAIF)	\$ -	\$ 22,940,636	\$ 22,940,636
U.S. Agency Securities	10,356,417	-	10,356,417
U.S. Treasury Notes	23,254,557	-	23,254,557
Money market funds	-	1,935,713	1,935,713
Held by bond trustee-money market funds	-	1,959,647	1,959,647
	<u>\$ 33,610,974</u>	<u>\$ 26,835,996</u>	<u>\$ 60,446,970</u>

Concentration of Credit Risk

The investment policy of the City of Covina contains no limitations on the amount that can be invested in any one issuer beyond that which is stipulated by the California Government Code. There are no investments that represent 5% or more for total City of Covina investments.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City of Covina's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2008, \$2,623,193 of the City of Covina's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2008, City of Covina investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities:

Investment type	<u>Amount</u>
U.S. Agency Securities	\$ 10,356,417
U.S. Treasury Notes	23,254,557

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Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City's LAIF balance at June 30, 2008 was \$22,940,636.

LAIF management has indicated that as of June 30, 2008, the amortized cost of the pool was \$70,027,950,242 and the estimated fair value of the pool was \$70,024,464,150. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$6,113,006 million and asset backed securities totaling \$4,188,272 million.

5. INTERFUND TRANSACTIONS

A. Interfund Balances

Operating receivables between funds are classified as due from or due to other funds. Negative individual fund cash and investment balances are offset by a due from other funds in the General Fund with a due to other funds set up in those funds owing the General Fund. The following are due from and due to balances as of June 30, 2008:

Receivable Fund	Payable Fund	Amount
General	Low-Moderate Income Housing	\$ 423,595
	Tax Allocation	1,879,836
	Redevelopment Agency	749,556
	Non-major governmental funds	2,051,036
Non-major governmental funds	General	481,640
	Non-major governmental funds	1,055,767
	Redevelopment Agency	499,030
Internal Service	Low-Moderate Income Housing	7,080
	Redevelopment Agency	7,490
Total		\$ 7,155,030

B. Interfund Transfers

Transfers between funds are generally subsidies from one fund to another fund. The General Fund is the major fund that provides ongoing support to other funds. The following are the interfund transfers for fiscal year ended June 30, 2008:

Transfers In Fund	Transfers Out Fund	Amount
General	Non-major governmental funds	\$ 335,571
Non-major governmental funds	General	80,819
Total		\$ 416,390

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C. Advances To/Advances From Other Funds

Advances to/from other funds are non-current interfund loans for the purpose of transferring cash to fund a pending obligation or expenditure that cash is not currently available for and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. The following are advances to/from other funds as of June 30, 2008:

Receivable Fund	Payable Fund	Amount
General	Management Information Systems Internal Service Fund	\$ 321,966
Redevelopment Agency	General	566,236
Low-Moderate Income Housing	Tax Allocation	459,458
Total		<u>\$ 1,347,660</u>

D. Internal Balances

Internal balances represent the net interfund receivables and payables remaining after elimination of all such balances within governmental and business-type activities.

6. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Any unpaid amounts at the end of the fiscal year are recorded as property taxes receivable. The County of Los Angeles bills and collects the property taxes and subsequently remits the amount due to the City of Covina in installments during the year. Historically, the City has received substantially all of the taxes levied within two years from the date they are levied.

The County is permitted by State Law (Article XIII A of the California Constitution) to levy taxes at one percent (1%) of full market value (at time of purchase) and can increase the property's value no more than two percent (2%) per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

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7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 7,875,010	\$ 411,106	\$ -	\$ 8,286,116
Construction in progress	<u>2,746,373</u>	<u>6,232,072</u>	<u>(4,326,540)</u>	<u>4,651,905</u>
Total capital assets, not depreciated	<u>10,621,383</u>	<u>6,643,178</u>	<u>(4,326,540)</u>	<u>12,938,021</u>
Capital assets, depreciated:				
Buildings and structures	22,161,259	435,981	-	22,597,240
Improvements other than buildings	3,405,807	430,253	-	3,836,060
Public domain infrastructure	104,665,315	2,913,694	(2,643,598)	104,935,411
Sanitary sewer infrastructure	4,130,670	2,412,259	(207,962)	6,334,967
Machinery and equipment	<u>8,426,131</u>	<u>363,765</u>	<u>-</u>	<u>8,789,896</u>
Total capital assets, depreciated	<u>142,789,182</u>	<u>6,555,952</u>	<u>(2,851,560)</u>	<u>146,493,574</u>
Less accumulated depreciation for:				
Buildings and structures	(5,688,597)	(486,055)	-	(6,174,652)
Improvements other than buildings	(2,374,432)	(112,096)	-	(2,486,528)
Public domain infrastructure	(42,359,600)	(3,676,631)	1,723,299	(44,312,932)
Sanitary sewer infrastructure	(3,477,357)	(70,110)	207,962	(3,339,505)
Machinery and equipment	<u>(5,759,905)</u>	<u>(849,125)</u>	<u>-</u>	<u>(6,609,030)</u>
Total accumulated depreciation	<u>(59,659,891)</u>	<u>(5,194,017)</u>	<u>1,931,261</u>	<u>(62,922,647)</u>
Total capital assets, depreciated, net	<u>83,129,291</u>	<u>1,361,935</u>	<u>(920,299)</u>	<u>83,570,927</u>
Total capital assets, net	<u>\$ 93,750,674</u>	<u>\$ 8,005,113</u>	<u>\$ (5,246,839)</u>	<u>\$ 96,508,948</u>

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	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	<u>376,406</u>	<u>1,996,166</u>	<u>(1,317,294)</u>	<u>1,055,278</u>
Total capital assets, not depreciated	<u>753,814</u>	<u>1,996,166</u>	<u>(1,317,294)</u>	<u>1,432,686</u>
Capital assets, depreciated:				
Buildings and structures	4,111,710	34,478	-	4,146,188
Improvements other than buildings	21,500	-	-	21,500
Water system infrastructure	11,738,981	1,282,834	(54,305)	12,967,510
Machinery and equipment	<u>1,362,448</u>	<u>35,181</u>	<u>-</u>	<u>1,397,629</u>
Total capital assets, depreciated	<u>17,234,639</u>	<u>1,352,493</u>	<u>(54,305)</u>	<u>18,532,827</u>
Less accumulated depreciation for:				
Buildings and structures	(1,473,399)	(76,398)	-	(1,549,797)
Improvements other than buildings	(21,357)	(143)	-	(21,500)
Water system infrastructure	(4,523,884)	(230,971)	54,305	(4,700,550)
Machinery and equipment	<u>(707,725)</u>	<u>(112,412)</u>	<u>-</u>	<u>(820,137)</u>
Total accumulated depreciation	<u>(6,726,365)</u>	<u>(419,924)</u>	<u>54,305</u>	<u>(7,091,984)</u>
Total capital assets, depreciated, net	<u>10,508,274</u>	<u>932,569</u>	<u>-</u>	<u>11,440,843</u>
Total capital assets, net	<u>\$ 11,262,088</u>	<u>\$ 2,928,735</u>	<u>\$ (1,317,294)</u>	<u>\$ 12,873,529</u>

Depreciation expense was charged to the following activities:

Governmental activities:

General government	\$ 125,536
Public safety	224,173
Public works	3,698,155
Culture and recreation	202,250
Transit	210,224
Redevelopment and housing	81,557
Internal service funds charged to various functions	<u>652,121</u>
Total governmental activities	<u>\$5,194,017</u>

Business-type activities:

Water utility	\$411,491
Environmental protection	<u>8,433</u>
Total business-type activities	<u>\$419,924</u>

8. RETIREMENT PLANS

A. Defined Benefit Pension Plan

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

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Funding policy: Participants are required to contribute 7% (9% for safety employees) 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 9.020% for non-safety employees and 7.788% for police employees, of annual covered payroll. The Los Angeles County Fire District has provided contractual fire protection and emergency medical services to the City of Covina since February 1998 and the City no longer contributes to PERS for fire employees. Contribution requirements of plan members and the City are established by the state legislature and may not be amended by PERS.

The funded status of the plan based on the June 30, 2007 actuarial valuation is as follows:

Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>					
\$ 49,153,966	\$ 48,434,916	\$ 719,050	98.5%	\$ 7,329,174	9.8%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual pension cost: For fiscal year 2007-2008, the City's annual pension costs \$1,101,827 for miscellaneous and \$833,325 for safety for PERS was equal to the City's required and actual contributions. The summary of principle assumptions and methods used to determine the annual required contribution is shown as follows for the Miscellaneous Plan:

Valuation date	June 30, 2007.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level percent of payroll.
Average remaining period	32 years as of the valuation date. (Miscellaneous) Funded over closed period.
Asset valuation method	15 year smoothed market.
Investment rate of return	7.75% (net of administrative expenses).
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment.
Inflation	3.00%.
Payroll growth	3.25%.
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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The following is a schedule of employer contributions which provides the annual pension cost (APC), percentage of APC contributed and the net pension obligation for the last three fiscal years:

TREND INFORMATION FOR PERS

Schedule of Employer Contributions
(Amount in Thousands)

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 868	100%	\$ -
6/30/07	1,059	100%	-
6/30/08	1,102	100%	-

Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 602	100%	\$ -
6/30/07	726	100%	-
6/30/08	833	100%	-

B. Defined Contribution Plan

The federal government enacted legislation in 1990 mandating Social Security coverage for previously uncovered governmental employees. Public Agency Retirement Services (PARS) provides this alternate retirement system for part-time, seasonal and temporary employees. The total contribution amounts to 7.5% of covered payroll compared to 12.4% under Social Security. Contribution rates are established by the City. The City of Covina began participating in PARS during fiscal year 2004-05. As of June 30, 2008, there were 54 plan participants and employer contributions of \$56,049 for the year.

9. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2008 was \$2,396,040. The short-term portion of \$366,059 and long-term portion of \$2,396,040 is not accounted in the governmental funds but is included in the governmental activities of the government-wide statements. Accumulated vacation and sick leave of \$100,540, of which \$9,570 represents the current portion, is recorded in the individual internal service funds and governmental activities of the government-wide financial statements. For enterprise funds, accumulated vacation and sick leave amounted to \$144,690, of which \$18,720 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

10. RISK MANAGEMENT

Workers' Compensation:

The City has a program of insurance for any liability to City employees arising under the workers' compensation laws for the State of California. By this action, the City will pay all claims up to \$500,000. Amounts in excess of \$500,000, up to \$150,000,000, are covered through an excess commercial insurer. There were no significant decreases in coverage from fiscal year 2007 to fiscal year 2008.

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General Liability:

Funds have been established, and a designation of General Fund fund balance has been made, for payment of outstanding general liability and workers' compensation claims outstanding (see note 15). The designated balances represent an 85% confidence level for expected losses and a reasonable margin for contingencies.

Actual settlements accrued are accounted for in the appropriate fund. Estimates for all remaining outstanding claims, including an estimate for incurred but not reported claims (IBNR), are not accounted for in the individual funds but are reported in the governmental activities of the government-wide statements (see note 12). Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other factors. At June 30, 2008, total actual and estimated claims and judgments payable were as follows:

	Amount
General liability	\$ 1,414,000
Workers' compensation	2,933,000
Total	\$ 4,347,000

The current portion of \$1,203,864 and long-term portion of \$3,143,136 are not accounted in the governmental funds but are included in the governmental activities of the government-wide statements.

The following are changes in the claims and judgments liability for fiscal years 2008 and 2007:

	Fiscal Year Ended June 30	
	2008	2007
Claims and judgments, beginning of fiscal year	\$ 4,292,000	\$ 4,650,647
Claims incurred (including IBNRs)	1,061,895	689,748
Claims paid	(1,006,895)	(1,048,395)
Claims and judgments, end of fiscal year	\$ 4,347,000	\$ 4,292,000

11. CAPITALIZED LEASE OBLIGATION

The City entered into capital leases with GE Property for energy saving improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the City's capital assets. The future minimum lease obligations and the net present value of these payments as of June 30, 2008 are as follows:

Year Ending June 30,	Amount
2009	\$ 111,792
2010	93,155
Total minimum lease payments	204,947
Less amount representing interest	(10,310)
Present value of minimum lease payment	\$ 194,637

The value of the assets acquired by the capital lease was \$611,866, net of accumulated depreciation of \$217,377.

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12. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Current Portion
Governmental activities					
Compensated absences (see note 9)	\$ 2,384,300	\$ 395,670	\$ (283,390)	\$ 2,496,580	\$ 375,629
Claims and judgments (see note 10)	4,292,000	1,061,895	(1,006,895)	4,347,000	1,203,864
Notes payable	1,187,398	-	(235,410)	951,988	180,168
Capital lease payable (see note 11)	286,687	-	(92,050)	194,637	111,792
Tax allocation bonds payable	40,692,251	384,649	(2,075,000)	39,001,900	2,145,000
Unamortized premium on tax allocation bonds	660,395	-	(38,879)	621,516	-
Revenue bonds payable	2,855,000	-	(350,000)	2,505,000	370,000
Unamortized premium on revenue bonds	<u>257,628</u>	<u>-</u>	<u>(36,804)</u>	<u>220,824</u>	<u>-</u>
Total long-term liabilities, net	<u>\$ 52,615,659</u>	<u>\$ 1,842,214</u>	<u>\$ (4,118,428)</u>	<u>\$ 50,339,445</u>	<u>\$ 4,386,453</u>
	Balance			Balance	Current
	June 30, 2007	Additions	Deletions	June 30, 2008	Portion
Business-type activities					
Compensated absences (see note 9)	\$ 169,100	\$ 10,802	\$ (35,212)	\$ 144,690	\$ 18,720
Certificates of participation payable	1,965,000	-	(160,000)	1,805,000	165,000
Unamortized discount on certificates of participation	<u>(43,726)</u>	<u>-</u>	<u>5,337</u>	<u>(38,389)</u>	<u>-</u>
Total long-term liabilities, net	<u>\$ 2,090,374</u>	<u>\$ 10,802</u>	<u>\$ (189,875)</u>	<u>\$ 1,911,301</u>	<u>\$ 183,720</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. Claims and judgments and compensated absences for the governmental activities are generally liquidated by the General Fund.

Notes Payable

During March 1994, the Covina Redevelopment Agency issued a note payable of \$450,000 to provide funds for the purchase of land located at 543 N. Citrus Avenue. This note has a term of fifteen years. Monthly payments of \$4,300 began on April 1, 1994 which includes principal and interest of 8%.

\$ 33,164

On April 28, 1998, the Covina Redevelopment Agency purchased the Chick's East property located at 626 S. Citrus Avenue for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052. The Agency took over the leases of three current tenants and entered into a lease with Chick's Sporting Goods for their retail outlet. Interest on the unpaid principal shall accrue at a variable rate which was 6.824% per annum at June 30, 2008. Monthly payments were \$13,143 at June 30, 2008.

858,050

On December 24, 2003, The Covina Redevelopment Agency purchased the property located at 980 W. San Bernardino Road for \$1,504,618. The purchase was paid by cash deposit of \$1,004,618 and by securing a note of \$500,000. Interest on the note was 5% per annum for the first year. The interest rate is reevaluated in December, and if necessary, adjusted as required under the terms of the note. Monthly payments of \$8,748 began in April, 2008.

60,774

Total notes payable

\$ 951,988

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The annual requirements to amortize the fixed rate notes payable included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2009	\$ 180,168	\$ 75,702	\$ 255,870
2010	103,578	69,170	172,748
2011	113,295	54,652	167,947
2012	123,923	48,825	172,748
2013	135,548	30,900	166,448
2014-2018	295,476	32,036	327,512
	<u>\$ 951,988</u>	<u>\$ 311,285</u>	<u>\$ 1,263,273</u>

Tax Allocation Bonds Payable

Revenue Bonds of 1997, Series A

On July 30, 1997, the Covina Public Financing Authority issued \$1,995,000 Tax Allocation Revenue Bonds of 1997, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 4% to 5.2%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each year until 2022.

\$ 1,465,000

Revenue Bonds of 1997, Series B

On November 1, 1997, the Covina Public Financing Authority issued \$6,350,000 Tax Allocation Revenue Bonds of 1997, Series B. Interest is payable on semiannually on June 1 and December 1 of each year at rates of interest ranging from 4.2% to 5.1%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each year until 2018.

4,085,000

Revenue Bonds of 2002, Series A

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 Tax Allocation Revenue Bonds of 2002, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 4.75%. Payment of principal on the bonds started December 1, 2002, and they are due on December 1 each year until 2023. Included in the June 30, 2008 balance is \$2,139,637 of the accreted interest on the capital appreciation bonds.

10,821,900

Revenue Bonds of 2004 Series A

On November 1, 2004, the Covina Redevelopment Agency issued \$17,240,000 Tax Allocation Revenue Bonds of 2004, Series A in order to refund the Tax Allocation Revenue Bonds of 1995. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 5%. Payment of principal on the bonds started December 1, 2003, and they are due on December 1 each year until 2023.

15,470,000

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Revenue Bonds of 2004, Series B

On November 1, 2004, the Covina Redevelopment Agency issued \$9,610,000 Tax Allocation Revenue Bonds of 2004, Series B. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 2.74% to 3.94%. The bonds are taxable and payment of principal on the bonds started December 1, 2005, and they are due on December 1 each year until 2009.

7,160,000

Total tax allocation bonds payable

\$39,001,900

The annual requirements to amortize the tax allocation bonds payable (excluding accreted interest of \$2,139,637) included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2009	\$ 2,145,000	\$ 1,408,801	\$ 3,553,801
2010	2,225,000	1,321,261	3,546,261
2011	2,320,000	1,224,662	3,544,662
2012	2,425,000	1,121,016	3,546,016
2013	2,535,000	1,006,965	3,541,965
2014-2018	14,560,000	3,132,658	17,692,658
2019-2023	9,373,283	8,482,954	17,856,237
2024	1,278,980	2,152,291	3,431,271
	<u>\$ 36,862,263</u>	<u>\$ 19,850,608</u>	<u>\$ 56,712,871</u>

Revenue Bonds Payable, Transportation Fund

In October 2004, the City of Covina entered into an assignment agreement related to Proposition C sales tax revenues with the Los Angeles County Metropolitan Transportation Authority (MTA). MTA issued Proposition C Revenue Bonds of 2004, Series A of which \$3,510,000 was provided to the City. The City will reimburse the MTA for its debt service portion from future Proposition C sales tax collections. The proceeds will be utilized to finance a portion of the Covina Metrolink Transit complex parking structure. The bonds are tax-exempt obligations with payment of principal and interest netted on a monthly basis through June 1, 2014.

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the MTA is not at-risk for the City's portion, the bonds are recorded as long-term debt of the City. Debt service payments are recorded in the Transportation Fund.

\$ 2,505,000

The total debt service requirements to maturity with respect to the tax revenue bonds payable included in the governmental activities are as follows:

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Years Ending June 30,	Principal	Interest	Total
2009	\$ 370,000	\$ 126,375	\$ 496,375
2010	385,000	107,875	492,875
2011	405,000	88,625	493,625
2012	425,000	68,375	493,375
2013	450,000	47,125	497,125
2014	470,000	23,500	493,500
	<u>\$ 2,505,000</u>	<u>\$ 461,875</u>	<u>\$ 2,966,875</u>

Certificates of Participation Payable, Water Enterprise Fund

In October 1999, \$2,925,000 of refunding certificates of participation (certificates) were issued to refund the 1991 water certificates. The Covina Public Financing Authority (Authority) executed and delivered the certificates. The Authority, pursuant to a trust agreement, assigned all of its rights to the trustee for the benefit of the owners of the certificates. Each certificate represents a proportionate interest in an installment sale agreement of the improvement project financed with the original certificates between the City and the Authority as a seller. Under the agreement, the City has covenanted that it will prescribe, revise, and collect such charges for the services and facilities of its municipal water system which will produce gross revenues that will generate net revenues equal to 1.25 times the installment payments in each fiscal year.

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the Authority is not at-risk for the installment sale payments and the certificates are to be repaid from resources generated by the Water Utility Enterprise Fund, the certificates are recorded as long-term debt in the Water Utility Enterprise Fund.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 3.6% to 5.45%. Payment of principal on the refunding certificates start on October 1, 2000, and are due on October 1 each year until 2016.

\$ 1,805,000

The total debt service requirements to maturity with respect to the certificates included in the business-type activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2009	\$ 165,000	\$ 89,148	\$ 254,148
2010	170,000	81,190	251,190
2011	180,000	72,655	252,655
2012	190,000	63,403	253,403
2013	200,000	53,455	253,455
2014-2017	900,000	100,819	1,000,819
	<u>\$ 1,805,000</u>	<u>\$ 460,670</u>	<u>\$ 2,265,670</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

13. NOTES RECEIVABLE

The Redevelopment Agency has sold parcels of land as well as provided loans to various companies and developers for the purpose of developing businesses in the City.

\$ 552,319

14. LOANS RECEIVABLE

The City's Community Development Block Grant program and the Covina Redevelopment Agency (Agency) provide low-income housing and economic assistance to qualifying households and businesses. Subsequently, the City and Agency acquired deferred payment loans from the homeowners and businesses. Due to the long-term nature of the loans, the City and Agency have deferred recognition of revenues in the governmental funds until receipt (see note 2).

\$1,352,523

15. FUND BALANCE DESIGNATIONS

Governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted for specific purpose by outside parties. Designation of unreserved fund balances represents tentative management plans that are subject to change.

Unreserved fund balances were designated and undesignated as follows:

	<u>June 30, 2008</u>
General Fund Designation:	
General liability claims	\$2,030,000
Workers' compensation claims	3,872,000
Emergency contingency	7,924,209
Continuing appropriations	581,304
Undesignated	<u>5,060,370</u>
Total General Fund	<u>19,467,883</u>
Low-Moderate Income Housing Fund-special revenue purposes	<u>10,694,754</u>
Redevelopment Agency-capital improvements	<u>12,897,845</u>
Non-major governmental funds:	
Special revenue purposes	2,944,222
Capital improvements	<u>2,326,017</u>
Total non-major governmental funds	<u>5,270,239</u>
Total unreserved fund balances	<u>\$48,330,721</u>

16. CONTINGENCIES

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial position of the City.

17. MORTGAGE REVENUE AND CONSTRUCTION BONDS

The Covina Redevelopment Agency has issued mortgage revenue and industrial development revenue bonds as follows:

<u>Description</u>	<u>Original Amounts</u>	<u>Outstanding Balance at June 30, 2008</u>
1994 Refunding Mortgage Revenue Bonds (Shadowhills)	\$13,980,000	\$12,825,000

The Bonds are special obligations payable solely from payments made on the loans and are secured by a pledge of such loans. Neither the faith and credit nor the taxing power of the City of Covina or the Agency have been

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

pledged to the payment of the bonds; therefore, the bonded indebtedness is not shown in the financial statements of the City.

18. INVESTMENT IN THE COVINA IRRIGATING COMPANY

The Covina Irrigating Company (the Company) is a non-profit mutual water company. The purpose of the Company is to develop, distribute, supply or deliver water at cost for irrigation and domestic uses of its stockholders. The governing board of directors consists of nine directors which are elected by the stockholders.

The City's investment in the Company has been recorded on the equity method of accounting and is shown as an "Investment in Covina Irrigating Company" in the Water Utility Enterprise Fund. The City invested in the Company's shares solely to ensure that present and future water supply will be maintained at an adequate level. The City's equity share is 42.09 percent.

Complete financial statements for Covina Irrigating Company can be obtained from the Company. Summarized audited information of the Company for the fiscal year ended June 30, 2008 is as follows:

Operating revenues	\$ 6,164,310
Operating expenses	<u>5,164,869</u>
Operating income	<u>\$ 999,441</u>
Net income	<u>\$ 1,061,282</u>
Total assets	<u>\$ 9,633,122</u>
Total liabilities	<u>\$ 1,549,444</u>
Total equity	<u>\$ 8,083,678</u>
Total liabilities and equity	<u>\$ 9,633,122</u>

The difference of the acquisition cost of shares by the City over the corresponding percentage of net assets acquired at the time of acquisition is considered goodwill.

The City is also a participant in several cost-sharing agreements with other governmental units. There is no significant financial interest or ongoing financial responsibility on the part of the City with these agreements.

19. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE

The City of Covina provides a retiree medical benefit to employees that retire from the City of Covina with at least ten years of service and retire into the Public Employees Retirement System. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. For retired employees under 65, the City provides benefits through an insurance company whose premiums are based on the benefits paid during the year. The City provides benefits on a quarterly basis with the amounts based on the applicable employee group Memorandum of Understanding at the time of retirement. Each employee has to obtain his or her own insurance coverage. The cost to provide these retiree benefits is not separate from the cost of providing benefits for active employees. During the year ended June 30, 2008, total costs were \$413,156, and 48 employees under 65 and 84 employees over 65 were eligible to receive the benefits. All benefits are provided for on a pay as you go basis.

The following table summarizes the quarterly benefits paid for retiree medical as of June 30, 2008:

<u>Employee Group</u>	<u>Amount per Quarter</u>	<u>Number of Employees</u>
Fire	\$4,608	1
Fire	3,985	2

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2008

Fire	2,394	1
Fire	1,157	1
Fire	289	1
Fire	235	16
Police Management	1,650	2
Police Management	1,567	4
Various	1,416	27
AFSCME	235	52
Unaffiliated	102	9
Various	94	16

20. NET ASSETS-ENTERPRISE FUNDS

The City by Council ordinance and resolution requires certain designations of unrestricted Water Enterprise Fund net assets. The designations are as follows:

Rate balance	\$ 44,581
Water capital	<u>2,165,588</u>
Total designated net assets	<u>\$2,210,169</u>

21. BOND DEFEASANCE

A. Tax Allocation Bonds

In prior years, the Covina Redevelopment Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The following bond issues are considered defeased: 1977 Issue of \$7,000,000, 1983 Issue of \$7,000,000 and 1985 Issue of \$6,750,000. The outstanding balances of these bond issues at June 30, 2008 are: 1977 Issue is \$0, 1983 Issue is \$1,130,000 and the 1985 Issue is \$655,000.

B. Water Certificates of Participation

In October 1999, the Covina Public Financing Authority issued the 1999 Refunding Water Certificates of Participation to refund the 1991 Water Certificates of Participation. The transaction refunded and defeased in substance the \$2,815,000 balance of the 1991 water certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the City's financial statements. The outstanding balance of the defeased 1991 water certificates at June 30, 2008 was \$1,660,000.

22. REBATABLE ARBITRAGE

The City is obligated to calculate arbitrage rebates on all tax allocation bonds. There was no rebatable arbitrage liability.

23. SUBSEQUENT EVENT

The State Legislature passed AB 1389, which became effective September 30, 2008. The bill includes a requirement for a payment to the Educational Revenue Augmentation Fund (ERAF) by each redevelopment agency by May 10, 2009. The California Redevelopment Association's estimate of the Agency's payment is \$524,962.

The Covina Redevelopment Agency purchased land on June 30, 2008. The escrow started in June 2008 and closed July 2008; therefore, a deposit was recorded. The purchase price was \$1.27 million.

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CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 18,076,074	\$ 18,076,074	\$ 18,076,074	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,425,450	4,425,450	4,464,286	38,836
Unsecured personal	167,000	167,000	144,747	(22,253)
Prior year secured and unsecured	10,000	10,000	1,326	(8,674)
Supplemental roll	230,000	230,000	243,085	13,085
Property tax in-lieu motor vehicle license	3,296,000	3,296,000	3,539,623	243,623
Interest and penalties	25,000	25,000	31,206	6,206
Pass through	-	-	53,934	53,934
Sales taxes	9,167,600	9,167,600	8,633,461	(534,139)
Transient occupancy taxes	495,000	495,000	423,861	(71,139)
Property transfer taxes	225,000	225,000	158,340	(66,660)
Business license taxes	50,695	50,495	373,571	323,076
Business registration penalties	18,000	18,000	20,852	2,852
Utility users taxes	5,571,320	5,571,320	5,433,339	(137,981)
Franchise taxes:				
Cable TV	185,000	185,000	143,786	(41,214)
Gas utility	150,000	150,000	162,234	12,234
Electric utility	210,000	210,000	233,518	23,518
Refuse service	313,000	313,000	388,296	75,296
Towing	210,000	210,000	199,451	(10,549)
Other	15,500	15,500	64,275	48,775
Licenses and permits	579,000	579,000	444,730	(134,270)
Intergovernmental:				
State:				
Homeowner exemption	43,000	43,000	46,864	3,864
Mandated cost reimbursement	42,160	42,160	26,533	(15,627)
Public safety augmentation	369,000	369,000	367,043	(1,957)
POST subvention	45,720	45,720	42,837	(2,883)
Motor vehicle in-lieu tax	331,580	331,580	220,369	(111,211)
Library services grant	2,000	2,000	1,182	(818)
Library foundation grant	-	28,510	-	(28,510)
County:				
Prop A discretionary	45,000	45,000	-	(45,000)
Other	-	-	9,053	9,053
School district	164,140	164,140	127,474	(36,666)
Other government units	-	-	53,171	53,171
Charges for services:				
General government	-	539,250	689,277	150,027
Public safety	-	101,600	92,775	(8,825)
Public works	-	114,930	95,079	(19,851)
Culture and recreation	-	786,100	625,015	(161,085)
Community development	-	296,150	498,567	202,417
Fines and forfeits	615,000	615,000	755,574	140,574
Investment earnings	476,800	456,800	1,181,196	724,396
Miscellaneous	45,800	61,950	241,166	179,216
Transfers In- Transportation	-	-	335,571	335,571
Amounts available for appropriation	45,599,839	47,462,329	48,642,741	1,180,412

(Continued)

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
City council	\$ 62,930	\$ 62,930	\$ 54,975	\$ 7,955
City clerk	3,460	3,460	2,680	780
City treasurer	3,780	3,780	3,513	267
City manager	579,390	579,390	569,006	10,384
City attorney	221,190	221,190	152,439	68,751
Finance	1,447,650	1,447,650	1,462,556	(14,906)
Elections	-	-	62,575	(62,575)
Records management	229,060	229,060	229,215	(155)
Human resources	533,490	597,940	423,415	174,525
Employee development	15,000	15,000	13,046	1,954
Workers compensation	683,600	683,600	537,003	146,597
Public liability	659,000	749,000	767,035	(18,035)
General insurance	580,000	580,000	512,289	67,711
Duplicating services	122,550	122,550	110,322	12,228
Public information	219,220	219,220	214,929	4,291
Civic center	247,430	267,430	172,520	94,910
Indirect cost allocation	(1,692,700)	(1,692,700)	(1,719,060)	26,360
Total general government	<u>3,915,050</u>	<u>4,089,500</u>	<u>3,568,458</u>	<u>521,042</u>
Public safety:				
Police administration	944,810	972,410	946,160	26,250
Crime prevention	324,680	402,680	378,833	23,847
Police investigation	1,849,680	1,849,680	1,644,358	205,322
Police patrol	5,892,330	5,912,330	6,072,089	(159,759)
Police records	443,470	443,470	443,695	(225)
Police jail	370,180	370,180	306,859	63,321
Traffic safety	237,970	330,920	328,403	2,517
Parking control	237,855	330,810	195,183	135,627
Communication services	1,000,970	1,106,350	1,114,786	(8,436)
Police training	291,750	291,750	412,656	(120,906)
Police computer services	371,670	371,670	375,420	(3,750)
Fire suppression	7,290,660	7,290,660	6,715,505	575,155
Disaster preparedness	15,490	15,490	6,530	8,960
Animal control	173,060	173,060	108,939	64,121
Indirect cost allocation	(41,420)	(41,420)	(13,200)	(28,220)
Total public safety	<u>19,403,155</u>	<u>19,820,040</u>	<u>19,036,216</u>	<u>783,824</u>
Public works:				
Public works administration	288,340	288,340	287,554	786
Engineering	436,290	448,200	399,021	49,179
Streets	1,208,540	2,346,940	464,688	1,882,252
Street lighting	75,935	75,935	198,177	(122,242)
Traffic control	494,730	494,730	110,911	383,819
Yard center	114,160	155,330	68,449	86,881
Indirect cost allocation	(428,110)	(428,110)	(426,130)	(1,980)
Total public works	<u>2,189,885</u>	<u>3,381,365</u>	<u>1,102,670</u>	<u>2,278,695</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Statement
General Fund
For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks-recreation administration	\$ 369,560	\$ 369,560	\$ 380,733	\$ (11,173)
Community relations	105,640	105,640	109,452	(3,812)
Recreation services	441,560	441,560	401,654	39,906
Community programs	63,250	63,250	67,054	(3,804)
Park facilities	646,070	651,170	581,266	69,904
Senior services	240,100	284,100	211,153	72,947
Community events	-	-	84,837	(84,837)
Aquatics	270,380	270,380	204,259	66,121
Cultural arts	600	600	13,749	(13,149)
Library services	<u>1,290,950</u>	<u>1,430,760</u>	<u>1,231,282</u>	<u>199,478</u>
Total culture and recreation	<u>3,428,110</u>	<u>3,617,020</u>	<u>3,285,439</u>	<u>331,581</u>
Community development:				
Development administration	442,140	442,140	455,282	(13,142)
Planning	352,270	352,270	231,454	120,816
Building inspection	358,530	358,530	600,790	(242,260)
Code enforcement	96,470	246,470	92,526	153,944
Indirect cost allocation	<u>(501,690)</u>	<u>(500,400)</u>	<u>(501,690)</u>	<u>1,290</u>
Total community development	<u>747,720</u>	<u>899,010</u>	<u>878,362</u>	<u>20,648</u>
Nondepartmental:				
Intergovernmental	19,900	19,900	10,322	9,578
Community outreach	14,100	14,100	11,963	2,137
Downtown Business District	-	23,710	8,688	15,022
Prospero Park District	-	-	14,514	(14,514)
Natural Hazard Mitigation Plan	-	-	7,500	(7,500)
Contingency	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total nondepartmental	<u>184,000</u>	<u>207,710</u>	<u>52,987</u>	<u>154,723</u>
Debt service:				
Principal retirement	137,440	137,440	92,044	45,396
Interest	<u>40,750</u>	<u>40,750</u>	<u>46,990</u>	<u>(6,240)</u>
Total debt service	<u>178,190</u>	<u>178,190</u>	<u>139,034</u>	<u>39,156</u>
Transfers out:				
Community Development Block Grant Fund	49,910	48,610	-	48,610
Law Enforcement Fund	131,790	131,790	-	131,790
Lighting Assessment District Fund	62,470	62,470	-	62,470
Library Grant Fund	56,840	56,840	-	56,840
Transportation Fund	<u>6,900</u>	<u>6,900</u>	<u>80,819</u>	<u>(73,919)</u>
Total transfers out	<u>307,910</u>	<u>306,610</u>	<u>80,819</u>	<u>225,791</u>
Total charges to appropriations	<u>30,354,020</u>	<u>32,499,445</u>	<u>28,143,985</u>	<u>4,355,460</u>
Budgetary fund balance, June 30	<u>\$ 15,245,819</u>	<u>\$ 14,962,884</u>	<u>\$ 20,498,756</u>	<u>\$ 5,535,872</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
Low-Moderate Income Housing Special Revenue Fund
For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 11,234,896	11,234,896	\$ 11,234,896	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	1,186,500	1,186,500	1,453,202	266,702
Unsecured personal	166,000	166,000	101,244	(64,756)
Prior year secured and unsecured	85,000	85,000	32,669	(52,331)
Supplemental roll	7,000	7,000	134,608	127,608
Intergovernmental:				
State-homeowner exemption	6,500	6,500	2,658	(3,842)
Investment earnings	425,450	208,450	474,444	265,994
Miscellaneous	199,420	199,420	324,177	124,757
Amounts available for appropriation	<u>13,310,766</u>	<u>13,093,766</u>	<u>13,757,898</u>	<u>664,132</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Housing	596,640	2,791,960	668,313	2,123,647
Neighborhood preservation	<u>204,830</u>	<u>204,830</u>	<u>192,735</u>	<u>12,095</u>
Total redevelopment and housing	<u>801,470</u>	<u>2,996,790</u>	<u>861,048</u>	<u>2,135,742</u>
Debt service:				
Principal retirement	175,000	175,000	175,000	-
Interest and fiscal charges	<u>228,260</u>	<u>228,260</u>	<u>217,638</u>	<u>10,622</u>
Total debt service	<u>403,260</u>	<u>403,260</u>	<u>392,638</u>	<u>10,622</u>
Nondepartmental-contingency	<u>10,050</u>	<u>10,505</u>	<u>-</u>	<u>10,505</u>
Total charges to appropriations	<u>1,214,780</u>	<u>3,410,555</u>	<u>1,253,686</u>	<u>2,156,869</u>
Budgetary fund balance, June 30	<u>\$ 12,095,986</u>	<u>\$ 9,683,211</u>	<u>\$ 12,504,212</u>	<u>\$ 2,821,001</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
 Note to Required Supplementary Information
 June 30, 2008

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. City departments submit budget and service requests to the City Manager. The City Manager prepares a recommended budget to be presented to the City Council.
2. The annual budget is adopted by the City Council on or before June 30 of each fiscal year after holding public hearings to receive input for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
3. The appropriated budget is prepared by fund, program, and activity. Departments may make appropriation transfers within activities. The City Manager is authorized to make appropriation transfers between activities within funds excluding the contingency appropriation. The City Council approves total budgeted appropriations and any amendments between funds and the use of contingency appropriation. This "appropriated budget" covers City expenditures in all governmental funds. Actual expenditures may not exceed budgeted appropriations at the activity level within each fund. Budget figures used in the accompanying financial statements are the original budget including prior year carryovers and the final budget including current year amendments.
4. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances at year end lapse, and then are added to the following year's budgeted appropriations.
5. Annual budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that capital outlay expenditures are included in the functional categories. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt budgets for this fund type.
6. Appropriations for capital projects and certain grants and contributions authorized but not constructed or completed during the year lapse at year end, and then are included as part of appropriations in the following year's annual budget.
7. Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceed of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

B. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations as follows:

	Budget	Actual	Variance
Other governmental funds:			
Law Enforcement Special Revenue Fund	501,640	663,034	161,394
Narcotic Seizure Special Revenue Fund	-	23,595	23,595
Air Quality Special Revenue Fund	59,000	61,156	2,156
Lighting Assessment District Special Revenue Fund	137,050	225,534	88,484
Landscaping Assessment District Special Revenue Fund	156,280	162,758	6,478
Sewer Assessment District Special Revenue Fund	812,220	864,689	52,469
Community facilities District Special Revenue Fund	-	3,600	3,600
Library Grant Special Revenue Fund	114,710	116,754	2,044
City Donation Special Revenue Fund	360	30,399	30,039
Shoppers Lane Parking District Capital Projects Fund	19,600	21,707	2,107

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 CALPERS Schedule of Funding Progress
 June 30, 2008

\$ Amount in Thousands

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
06/30/05 Miscellaneous	<u>\$ 43,745</u>	<u>\$ 43,246</u>	<u>\$ 499</u>	<u>98.9%</u>	<u>\$ 6,268</u>	<u>8.0%</u>
06/30/06 Miscellaneous	<u>\$ 46,238</u>	<u>\$ 45,513</u>	<u>\$ 725</u>	<u>98.4%</u>	<u>\$ 6,682</u>	<u>10.9%</u>
06/30/07 Miscellaneous	<u>\$ 49,154</u>	<u>\$ 48,435</u>	<u>\$ 719</u>	<u>98.5%</u>	<u>\$ 7,329</u>	<u>9.8%</u>

Non-Major Governmental Funds

Special revenue funds account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and /or resolution to finance particular functions, or activities. Non-major special revenue governmental funds of the City are as follows:

Community Development Block Grant is a special revenue fund that accounts for the funding from the Department of Housing and Urban Development (HUD) in the form of a Community Block Grant (CDBG) program. The program has specific federal guidelines and all CDBG fund expenditures are monitored for compliance with both federally mandated rules and regulations and County of Los Angeles regulations.

Law Enforcement accounts for federal and state local law enforcement grants and subventions to finance certain police activities.

Narcotic Seizure accounts for receipts and disbursements associated with the federal, state and local narcotic seizure programs.

State Gas Tax accounts for money apportioned by state statutes of the State of California to provide financing for street maintenance and improvements.

Transit accounts for the transit tax (one-half percent sales tax) for transit programs and improvements.

Air Quality accounts for the motor vehicle fee for air and environmental improvements.

Municipal Parking District accounts for receipts and expenditures for electricity, lot maintenance and engineering services in the various municipal parking lots.

Lighting Assessment District accounts for special assessment collections from benefited properties for street lighting energy and maintenance.

Landscaping Assessment District accounts for special assessment collections from benefited properties for landscape maintenance activities.

Sewer Assessment District accounts for special assessment collections from benefited properties for sanitary sewer maintenance and improvements.

Community Facilities District accounts for special assessment collections from benefited properties for community facilities maintenance activities.

Library Grant accounts for the various state grant monies for programs of the Covina Public Library.

City Donation accounts for restricted donations and contributions from private sources for various activities.

Capital projects funds are used to finance and account for the acquisition and construction of major capital facilities other than those financed by other governmental type and proprietary funds. Non-major capital projects governmental funds of the City are as follows:

General Projects accounts for monies designated for major infrastructure and general improvements not accounted for in other governmental and proprietary funds.

Park Development accounts for federal and state grant monies used for parkland acquisition and development.

Transportation is a capital projects fund and account for one-half percent sales tax to finance transportation programs and improvements. Financial resources include various grants from the State and Federal funding sources to provide enhanced transit opportunities.

Shoppers Lane Parking District accounts for certain business tax registrations to finance parking maintenance and improvements in Shoppers Lane.

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Special Revenue Funds					
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality
Assets						
Cash and investments	\$ -	\$ -	\$ 212,512	\$ 367,317	\$ 1,601,921	\$ 151,074
Cash and investments-fiscal agent	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	-	2,580	-	-	328	-
Special assessments	-	-	-	-	-	-
Loans	564,510	-	-	-	-	-
Due from other governments	45,455	445,123	-	288,147	-	15,518
Due from other funds	-	-	-	-	-	-
Prepaid items	-	8,867	-	-	-	-
Total assets	<u>\$ 609,965</u>	<u>\$ 456,570</u>	<u>\$ 212,512</u>	<u>\$ 655,464</u>	<u>\$ 1,602,249</u>	<u>\$ 166,592</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 76,343	\$ 227,071	\$ 23,594	\$ 21	\$ 56,108	\$ -
Deposits payable	-	-	-	-	-	-
Accrued liabilities	1,013	8,490	-	-	4,345	-
Due to other governments	739	-	-	-	-	-
Due to other funds	62,987	6,856	-	-	-	-
Deferred revenue	560,302	-	-	-	-	-
Total liabilities	<u>701,384</u>	<u>242,417</u>	<u>23,594</u>	<u>21</u>	<u>60,453</u>	<u>-</u>
Fund balances:						
Reserved for prepaid item	-	8,867	-	-	-	-
Reserved for restricted revenue	-	-	-	-	-	-
Unreserved	(91,419)	205,286	188,918	655,443	1,541,796	166,592
Total fund balances	<u>(91,419)</u>	<u>214,153</u>	<u>188,918</u>	<u>655,443</u>	<u>1,541,796</u>	<u>166,592</u>
Total liabilities and fund balances	<u>\$ 609,965</u>	<u>\$ 456,570</u>	<u>\$ 212,512</u>	<u>\$ 655,464</u>	<u>\$ 1,602,249</u>	<u>\$ 166,592</u>

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Library Grant	City Donation	Total
\$ 298,936	\$ -	\$ 148,197	\$ 1,009,116	\$ -	\$ -	\$ 367,116	\$ 4,156,189
-	-	-	-	-	-	-	-
1,543	-	-	-	-	-	-	1,543
81	-	-	6,542	-	62,272	-	71,803
-	5,146	6,991	4,102	-	-	-	16,239
-	-	-	-	-	-	-	564,510
-	-	-	-	-	8,167	-	802,410
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,867
<u>\$ 300,560</u>	<u>\$ 5,146</u>	<u>\$ 155,188</u>	<u>\$ 1,019,760</u>	<u>\$ -</u>	<u>\$ 70,439</u>	<u>\$ 367,116</u>	<u>\$ 5,621,561</u>
\$ 232	\$ 17,002	\$ 4,134	\$ 10,913	\$ -	\$ 3,467	\$ 1,983	\$ 420,868
-	-	-	-	-	-	4,526	4,526
-	-	-	-	-	3,427	-	17,275
-	-	-	-	-	-	-	739
-	91,950	-	1,055,767	23,262	63,333	-	1,304,155
-	-	-	-	-	-	-	560,302
<u>232</u>	<u>108,952</u>	<u>4,134</u>	<u>1,066,680</u>	<u>23,262</u>	<u>70,227</u>	<u>6,509</u>	<u>2,307,865</u>
-	-	-	-	-	-	-	8,867
-	-	-	-	-	-	360,607	360,607
<u>300,328</u>	<u>(103,806)</u>	<u>151,054</u>	<u>(46,920)</u>	<u>(23,262)</u>	<u>212</u>	<u>-</u>	<u>2,944,222</u>
<u>300,328</u>	<u>(103,806)</u>	<u>151,054</u>	<u>(46,920)</u>	<u>(23,262)</u>	<u>212</u>	<u>360,607</u>	<u>3,313,696</u>
<u>\$ 300,560</u>	<u>\$ 5,146</u>	<u>\$ 155,188</u>	<u>\$ 1,019,760</u>	<u>\$ -</u>	<u>\$ 70,439</u>	<u>\$ 367,116</u>	<u>\$ 5,621,561</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Capital Projects Funds				Total	Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Shoppers Lane Parking District		
Assets						
Cash and investments	\$ -	\$ -	\$ 1,396,096	\$ -	\$ 1,396,096	\$ 5,552,285
Cash and investments-fiscal agent	-	-	272,133	-	272,133	272,133
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	-	-	-	1,543
Accounts	18	-	-	-	18	71,821
Special assessments	-	-	-	-	-	16,239
Loans	-	-	-	-	-	564,510
Due from other governments	58,827	387,153	241,315	-	687,295	1,489,705
Due from other funds	2,007,407	29,030	-	-	2,036,437	2,036,437
Prepaid items	-	-	-	-	-	8,867
Total assets	<u>\$ 2,066,252</u>	<u>\$ 416,183</u>	<u>\$ 1,909,544</u>	<u>\$ -</u>	<u>\$ 4,391,979</u>	<u>\$ 10,013,540</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 11,946	\$ 4,407	\$ 126,493	\$ -	\$ 142,846	\$ 563,714
Deposits payable	-	-	-	-	-	4,526
Accrued liabilities	-	-	-	-	-	17,275
Due to other governments	-	-	120,468	-	120,468	121,207
Due to other funds	1,467,900	314,121	-	20,627	1,802,648	3,106,803
Deferred revenue	-	-	-	-	-	560,302
Total liabilities	<u>1,479,846</u>	<u>318,528</u>	<u>246,961</u>	<u>20,627</u>	<u>2,065,962</u>	<u>4,373,827</u>
Fund balances:						
Reserved for prepaid item	-	-	-	-	-	8,867
Reserved for restricted revenue	-	-	-	-	-	360,607
Unreserved	586,406	97,655	1,662,583	(20,627)	2,326,017	5,270,239
Total fund balances	<u>586,406</u>	<u>97,655</u>	<u>1,662,583</u>	<u>(20,627)</u>	<u>2,326,017</u>	<u>5,639,713</u>
Total liabilities and fund balances	<u>\$ 2,066,252</u>	<u>\$ 416,183</u>	<u>\$ 1,909,544</u>	<u>\$ -</u>	<u>\$ 4,391,979</u>	<u>\$ 10,013,540</u>

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CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2008

	Special Revenue Funds					
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-
Intergovernmental	399,494	471,297	23,595	867,163	706,802	59,384
Charges for services	-	48,815	-	-	223,334	-
Special assessments	-	141,249	-	-	-	-
Investment earnings	-	10,693	8,874	17,445	62,343	5,675
Miscellaneous	-	-	-	-	93	-
Total revenues	<u>399,494</u>	<u>672,054</u>	<u>32,469</u>	<u>884,608</u>	<u>992,572</u>	<u>65,059</u>
Expenditures:						
Current:						
Public safety	-	663,034	23,595	-	-	-
Public works	-	-	-	722,556	-	61,156
Culture and recreation	-	-	-	-	-	-
Transit	-	-	-	-	715,454	-
Redevelopment and housing	364,665	-	-	-	-	-
Capital outlay	126,248	-	-	48,153	-	-
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>490,913</u>	<u>663,034</u>	<u>23,595</u>	<u>770,709</u>	<u>715,454</u>	<u>61,156</u>
Excess (deficiency) of revenues over expenditures	<u>(91,419)</u>	<u>9,020</u>	<u>8,874</u>	<u>113,899</u>	<u>277,118</u>	<u>3,903</u>
Other financing sources						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	<u>(91,419)</u>	<u>9,020</u>	<u>8,874</u>	<u>113,899</u>	<u>277,118</u>	<u>3,903</u>
Fund balances at beginning of year (deficits)	<u>-</u>	<u>205,133</u>	<u>180,044</u>	<u>541,544</u>	<u>1,264,678</u>	<u>162,689</u>
Fund balances at end of year (deficits)	<u>\$ (91,419)</u>	<u>\$ 214,153</u>	<u>\$ 188,918</u>	<u>\$ 655,443</u>	<u>\$ 1,541,796</u>	<u>\$ 166,592</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2008

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Library Grant	City Donation	Total
\$ 25,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,363
-	-	-	-	-	-	-	-
135	-	-	-	-	114,188	-	2,642,058
68,979	-	-	-	-	-	-	341,128
-	121,728	119,703	263,576	-	-	-	646,256
12,216	-	6,218	30,823	-	-	15,746	170,033
-	-	-	-	-	2,570	9,382	12,045
<u>106,693</u>	<u>121,728</u>	<u>125,921</u>	<u>294,399</u>	<u>-</u>	<u>116,758</u>	<u>25,128</u>	<u>3,836,883</u>
-	-	-	-	-	-	-	686,629
101,702	225,534	162,758	864,689	3,600	-	-	2,141,995
-	-	-	-	-	116,754	30,399	147,153
-	-	-	-	-	-	-	715,454
-	-	-	-	-	-	-	364,665
-	-	-	-	-	-	-	174,401
-	-	-	-	-	-	-	-
<u>101,702</u>	<u>225,534</u>	<u>162,758</u>	<u>864,689</u>	<u>3,600</u>	<u>116,754</u>	<u>30,399</u>	<u>4,230,297</u>
<u>4,991</u>	<u>(103,806)</u>	<u>(36,837)</u>	<u>(570,290)</u>	<u>(3,600)</u>	<u>4</u>	<u>(5,271)</u>	<u>(393,414)</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,991</u>	<u>(103,806)</u>	<u>(36,837)</u>	<u>(570,290)</u>	<u>(3,600)</u>	<u>4</u>	<u>(5,271)</u>	<u>(393,414)</u>
<u>295,337</u>	<u>-</u>	<u>187,891</u>	<u>523,370</u>	<u>(19,662)</u>	<u>208</u>	<u>365,878</u>	<u>3,707,110</u>
<u>\$ 300,328</u>	<u>\$ (103,806)</u>	<u>\$ 151,054</u>	<u>\$ (46,920)</u>	<u>\$ (23,262)</u>	<u>\$ 212</u>	<u>\$ 360,607</u>	<u>\$ 3,313,696</u>

	Capital Projects Funds					Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Shoppers Lane Parking District	Total	
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,363
Business license taxes	-	-	-	1,080	1,080	1,080
Intergovernmental	58,827	357,593	1,982,755	-	2,399,175	5,041,233
Charges for services	17,502	-	-	-	17,502	358,630
Special assessments	-	-	-	-	-	646,256
Investment earnings	18,341	970	92,084	-	111,395	281,428
Miscellaneous	-	-	22,202	-	22,202	34,247
Total revenues	<u>94,670</u>	<u>358,563</u>	<u>2,097,041</u>	<u>1,080</u>	<u>2,551,354</u>	<u>6,388,237</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	686,629
Public works	-	-	-	21,707	21,707	2,163,702
Culture and recreation	-	-	-	-	-	147,153
Transit	-	-	-	-	-	715,454
Redevelopment and housing	58,827	-	-	-	58,827	423,492
Capital outlay	142	357,593	1,004,354	-	1,362,089	1,536,490
Debt Service:						
Principal retirement	-	-	350,000	-	350,000	350,000
Interest and fiscal charges	-	-	143,875	-	143,875	143,875
Total expenditures	<u>58,969</u>	<u>357,593</u>	<u>1,498,229</u>	<u>21,707</u>	<u>1,936,498</u>	<u>6,166,795</u>
Excess (deficiency) of revenues over expenditures	<u>35,701</u>	<u>970</u>	<u>598,812</u>	<u>(20,627)</u>	<u>614,856</u>	<u>221,442</u>
Other financing sources						
Transfers in	-	-	80,819	-	80,819	80,819
Transfers out	-	-	(335,571)	-	(335,571)	(335,571)
Total other financing sources (uses)	-	-	(254,752)	-	(254,752)	(254,752)
Net change in fund balances	35,701	970	344,060	(20,627)	360,104	(33,310)
Fund balances at beginning of year (deficits)	<u>550,705</u>	<u>96,685</u>	<u>1,318,523</u>	<u>-</u>	<u>1,965,913</u>	<u>5,673,023</u>
Fund balances at end of year (deficits)	<u>\$ 586,406</u>	<u>\$ 97,655</u>	<u>\$ 1,662,583</u>	<u>\$ (20,627)</u>	<u>\$ 2,326,017</u>	<u>\$ 5,639,713</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Tax Allocation Debt Service Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ 2,121,446	\$ 2,121,446	\$ 2,121,446	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,080,000	4,080,000	5,812,809	1,732,809
Unsecured personal	625,000	625,000	362,099	(262,901)
Prior year secured and unsecured	294,000	294,000	126,863	(167,137)
Supplemental roll	83,000	83,000	585,122	502,122
Intergovernmental:				
State-homeowner exemption	25,000	25,000	10,632	(14,368)
County Pass-through	-	-	(988,008)	(988,008)
Investment earnings	39,800	49,800	370,196	320,396
Amounts available for appropriation	<u>7,268,246</u>	<u>7,278,246</u>	<u>8,401,159</u>	<u>1,122,913</u>
Charges to appropriations (outflows):				
Administration	61,840	61,840	61,836	4
Debt service:				
Principal retirement	3,470,470	3,470,470	2,135,409	1,335,061
Interest and fiscal charges	1,621,550	1,621,550	1,960,688	(339,138)
Total charges to appropriations	<u>5,153,860</u>	<u>5,153,860</u>	<u>4,157,933</u>	<u>995,927</u>
Budgetary fund balance, June 30	<u>\$ 2,114,386</u>	<u>\$ 2,124,386</u>	<u>\$ 4,243,226</u>	<u>\$ 2,118,840</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Redevelopment Agency Capital Projects Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ 39,089,976	\$ 39,089,976	\$ 39,089,976	\$ -
Resources (inflows):				
Intergovernmental:				
Charges for services-redevelopment and housing	903,410	903,410	873,523	(29,887)
Investment earnings	903,520	903,520	1,076,326	172,806
Miscellaneous	55,000	55,000	93,957	38,957
Sale of capital assets	39,150	39,150	-	(39,150)
Amounts available for appropriation	<u>40,991,056</u>	<u>40,991,056</u>	<u>41,133,782</u>	<u>142,726</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Redevelopment-housing administration	941,720	963,040	907,821	55,219
Marketing	361,500	390,340	234,913	155,427
Redevelopment	4,005,580	15,638,420	5,434,144	10,204,276
Total redevelopment and housing	5,308,800	16,991,800	6,576,878	10,414,922
Nondepartmental-contingency	89,390	89,390	-	89,390
Loss on sale	1,421,500	1,421,500	26,426	1,395,074
Total charges to appropriations	<u>6,819,690</u>	<u>18,502,690</u>	<u>6,603,304</u>	<u>11,899,386</u>
Budgetary fund balance, June 30	<u>\$ 34,171,366</u>	<u>\$ 22,488,366</u>	<u>\$ 34,530,478</u>	<u>\$ 12,042,112</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Development Block Grant Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts	Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-Community Development Block Grant	449,070	451,670	399,494	(52,176)
Transfers in-General Fund	49,910	48,610	-	(48,610)
Amounts available for appropriation	<u>498,980</u>	<u>500,280</u>	<u>399,494</u>	<u>(100,786)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
CDBG administration	94,940	94,940	112,602	(17,662)
Business assistance	152,790	374,920	198,815	176,105
Public service	67,550	67,550	59,402	8,148
Residential rehabilitation	105,000	105,000	13,464	91,536
Public improvements	80,000	290,360	106,630	183,730
Total charges to appropriations	<u>500,280</u>	<u>932,770</u>	<u>490,913</u>	<u>441,857</u>
Budgetary fund balance (deficits), June 30	<u>\$ (1,300)</u>	<u>\$ (432,490)</u>	<u>\$ (91,419)</u>	<u>\$ 341,071</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Law Enforcement Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 205,133	\$ 205,133	\$ 205,133	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
Local Law Enforcement Block Grant	14,590	14,590	12,210	(2,380)
State:				
Supplemental Law Enforcement Grant	100,000	100,000	236,918	136,918
Other Grant	-	-	222,169	222,169
Charges for services-police fee	-	-	48,815	48,815
Fines & Forfeits	-	-	141,249	141,249
Investment earnings	-	-	10,693	10,693
Transfers in:				
General Fund	131,790	131,790	-	(131,790)
Amounts available for appropriation	<u>451,513</u>	<u>451,513</u>	<u>877,187</u>	<u>425,674</u>
Charges to appropriations (outflows):				
Public safety:				
Police Administration	146,380	146,380	219,347	(72,967)
Crime prevention	24,800	24,800	19,149	5,651
Police patrol	75,200	75,200	171,618	(96,418)
Traffic safety	131,930	131,930	150,008	(18,078)
Communications	-	-	100,683	(100,683)
Police computer services	123,330	123,330	2,229	121,101
Total charges to appropriations	<u>501,640</u>	<u>501,640</u>	<u>663,034</u>	<u>(161,394)</u>
Budgetary fund balance (deficits), June 30	<u>\$ (50,127)</u>	<u>\$ (50,127)</u>	<u>\$ 214,153</u>	<u>\$ 264,280</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Narcotic Seizure Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 180,044	\$ 180,044	\$ 180,044	\$ -
Resources (inflows):				
Intergovernmental:				
State-Narcotic Seizure Program Grant	-	-	23,595	23,595
Investment earnings	-	-	8,874	8,874
Amounts available for appropriation	180,044	180,044	212,513	32,469
Charges to appropriations (outflows):				
Public safety-special detail services	-	-	23,595	(23,595)
Budgetary fund balance, June 30	<u>\$ 180,044</u>	<u>\$ 180,044</u>	<u>\$ 188,918</u>	<u>\$ 8,874</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 State Gas Tax Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 541,544	\$ 541,544	\$ 541,544	\$ -
Resources (inflows):				
Intergovernmental:				
State-gas tax	900,100	900,100	867,163	(32,937)
Investment earnings	13,600	13,600	17,445	3,845
Amounts available for appropriation	<u>1,455,244</u>	<u>1,455,244</u>	<u>1,426,152</u>	<u>(29,092)</u>
Charges to appropriations (outflows):				
Public works:				
Streets	906,190	1,007,290	658,045	349,245
Street lighting	37,910	37,910	37,912	(2)
Traffic control	74,750	74,750	74,752	(2)
Total charges to appropriations	<u>1,018,850</u>	<u>1,119,950</u>	<u>770,709</u>	<u>349,241</u>
Budgetary fund balance, June 30	<u>\$ 436,394</u>	<u>\$ 335,294</u>	<u>\$ 655,443</u>	<u>\$ 320,149</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transit Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,264,678	\$ 1,264,678	\$ 1,264,678	\$ -
Resources (inflows):				
Intergovernmental:				
County-Proposition A	780,000	780,000	706,802	(73,198)
Charges for services-transit	186,400	186,400	223,334	36,934
Investment earnings	5,000	5,000	62,343	57,343
Other	-	-	93	93
Amounts available for appropriation	<u>2,236,078</u>	<u>2,236,078</u>	<u>2,257,250</u>	<u>21,172</u>
Charges to appropriations (outflows):				
Transit:				
Transit administration	153,840	153,840	149,989	3,851
Transit operation	<u>876,920</u>	<u>876,920</u>	<u>565,465</u>	<u>311,455</u>
Total charges to appropriations	<u>1,030,760</u>	<u>1,030,760</u>	<u>715,454</u>	<u>315,306</u>
Budgetary fund balance, June 30	<u>\$ 1,205,318</u>	<u>\$ 1,205,318</u>	<u>\$ 1,541,796</u>	<u>\$ 336,478</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Air Quality Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 162,689	\$ 162,689	\$ 162,689	\$ -
Resources (inflows):				
Intergovernmental:				
Other government units-motor vehicle environmental fee	56,950	56,950	59,384	2,434
Investment earnings	2,050	1,000	5,675	4,675
Amounts available for appropriation	221,689	220,639	227,748	7,109
Charges to appropriations (outflows):				
Public works-air quality	85,000	59,000	61,156	(2,156)
Budgetary fund balance, June 30	<u>\$ 136,689</u>	<u>\$ 161,639</u>	<u>\$ 166,592</u>	<u>\$ 4,953</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Municipal Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 295,337	\$ 295,337	\$ 295,337	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	26,800	26,800	24,406	(2,394)
Unsecured personal	700	700	953	253
Prior year secured and unsecured	500	500	28	(472)
Supplemental roll	20	20	(90)	(110)
Interest and penalties	200	200	66	(134)
Intergovernmental:				
State-homeowner exemption	20	20	135	115
Charges for services-public works	70,000	70,000	68,979	(1,021)
Investment earnings	5,000	5,000	12,216	7,216
Amounts available for appropriation	398,577	398,577	402,030	3,453
Charges to appropriations (outflows):				
Public works-public parking	151,080	153,740	101,702	52,038
Budgetary fund balance, June 30	<u>\$ 247,497</u>	<u>\$ 244,837</u>	<u>\$ 300,328</u>	<u>\$ 55,491</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Lighting Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Special assessments	120,000	119,890	121,728	1,838
Transfers in-General Fund	76,090	17,160	-	(17,160)
Amounts available for appropriation	196,090	137,050	121,728	(15,322)
Charges to appropriations (outflows):				
Public works-street lighting	137,050	137,050	225,534	(88,484)
Budgetary fund balance (deficits), June 30	\$ 59,040	\$ -	\$ (103,806)	\$ (103,806)

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Landscaping Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 187,891	\$ 187,891	\$ 187,891	\$ -
Resources (inflows):				
Special assessments	73,500	73,500	119,703	46,203
Investment earnings	4,000	4,000	6,218	2,218
Amounts available for appropriation	265,391	265,391	313,812	48,421
Charges to appropriations (outflows):				
Public works-street landscaping	134,250	156,280	162,758	(6,478)
Budgetary fund balance, June 30	<u>\$ 131,141</u>	<u>\$ 109,111</u>	<u>\$ 151,054</u>	<u>\$ 41,943</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Sewer Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 523,370	\$ 523,370	\$ 523,370	\$ -
Resources (inflows):				
Special assessments	133,000	133,000	263,576	130,576
Investment earnings	<u>25,000</u>	<u>25,000</u>	<u>30,823</u>	<u>5,823</u>
Amounts available for appropriation	681,370	681,370	817,769	136,399
Charges to appropriations (outflows):				
Public works-sanitary sewer	<u>325,510</u>	<u>812,220</u>	<u>864,689</u>	<u>(52,469)</u>
Budgetary fund balance (deficits), June 30	<u>\$ 355,860</u>	<u>\$ (130,850)</u>	<u>\$ (46,920)</u>	<u>\$ 83,930</u>

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 Community Facilities District Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts	Final Budget
	Original	Final	Final	Positive (Negative)
Budgetary fund balance (deficits), July 1	\$ (19,662)	\$ (19,662)	\$ (19,662)	\$ -
Charges to appropriations (outflows):				
Public Works:				
Park Facilities	-	-	3,600	(3,600)
Budgetary fund balance (deficits), June 30	<u>\$ (19,662)</u>	<u>\$ (19,662)</u>	<u>\$ (23,262)</u>	<u>\$ 3,600</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Library Grant Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 208	\$ 208	\$ 208	\$ -
Resources (inflows):				
Intergovernmental-State:				
Literacy Grant	26,000	26,000	93,033	67,033
Other	14,000	14,000	21,155	7,155
Miscellaneous-donations	17,870	17,870	2,570	(15,300)
Transfers in-General Fund	56,840	56,840	-	(56,840)
Amounts available for appropriation	114,918	114,918	116,966	2,048
Charges to appropriations (outflows):				
Culture and recreation-library services	114,710	114,710	116,754	(2,044)
Budgetary fund balance, June 30	<u>\$ 208</u>	<u>\$ 208</u>	<u>\$ 212</u>	<u>\$ 4</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 City Donation Special Revenue Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 365,878	\$ 365,878	\$ 365,878	\$ -
Resources (inflows):				
Investment earnings	-	-	15,746	15,746
Miscellaneous-donations	-	360	9,382	9,022
Amounts available for appropriation	<u>365,878</u>	<u>366,238</u>	<u>391,006</u>	<u>24,768</u>
Charges to appropriations (outflows):				
Culture and recreation:				
Senior services	-	-	2,565	(2,565)
Cultural arts	-	-	19,039	(19,039)
Library services	-	360	8,795	(8,435)
Total charges to appropriations	<u>-</u>	<u>360</u>	<u>30,399</u>	<u>(30,039)</u>
Budgetary fund balance, June 30	<u>\$ 365,878</u>	<u>\$ 365,878</u>	<u>\$ 360,607</u>	<u>\$ (5,271)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 General Projects Capital Projects Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 550,705	\$ 550,705	\$ 550,705	\$ -
Resources (inflows):				
Intergovernmental:				
EDI McGill Grant	-	-	58,827	58,827
Charges for services-sewer construction	-	-	17,502	17,502
Investment earnings	-	-	18,341	18,341
Amounts available for appropriations	550,705	550,705	645,375	94,670
Charges to appropriations (outflows):				
Redevelopment and housing-redevelopment	31,550	343,640	58,969	284,671
Budgetary fund balance (deficits), June 30	<u>\$ 519,155</u>	<u>\$ 207,065</u>	<u>\$ 586,406</u>	<u>\$ 379,341</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Park Development Capital Projects Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 96,685	\$ 96,685	\$ 96,685	\$ -
Resources (inflows):				
Intergovernmental:				
State:				
Park Bond Act	-	-	275,976	275,976
County Park Grant	-	-	81,617	81,617
Investment earnings	-	-	970	970
Amounts available for appropriation	96,685	96,685	455,248	358,563
Charges to appropriations (outflows):				
Culture and recreation-park facilities	-	920,960	357,593	563,367
Budgetary fund balance (deficits), June 30	<u>\$ 96,685</u>	<u>\$ (824,275)</u>	<u>\$ 97,655</u>	<u>\$ 921,930</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transportation Capital Projects Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,318,523	\$ 1,318,523	\$ 1,318,523	\$ -
Resources (inflows):				
Intergovernmental:				
State:				
Traffic Congestion Relief	-	-	544	544
Transportation Program	-	-	799,712	799,712
County:				
Proposition C	680,000	680,000	1,146,785	466,785
MTA Grant	-	-	34,812	34,812
Bicycle and Pedestrian	-	-	902	902
Investment earnings	-	-	92,084	92,084
Other	-	-	22,202	22,202
Transfers in-General Fund	3,450	3,450	80,819	77,369
Amounts available for appropriation	<u>2,001,973</u>	<u>2,001,973</u>	<u>3,496,383</u>	<u>1,494,410</u>
Charges to appropriations (outflows):				
Public works-streets	747,640	1,268,000	653,996	614,004
Transit-transit operation	-	209,755	350,358	(140,603)
Debt service:				
Principal retirement	350,000	350,000	350,000	-
Interest and fiscal charges	143,880	143,880	143,875	5
Total debt service	493,880	493,880	493,875	5
Transfers out-	3,450	3,450	335,571	(332,121)
Total charges to appropriations	<u>1,244,970</u>	<u>1,975,085</u>	<u>1,833,800</u>	<u>141,285</u>
Budgetary fund balance, June 30	<u>\$ 757,003</u>	<u>\$ 26,888</u>	<u>\$ 1,662,583</u>	<u>\$ 1,635,695</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Shoppers Lane Parking District Capital Projects Fund
 For the fiscal year ended June 30, 2008

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Business license taxes	1,000	1,000	1,080	80
Transfers in-General Fund	18,600	18,600	-	(18,600)
Amounts available for appropriation	19,600	19,600	1,080	(18,520)
Charges to appropriations (outflows):				
Public works-public parking	19,600	19,600	21,707	(2,107)
Budgetary fund balance (deficits), June 30	\$ -	\$ -	\$ (20,627)	\$ (20,627)

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Internal Service Funds

The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Generally accepted accounting principles (GAAP) requires statement of net asset items, and revenues and expenses of individual internal service funds be consolidated with the government-wide statement of net assets and activities. GAAP still requires internal service funds to be presented in the financial statements.

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Fund Net Assets
- Statement of Cash Flows

The following are the individual internal service funds of the City:

Management Information Systems accounts for the accumulation and allocation of costs associated with data processing and electronic information technology.

Central Equipment accounts for the rental of motor vehicles to other departments and related costs.

CITY OF COVINA, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Management Information Systems	Central Equipment	Total
Assets			
Current assets:			
Cash and investments	\$ 999,682	\$ 1,363,776	\$ 2,363,458
Accounts receivable	-	14,807	14,807
Due from other funds	7,490	7,080	14,570
Due from other governments	-	14,807	14,807
Prepaid items	78,978	-	78,978
Inventories	-	73,926	73,926
Total current assets	<u>1,086,150</u>	<u>1,474,396</u>	<u>2,560,546</u>
Capital assets:			
Machinery and equipment	2,605,520	4,160,811	6,766,331
Less accumulated depreciation	<u>(2,223,005)</u>	<u>(3,126,297)</u>	<u>(5,349,302)</u>
Total capital assets (net of accumulated depreciation)	<u>382,515</u>	<u>1,034,514</u>	<u>1,417,029</u>
Total assets	<u>1,468,665</u>	<u>2,508,910</u>	<u>3,977,575</u>
Liabilities			
Current liabilities:			
Accounts payable	23,958	42,401	66,359
Current portion of compensated absences payable	3,030	6,540	9,570
Accrued liabilities	<u>25,409</u>	<u>16,414</u>	<u>41,823</u>
Total current liabilities	<u>52,397</u>	<u>65,355</u>	<u>117,752</u>
Noncurrent liabilities:			
Compensated absences payable	27,199	63,770	90,969
Advances from other funds	<u>321,966</u>	<u>-</u>	<u>321,966</u>
Total noncurrent liabilities	<u>349,165</u>	<u>63,770</u>	<u>412,935</u>
Total liabilities	<u>401,562</u>	<u>129,125</u>	<u>530,687</u>
Net Assets			
Invested in capital assets, net of related debt	382,515	1,034,514	1,417,029
Unrestricted	<u>684,588</u>	<u>1,345,271</u>	<u>2,029,859</u>
Total net assets	<u>\$ 1,067,103</u>	<u>\$ 2,379,785</u>	<u>\$ 3,446,888</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2008

	Management Information Systems	Central Equipment	Total
Operating Revenues:			
Information technology charges	\$ 1,105,140	\$ -	\$ 1,105,140
Motor pool charges	-	1,419,244	1,419,244
Total operating revenues	<u>1,105,140</u>	<u>1,419,244</u>	<u>2,524,384</u>
Operating expenses:			
Management information systems:			
Administration	182,375	-	182,375
General systems	305,875	-	305,875
Citywide network	85,884	-	85,884
Financial systems	147,840	-	147,840
Central equipment:			
Administration	-	215,871	215,871
Vehicle and equipment operation	-	759,565	759,565
Depreciation	<u>228,151</u>	<u>428,959</u>	<u>657,110</u>
Total operating expenses	<u>950,125</u>	<u>1,404,395</u>	<u>2,354,520</u>
Operating income (loss)	<u>155,015</u>	<u>14,849</u>	<u>169,864</u>
Nonoperating revenues (expenses):			
Interest revenue	26,257	39,098	65,355
Gain on sale and disposal of capital assets	-	3,945	3,945
Total nonoperating revenues (expenses)	<u>26,257</u>	<u>43,043</u>	<u>69,300</u>
Change in net assets	181,272	57,892	239,164
Net assets at beginning of year	<u>885,831</u>	<u>2,321,893</u>	<u>3,207,724</u>
Net assets at end of year	<u>\$ 1,067,103</u>	<u>\$ 2,379,785</u>	<u>\$ 3,446,888</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2008

	Management Information Systems	Central Equipment	Total
Increase in cash and cash equivalents			
Cash flows from operating activities:			
Cash received from customers and users	\$ 1,105,140	\$ 1,422,906	\$ 2,528,046
Cash paid to suppliers for goods and services	(420,784)	(636,692)	(1,057,476)
Cash paid to employees for services	(252,973)	(258,072)	(511,045)
Cash paid for interfund services	(65,071)	(97,498)	(162,569)
Net cash provided by operating activities	<u>366,312</u>	<u>430,644</u>	<u>796,956</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	-	3,945	3,945
Acquisition of capital assets	(40,990)	(163,142)	(204,132)
Net cash used by capital and related financing activities	<u>(40,990)</u>	<u>(159,197)</u>	<u>(200,187)</u>
Cash flows from investing activities - interest and dividends received on investments			
Net increase (decrease) in cash and cash equivalents	<u>26,257</u>	<u>39,098</u>	<u>65,355</u>
Cash and investments at beginning of year	351,579	310,545	662,124
Cash and investments at end of year	<u>648,103</u>	<u>1,053,231</u>	<u>1,701,334</u>
	<u>\$ 999,682</u>	<u>\$ 1,363,776</u>	<u>\$ 2,363,458</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating income (loss)	<u>\$ 155,015</u>	<u>\$ 14,849</u>	<u>\$ 169,864</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	228,151	428,959	657,110
Change in operating assets and liabilities:			
Increase in accounts receivable	-	(14,807)	(14,807)
Decrease in due from other governments	-	18,466	18,466
Increase in prepaid items	(34,323)	-	(34,323)
Increase in inventories	-	(26,385)	(26,385)
Increase (decrease) in accounts payable	12,712	(13,887)	(1,175)
Increase (decrease) in compensated absences payable	(3,391)	12,924	9,533
Increase (decrease) in accrued liabilities	8,148	10,525	18,673
Total adjustments	<u>211,297</u>	<u>415,795</u>	<u>627,092</u>
Net cash provided by operating activities	<u>\$ 366,312</u>	<u>\$ 430,644</u>	<u>\$ 796,956</u>

Statistical Section

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

Financial Trends

Page No.

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess the City's significant local revenue source, the property tax.

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Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the ability to issue additional debt in the future.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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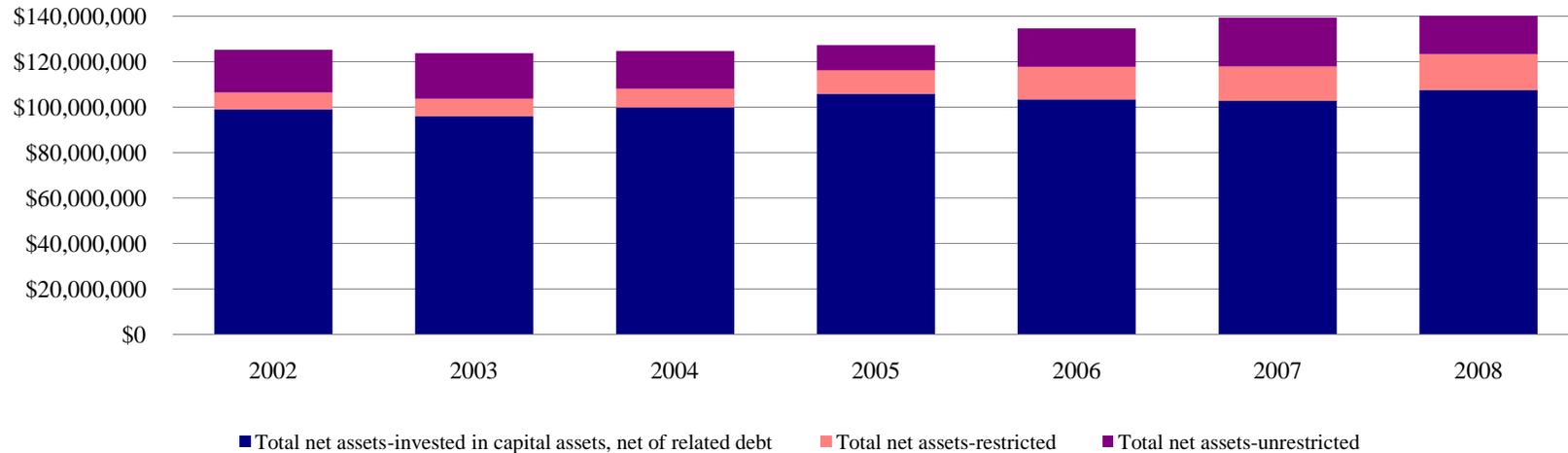
Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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CITY OF COVINA, CALIFORNIA
 Net Assets by Component
 Last Seven Fiscal Years ⁽¹⁾
 (accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	\$ 91,136,518	\$ 87,942,935	\$ 91,520,928	\$ 96,910,516	\$ 94,201,342	\$ 93,463,987	\$ 93,809,311
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,530,089
Unrestricted	13,583,198	15,151,508	11,461,698	5,519,371	10,336,685	13,463,167	16,100,410
Total governmental activities net assets	<u>\$ 112,048,054</u>	<u>\$ 110,740,579</u>	<u>\$ 111,152,836</u>	<u>\$ 112,920,667</u>	<u>\$ 118,851,656</u>	<u>\$ 121,931,554</u>	<u>\$ 128,439,810</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 7,858,565	\$ 8,042,533	\$ 8,259,548	\$ 8,842,086	\$ 9,210,922	\$ 9,340,814	\$ 11,106,918
Restricted							242,609
Unrestricted	5,221,040	4,836,896	5,276,030	5,484,707	6,472,653	8,117,344	7,309,574
Total business-type activities net assets	<u>\$ 13,079,605</u>	<u>\$ 12,879,429</u>	<u>\$ 13,535,578</u>	<u>\$ 14,326,793</u>	<u>\$ 15,683,575</u>	<u>\$ 17,458,158</u>	<u>\$ 18,659,101</u>
Total net assets							
Invested in capital assets, net of related debt	\$ 98,995,083	\$ 95,985,468	\$ 99,780,476	\$ 105,752,602	\$ 103,412,264	\$ 102,804,801	\$ 104,916,229
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,772,698
Unrestricted	18,804,238	19,988,404	16,737,728	11,004,078	16,809,338	21,580,511	23,409,984
Total net assets	<u>\$ 125,127,659</u>	<u>\$ 123,620,008</u>	<u>\$ 124,688,414</u>	<u>\$ 127,247,460</u>	<u>\$ 134,535,231</u>	<u>\$ 139,389,712</u>	<u>\$ 147,098,911</u>



⁽¹⁾ Net assets by component not available prior to fiscal year 2002.

CITY OF COVINA, CALIFORNIA

Changes in Net Assets
Last Seven Fiscal Years ⁽¹⁾

(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 2,532,886	\$ 2,748,703	\$ 5,327,654	\$ 4,334,498	\$ 2,715,526	\$ 2,865,088	\$ 2,314,101
Public safety	14,588,773	15,140,384	15,850,805	16,535,212	17,402,506	19,474,983	19,708,840
Public works	5,508,235	5,782,852	2,911,801	5,334,006	5,729,144	5,958,931	1,940,499
Culture and recreation	3,081,919	3,113,159	3,340,592	3,207,603	3,470,636	3,639,406	3,611,600
Community development	735,774	351,209	478,487	313,404	673,436	871,061	872,902
Transit	444,018	625,591	441,439	394,371	602,471	842,987	928,296
Redevelopment and housing	1,796,224	5,376,969	4,141,783	4,080,456	3,983,007	6,823,408	8,430,738
Nondepartmental	78,441	579,331	626,502	640,670	780,909	783,515	710,097
Interest on long-term debt	2,772,385	2,201,852	2,138,784	2,147,687	2,095,036	1,971,948	2,686,004
Total governmental activities expenses	<u>31,538,655</u>	<u>35,920,050</u>	<u>35,257,847</u>	<u>36,987,907</u>	<u>37,452,671</u>	<u>43,231,327</u>	<u>41,203,077</u>
Business-type activities:							
Water utility	3,767,628	4,757,077	4,413,396	3,934,198	4,918,545	4,701,051	5,663,819
Environmental protection	2,779,193	2,581,898	3,056,384	3,293,403	3,188,739	3,406,782	3,636,875
Total business-type activities expenses	<u>6,546,821</u>	<u>7,338,975</u>	<u>7,469,780</u>	<u>7,227,601</u>	<u>8,107,284</u>	<u>8,107,833</u>	<u>9,300,694</u>
Total expenses	<u>\$ 38,085,476</u>	<u>\$ 43,259,025</u>	<u>\$ 42,727,627</u>	<u>\$ 44,215,508</u>	<u>\$ 45,559,955</u>	<u>\$ 51,339,160</u>	<u>\$ 50,503,771</u>
Program revenues							
Governmental activities:							
Charges for services:							
General government	\$ 348,842	\$ 437,555	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996
Public safety	933,310	885,777	858,591	957,742	1,163,481	972,892	1,108,955
Public works	830,745	358,318	532,976	551,203	497,797	801,087	720,499
Culture and recreation	541,686	795,442	645,007	663,789	646,731	842,336	625,015
Community development	485,875	577,026	624,850	686,359	996,218	906,443	837,228
Transit	58,096	60,819	60,739	56,872	105,717	203,242	223,334
Redevelopment and housing	817,118	804,372	831,398	868,867	860,536	857,920	873,523
Nondepartmental	8,619	122,156	-	-	-	-	-
Operating grants and contributions	2,443,674	2,447,755	2,470,657	2,797,228	2,646,589	3,520,504	3,051,803
Capital grants and contributions	2,180,004	942,548	1,394,769	1,031,227	2,991,437	2,224,198	2,399,175
Total governmental activities program revenues	<u>8,647,969</u>	<u>7,431,768</u>	<u>7,837,347</u>	<u>8,120,584</u>	<u>10,524,332</u>	<u>10,951,852</u>	<u>10,710,528</u>

(Continued)

CITY OF COVINA, CALIFORNIA

Changes in Net Assets
Last Seven Fiscal Years (1)
(accrual basis of accounting)

(Continued)

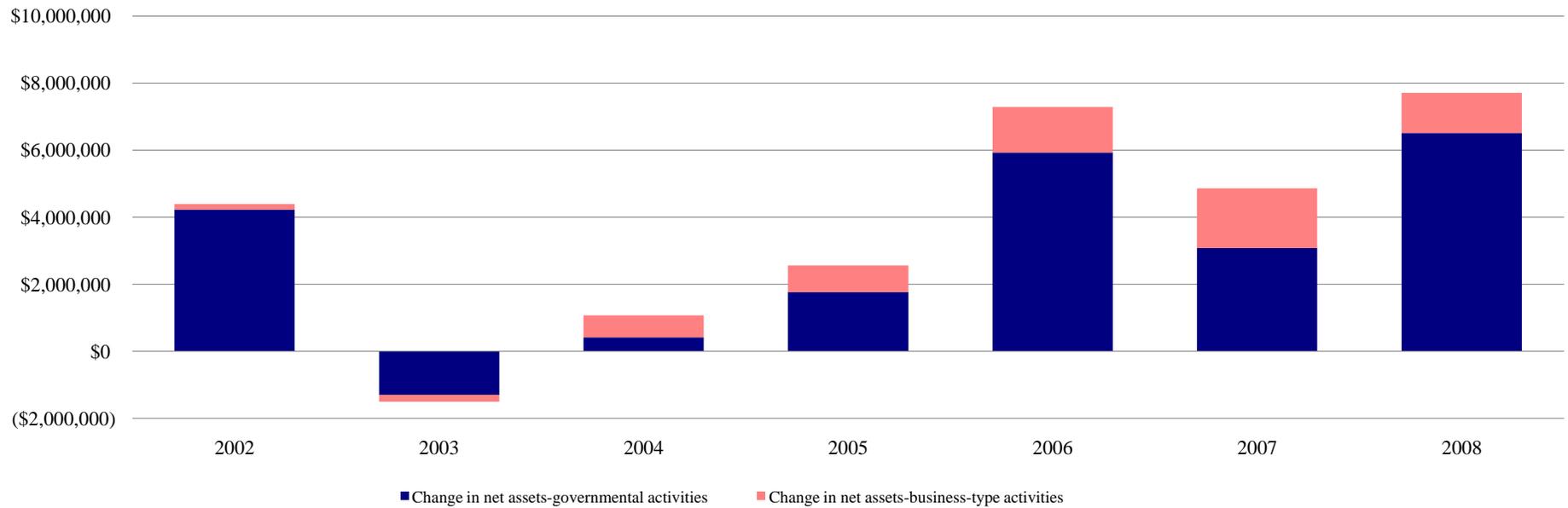
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Business-type activities:							
Charges for services:							
Water utility	4,670,235	4,323,149	5,168,104	5,088,097	5,967,600	6,096,964	6,185,853
Environmental protection	1,893,273	2,739,078	2,903,358	2,815,351	3,372,873	3,628,004	3,707,867
Operating grants and contributions	29,099	34,960	29,095	70,307	13,425	26,326	26,138
Total business-type activities program revenues	6,592,607	7,097,187	8,100,557	7,973,755	9,353,898	9,751,294	9,919,858
Total program revenues	\$ 15,240,576	\$ 14,528,955	\$ 15,937,904	\$ 16,094,339	\$ 19,878,230	\$ 20,703,146	\$ 20,630,386
Net (expense) revenue							
Governmental activities	\$ (22,890,686)	\$ (28,488,282)	\$ (27,420,500)	\$ (28,867,323)	\$ (26,928,339)	\$ (32,279,475)	\$ (30,492,549)
Business-type activities	45,786	(241,788)	630,777	746,154	1,246,614	1,643,461	619,164
Total net expense	\$ (22,844,900)	\$ (28,730,070)	\$ (26,789,723)	\$ (28,121,169)	\$ (25,681,725)	\$ (30,636,014)	\$ (29,873,385)
General revenues							
Governmental activities:							
Property taxes	\$ 8,846,245	\$ 9,066,253	\$ 8,693,770	\$ 9,041,899	\$ 12,803,622	\$ 14,725,235	\$ 16,124,178
Sales taxes	7,150,926	7,290,885	8,053,254	8,347,572	8,774,728	9,035,103	8,633,461
Transient occupancy taxes	426,572	424,727	449,872	484,621	578,418	491,226	423,861
Property transfer taxes	163,780	177,504	223,353	307,612	296,459	324,113	158,340
Business license taxes	317,044	324,899	385,820	418,336	360,265	383,254	395,503
Utility user taxes	4,279,152	4,311,903	4,887,082	5,032,784	5,329,099	5,395,617	5,433,339
Franchise taxes	795,374	965,402	1,031,016	1,028,228	1,098,988	1,187,401	1,191,560
Intergovernmental	3,416,486	3,490,253	2,725,005	4,385,626	1,088,916	675,895	498,071
Investment earnings	1,422,183	847,750	655,954	1,161,801	1,816,665	3,047,173	3,448,945
Miscellaneous	302,111	281,231	727,630	426,675	712,168	94,356	693,547
Total governmental activities	27,119,873	27,180,807	27,832,756	30,635,154	32,859,328	35,359,373	37,000,805
Business-type activities:							
Investment earnings	116,305	41,612	25,372	45,061	110,168	131,122	135,192
Investment gain in CIC	-	-	-	-	-	-	446,587
Total general revenues	\$ 27,236,178	\$ 27,222,419	\$ 27,858,128	\$ 30,680,215	\$ 32,969,496	\$ 35,490,495	\$ 37,582,584

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CITY OF COVINA, CALIFORNIA
 Changes in Net Assets
 Last Seven Fiscal Years (1)
 (accrual basis of accounting)

(Continued)

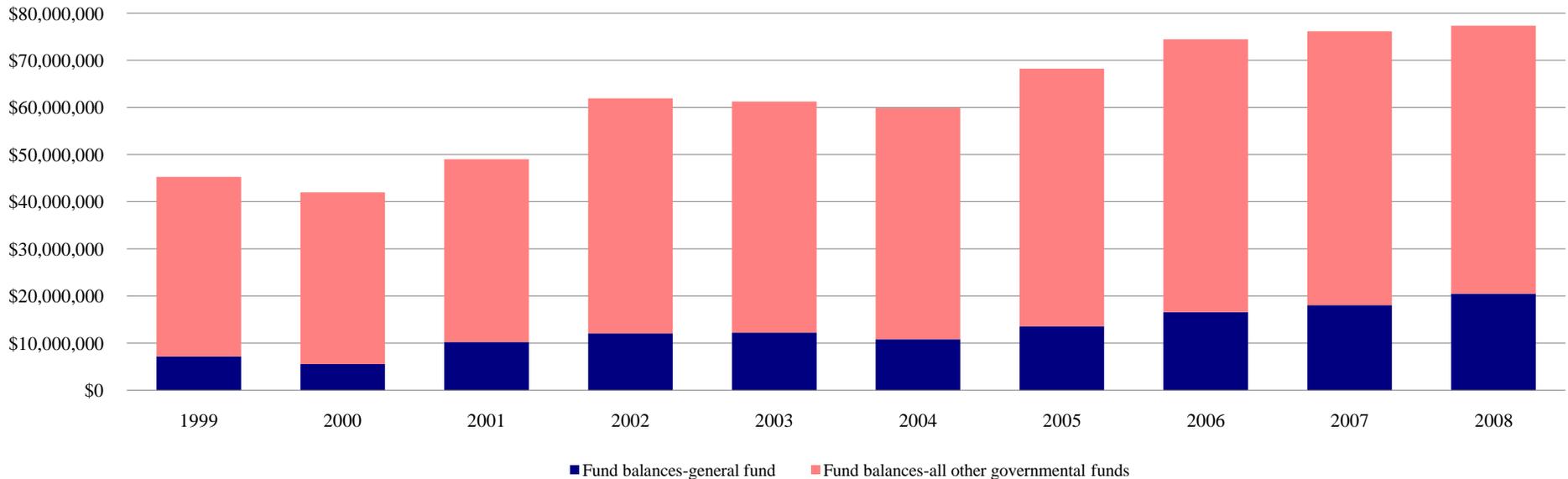
	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Change in net assets							
Governmental activities	\$ 4,229,187	\$ (1,307,475)	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256
Business-type activities	162,091	(200,176)	656,149	791,215	1,356,782	1,774,583	754,356
Total changes in net assets	<u>\$ 4,391,278</u>	<u>\$ (1,507,651)</u>	<u>\$ 1,068,405</u>	<u>\$ 2,559,046</u>	<u>\$ 7,287,771</u>	<u>\$ 4,854,481</u>	<u>\$ 7,262,612</u>



⁽¹⁾ Changes in net assets not available prior to fiscal year 2002.

CITY OF COVINA, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years ⁽¹⁾
(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 156,968	\$ 1,158,351	\$ 1,074,415	\$ 968,917	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873
Unreserved ⁽²⁾	7,053,920	4,386,761	9,199,000	11,089,316	11,347,192	10,087,859	12,946,351	15,972,808	17,682,617	19,467,883
Total general fund	<u>\$ 7,210,888</u>	<u>\$ 5,545,112</u>	<u>\$ 10,273,415</u>	<u>\$ 12,058,233</u>	<u>\$ 12,273,206</u>	<u>\$ 10,811,737</u>	<u>\$ 13,625,802</u>	<u>\$ 16,593,915</u>	<u>\$ 18,076,074</u>	<u>\$ 20,498,756</u>
All other governmental funds										
Reserved	\$ 23,018,672	\$ 21,378,908	\$ 22,337,916	\$ 23,449,036	\$ 22,495,111	\$ 22,407,267	\$ 22,119,157	\$ 24,441,157	\$ 22,736,840	\$ 28,054,791
Unreserved, reported in:										
Special revenue funds ⁽³⁾	6,623,715	5,035,568	3,423,736	6,243,082	5,539,794	6,324,620	9,087,613	11,860,367	12,884,570	13,638,976
Capital projects funds ⁽⁴⁾	8,451,031	10,069,478	13,034,231	20,219,196	20,958,335	20,378,168	23,435,032	21,590,780	22,497,931	15,223,862
Total all other governmental funds	<u>\$ 38,093,418</u>	<u>\$ 36,483,954</u>	<u>\$ 38,795,883</u>	<u>\$ 49,911,314</u>	<u>\$ 48,993,240</u>	<u>\$ 49,110,055</u>	<u>\$ 54,641,802</u>	<u>\$ 57,892,304</u>	<u>\$ 58,119,341</u>	<u>\$ 56,917,629</u>



⁽¹⁾ Reserved and unreserved fund balances of governmental funds prior to fiscal year 2002 were restated for GASB 34 comparison purposes.

⁽²⁾ The increase in the general fund unreserved fund balance for fiscal year 2001 is attributed primarily to a one-time reimbursement of \$4.2 million from the State of California for Azusa Avenue.

⁽³⁾ Starting with fiscal year 2000, refuse and waste management special revenue funds were reclassified as an enterprise fund.

⁽⁴⁾ Fiscal year 2002 includes \$10.3 million bond proceeds.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 18,267,367	\$ 19,452,663	\$ 20,695,284	\$ 21,979,093	\$ 22,561,573	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242
Licenses and permits	374,209	445,700	309,713	438,883	468,629	454,286	547,173	711,271	476,306	444,730
Intergovernmental	5,716,185	6,292,973	11,716,006	8,040,162	6,880,556	6,590,089	8,214,081	6,726,942	6,420,597	5,949,049
Charges for services	4,978,890	3,180,337	3,407,112	2,532,169	2,568,621	2,522,203	2,756,536	2,873,894	3,371,448	3,232,866
Fines and forfeits	596,104	652,480	588,206	679,925	672,087	612,436	610,936	801,161	826,974	755,574
Special assessments	351,478	356,394	347,926	356,644	231,217	349,486	330,191	363,188	395,993	646,256
Investment earnings	1,347,489	1,352,668	1,551,873	1,317,112	789,431	620,233	1,131,554	1,765,829	2,995,417	3,383,590
Miscellaneous	352,390	168,367	216,219	290,061	281,231	712,631	426,675	712,168	94,356	693,547
Total revenues	31,984,112	31,901,582	38,832,339	35,634,049	34,453,345	35,585,531	38,678,198	43,196,032	46,123,040	47,465,854
Expenditures										
General government	2,968,779	2,734,096	3,074,918	2,467,443	2,867,488	3,718,980	3,393,950	3,221,988	3,679,816	3,539,841
Public safety	13,130,842	13,410,351	14,088,206	14,218,547	15,054,273	15,624,940	16,352,997	17,090,419	19,206,150	19,542,285
Public works	3,813,987	1,741,536	1,776,650	1,946,387	1,751,669	1,665,903	1,619,766	1,563,035	2,499,640	2,936,385
Culture and recreation	2,537,503	2,635,387	2,606,767	2,906,262	2,922,969	3,136,303	3,012,519	3,263,493	3,442,872	3,431,592
Community development	501,466	475,029	468,885	729,903	595,454	584,543	630,836	675,795	866,988	878,362
Transit	357,495	314,497	184,303	443,396	477,462	440,271	430,828	487,012	637,775	715,454
Redevelopment and housing	4,350,559	3,808,517	3,330,304	3,230,177	6,111,182	3,042,821	3,139,888	3,359,792	5,730,531	7,923,254
Nondepartmental	-	-	75,899	25,316	10,098	57,759	52,244	77,591	43,538	52,987
Capital outlay	3,089,120	3,538,908	2,771,310	3,274,971	1,652,685	5,357,704	9,171,791	2,447,000	3,149,885	2,076,654
Debt service:										
Principal	895,078	964,592	1,067,422	1,139,310	1,507,592	1,563,789	1,892,752	2,531,225	2,671,038	2,752,453
Interest and fiscal charges	1,988,725	2,082,172	2,146,867	2,618,035	2,205,574	2,142,342	2,215,516	2,162,865	2,039,777	2,369,191
Bond issuance costs	-	-	-	-	-	-	1,283,370	-	-	-
Payment to refunded bond account	-	-	-	-	-	-	1,735,000	-	-	-
Total expenditures	33,633,554	31,705,085	31,591,531	32,999,747	35,156,446	37,335,355	44,931,457	36,880,215	43,968,010	46,218,458
Excess of revenues over (under) expenditures	(1,649,442)	196,497	7,240,808	2,634,302	(703,101)	(1,749,824)	(6,253,259)	6,315,817	2,155,030	1,247,396

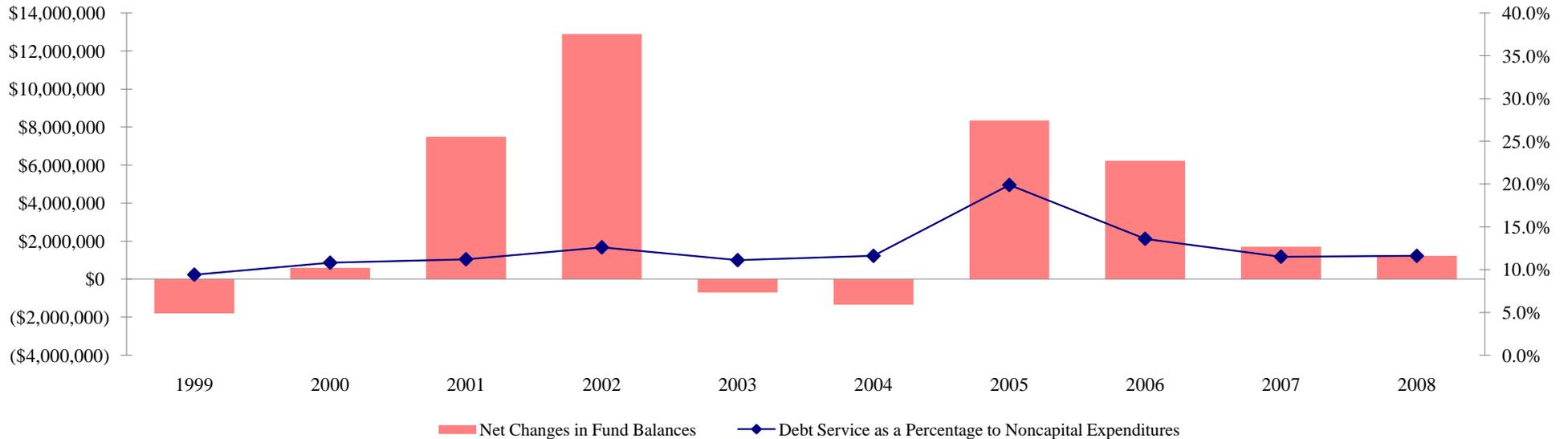
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CITY OF COVINA, CALIFORNIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

(Continued)

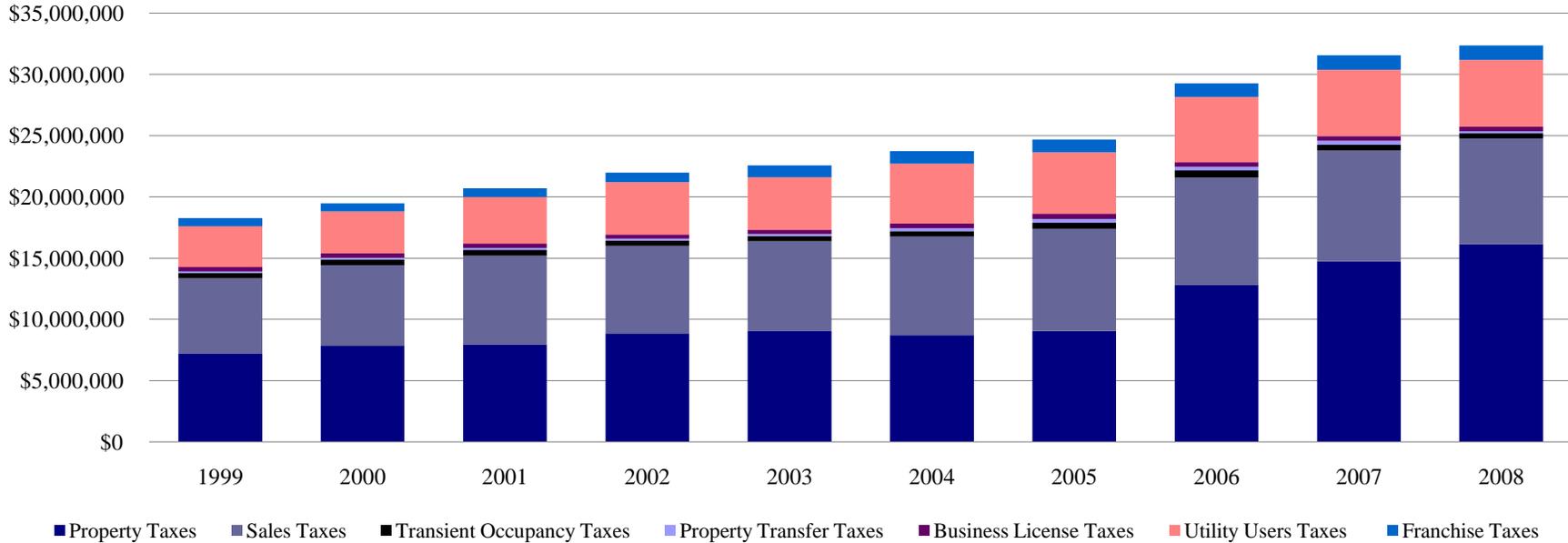
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other financing sources (uses)										
Transfers in	\$ 6,779,625	\$ 5,354,153	\$ 1,758,824	\$ 380,635	\$ 2,626,130	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390
Transfers out	(6,943,201)	(5,418,945)	(1,811,064)	(380,635)	(2,626,130)	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)	(416,390)
Capital leases	-	667,514	172,442	-	-	-	-	-	-	-
Tax allocation bonds issued	-	-	-	10,262,262	-	-	26,850,000	-	-	-
Revenue bonds issued	-	-	-	-	-	-	3,725,000	-	-	-
Premium on bond debt	-	-	-	3,685	-	-	1,141,939	-	-	-
Notes issued	-	-	-	-	-	500,000	-	-	-	-
Payment to refunded bond account	-	-	-	-	-	-	(17,117,668)	-	-	-
Gain (loss) on sale and disposal of capital assets	-	(206,259)	122,755	-	-	-	-	(97,202)	(445,834)	(26,426)
Total other financing sources (uses)	(163,576)	396,463	242,957	10,265,947	-	405,170	14,599,271	(97,202)	(445,834)	(26,426)
Net changes in fund balances	\$ (1,813,018)	\$ 592,960	\$ 7,483,765	\$ 12,900,249	\$ (703,101)	\$ (1,344,654)	\$ 8,346,012	\$ 6,218,615	\$ 1,709,196	\$ 1,220,970

Debt service as a percentage of noncapital expenditures	9.4%	10.8%	11.2%	12.6%	11.1%	11.6%	19.9%	13.6%	11.5%	13.31%
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CITY OF COVINA, CALIFORNIA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

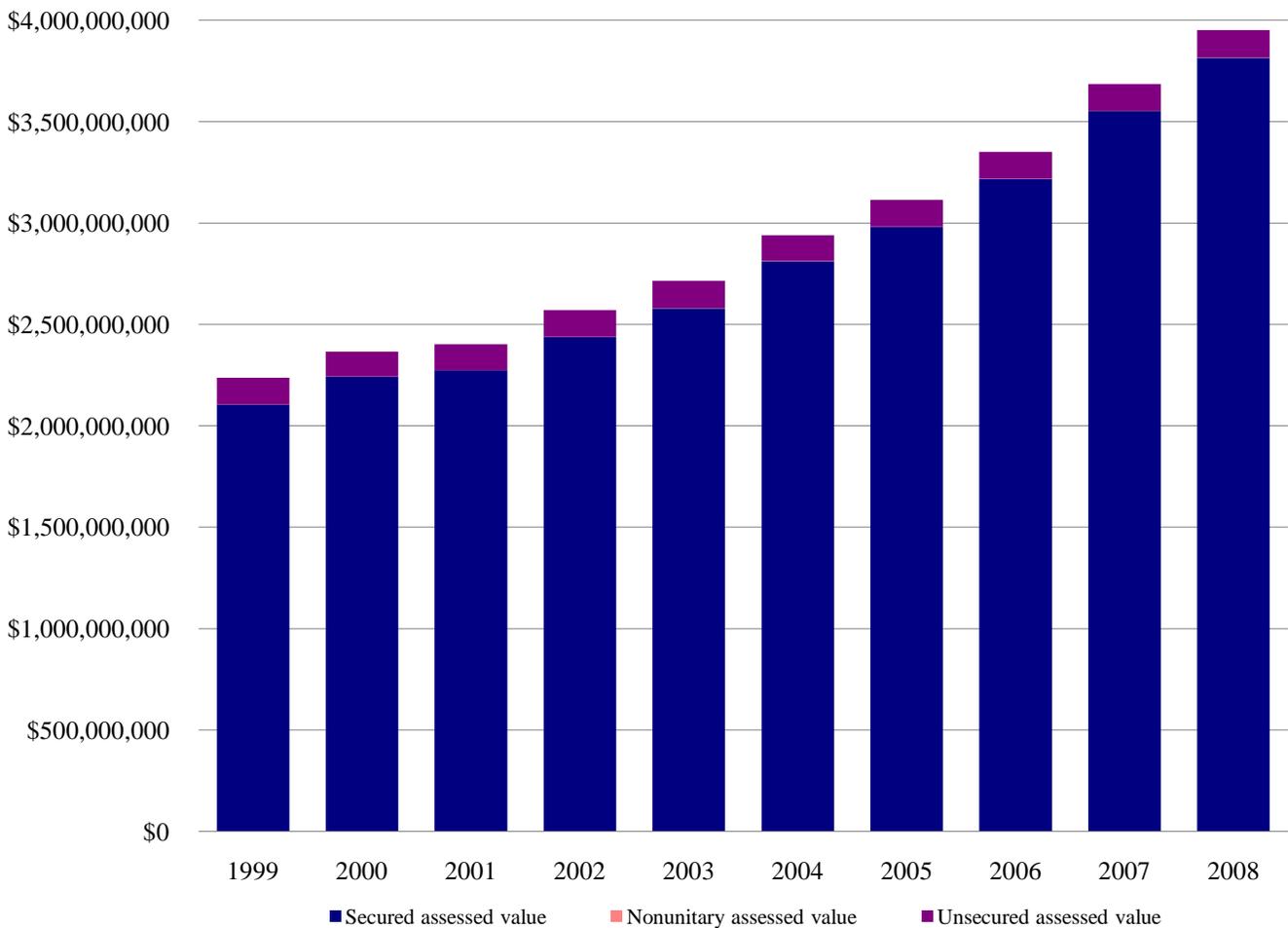
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
1999	7,207,189	6,126,438	446,875	134,126	341,806	3,344,015	666,918	\$ 18,267,367
2000	7,817,580	6,588,760	477,869	126,121	354,953	3,423,750	663,630	19,452,663
2001	7,942,478	7,237,890	485,115	161,482	351,109	3,802,354	714,856	20,695,284
2002	8,846,245	7,150,926	426,572	163,780	317,044	4,279,152	795,374	21,979,093
2003	9,066,253	7,290,885	424,727	177,504	324,899	4,311,903	965,402	22,561,573
2004	8,693,770	8,053,254	449,872	223,353	385,820	4,887,082	1,031,016	23,724,167
2005	9,041,899	8,347,572	484,621	307,612	418,336	5,032,784	1,028,228	24,661,052
2006	12,803,622	8,774,728	578,418	296,459	360,265	5,329,099	1,098,988	29,241,579
2007	14,725,235	9,035,103	491,226	324,113	383,254	5,395,617	1,187,401	31,541,949
2008	16,124,178	8,633,461	423,861	158,340	395,503	5,433,339	1,191,560	32,360,242



⁽¹⁾ Includes both City property tax and Redevelopment Agency tax allocations. Property tax in-lieu motor vehicle licenses are not included in amounts prior to fiscal year 2006.

CITY OF COVINA, CALIFORNIA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾				Total Direct Rate
	Secured	Nonunitary	Unsecured	Total	
1999	\$ 2,104,727,447	\$ 1,271,482	\$ 130,174,840	\$ 2,236,173,769	0.32923%
2000	2,241,933,468	1,161,475	121,305,416	2,364,400,359	0.34148%
2001	2,274,365,467	1,143,542	126,431,976	2,401,940,985	0.32136%
2002	2,436,925,925	1,164,338	131,187,913	2,569,278,176	0.32477%
2003	2,578,946,079	1,155,401	135,690,684	2,715,792,164	0.32407%
2004	2,811,124,444	1,341,807	127,121,867	2,939,588,118	0.31334%
2005	2,981,472,508	1,173,835	131,297,709	3,113,944,052	0.30933%
2006	3,216,896,758	689,018	132,900,062	3,350,485,838	0.30800%
2007	3,553,763,633	634,373	130,918,125	3,685,316,131	0.30936%
2008	3,815,860,520	381,710	134,528,469	3,950,770,699	0.30936%

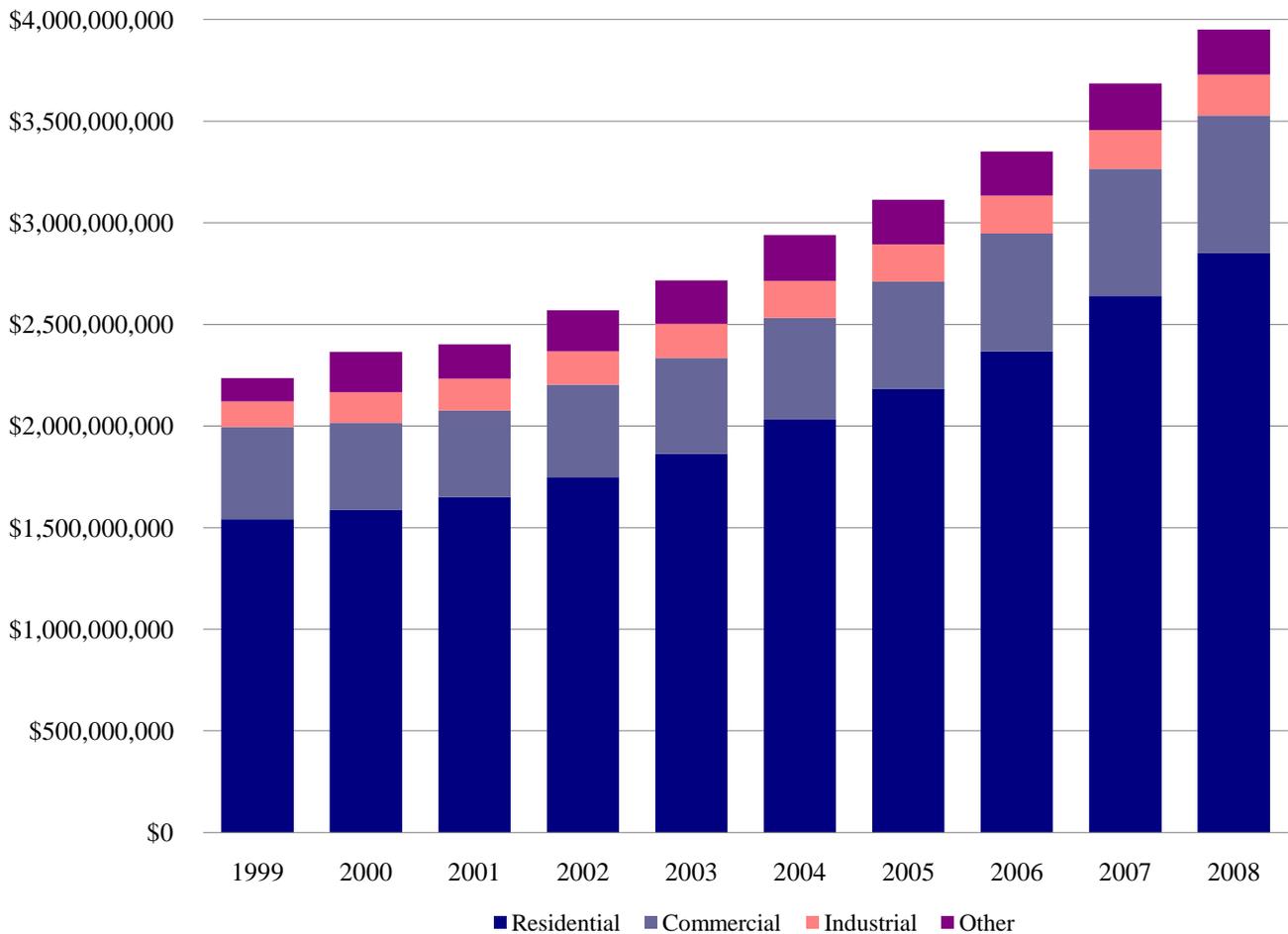


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Assessed Value of Taxable Property by Use
Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Direct Rate
	Residential	Commercial	Industrial	Other		
1999	\$ 1,540,402,545	\$ 454,357,455	\$ 126,539,182	\$ 114,874,587	\$ 2,236,173,769	0.33062%
2000	1,585,674,551	430,268,561	149,785,845	198,671,402	2,364,400,359	0.32923%
2001	1,650,169,306	425,756,702	156,373,309	169,641,668	2,401,940,985	0.34148%
2002	1,749,015,590	453,874,642	163,818,342	202,569,602	2,569,278,176	0.32136%
2003	1,864,162,218	469,980,635	168,547,933	213,101,378	2,715,792,164	0.32477%
2004	2,033,624,138	498,130,278	181,385,545	226,448,157	2,939,588,118	0.32407%
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	0.31334%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	0.30933%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	0.30800%
2008	2,851,328,670	675,399,224	201,466,528	222,576,277	3,950,770,699	0.30936%

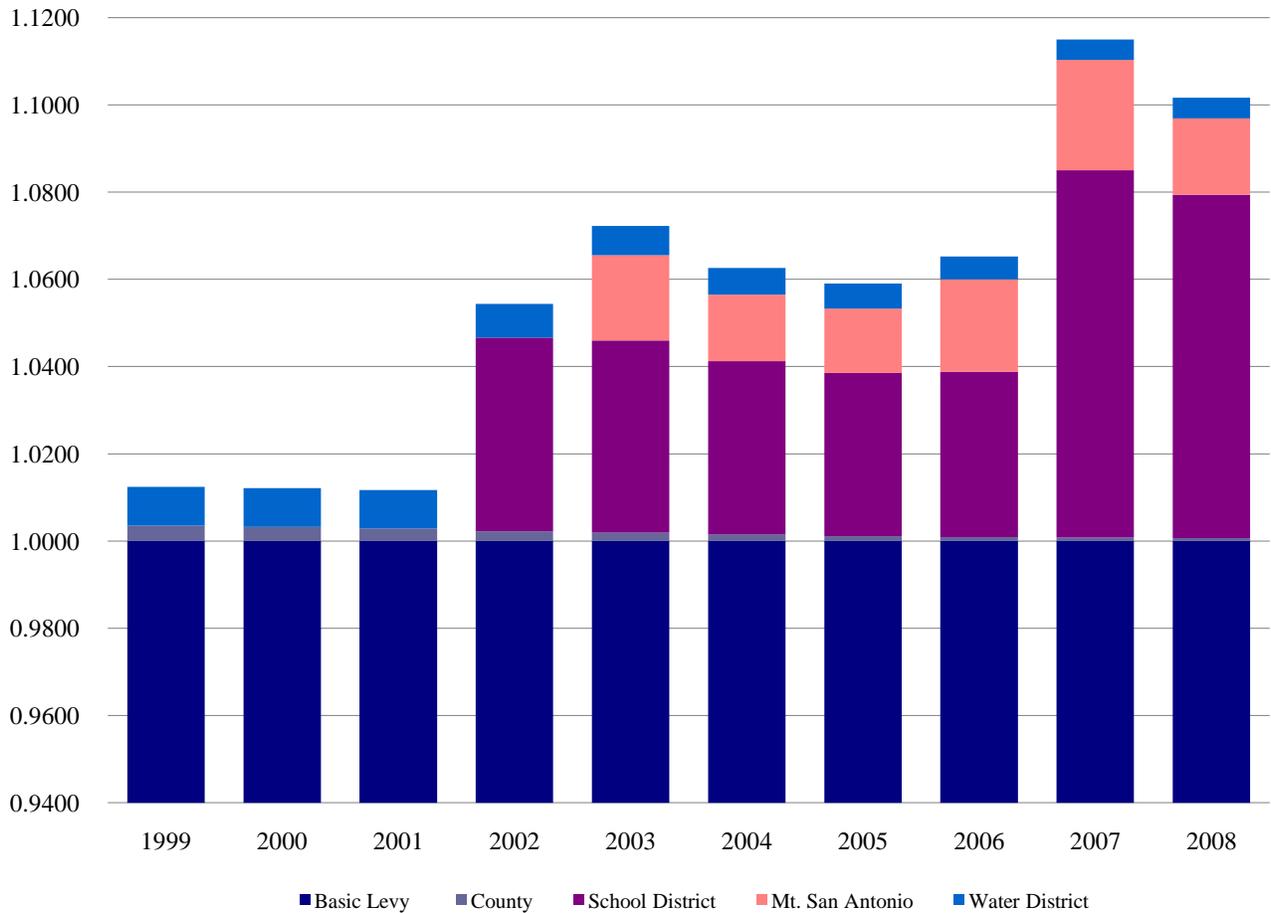


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Property Tax Rates ⁽¹⁾
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Mt. San Antonio	Water District	Total
		General	Flood Control	Total				
1999	1.0000	0.0015	0.0020	0.0035	0.0000	0.0000	0.0089	1.0124
2000	1.0000	0.0014	0.0018	0.0032	0.0000	0.0000	0.0089	1.0121
2001	1.0000	0.0013	0.0016	0.0029	0.0000	0.0000	0.0088	1.0117
2002	1.0000	0.0011	0.0011	0.0022	0.0444	0.0000	0.0077	1.0543
2003	1.0000	0.0010	0.0009	0.0019	0.0441	0.0195	0.0067	1.0722
2004	1.0000	0.0010	0.0005	0.0015	0.0397	0.0153	0.0061	1.0626
2005	1.0000	0.0009	0.0002	0.0011	0.0375	0.0147	0.0058	1.0591
2006	1.0000	0.0008	0.0001	0.0009	0.0379	0.0212	0.0052	1.0652
2007	1.0000	0.0007	0.0001	0.0008	0.0842	0.0253	0.0047	1.1150
2008	1.0000	0.0007	0.0000	0.0007	0.0787	0.0175	0.0047	1.1016



⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Basic levy for City (\$0.154), County (\$0.338), Covina Valley Unified School District (\$0.184), Educational Revenue Augmentation Fund (\$0.171) and other agencies (\$0.153).

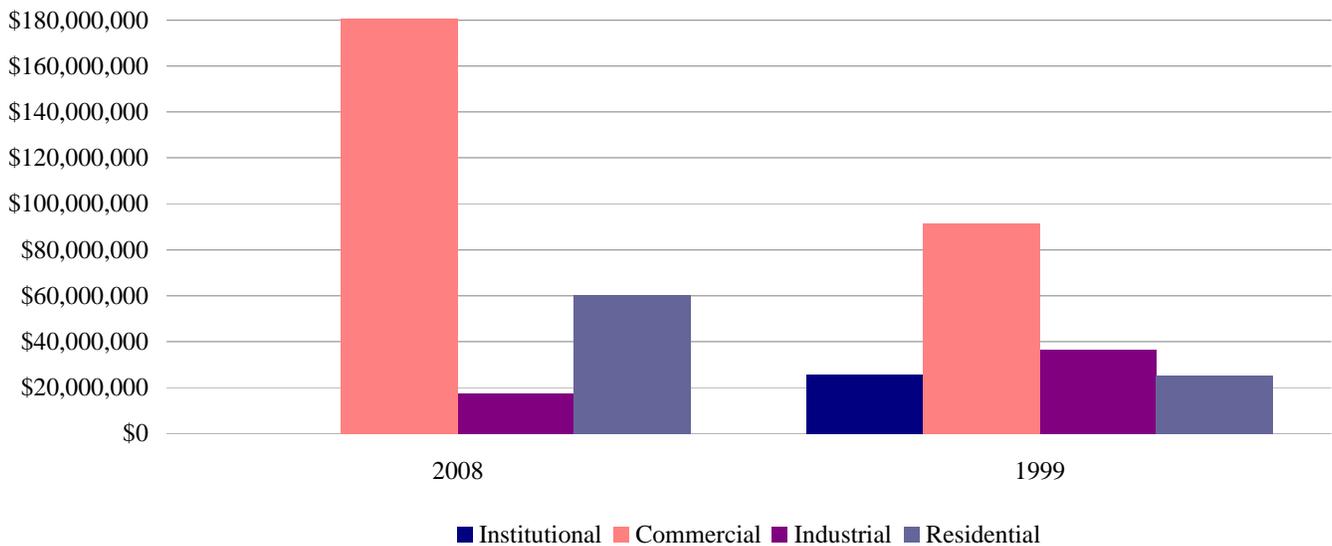
⁽³⁾ Covina Unified School District

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Principal Property Owners
June 30, 2008

Taxpayer	Primary Use	2008			1999		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Ikea California LLC	Commercial	\$ 53,704,571	1	1.36%	\$ -	-	-
PPC Covina Apartments LLC	Residential	38,009,750	2	0.96%	-	-	-
KIR Covina Limited Partnership	Commercial	35,772,955	3	0.91%	-	-	-
Spirit SPE Covina LLC	Commercial	25,593,839	4	0.65%	-	-	-
Vista Pointe Apartments LLC	Residential	22,219,187	5	0.56%	12,559,601	4	0.55%
EPT Covina Limited Partnership	Commercial	18,766,049	6	0.47%	-	-	-
Medsep Corporation	Industrial	17,477,870	7	0.44%	16,362,526	3	0.72%
New Albertsons Inc	Commercial	16,728,000	8	0.42%	-	-	-
FNL of Covina Partners LLC	Commercial	15,729,682	9	0.40%	10,725,295	7	0.47%
Wal mart Stores Inc	Commercial	14,245,149	10	0.36%	-	-	-
Citrus Valley Health Partners Inc.	Institutional	-	-	0.00%	25,547,656	2	1.12%
Coastal Shadowhills LLC	Residential	-	-	0.00%	12,559,601	4	0.55%
Granada Covina Racquet Club	Commercial	-	-	0.00%	10,725,295	7	0.47%
Alexander Haagen Properties	Commercial	-	-	-	37,337,813	1	1.64%
Am Mark Label Inc.	Commercial	-	-	-	12,141,819	5	0.53%
Smith's Food and Drug	Commercial	-	-	-	10,865,087	6	0.48%
Vita Pakt Citrus Products	Industrial	-	-	-	10,383,437	8	0.46%
Covina Assembly of God Church	Commercial	-	-	-	9,698,606	9	0.43%
Caco Pacific Corporation	Industrial	-	-	-	9,513,537	10	0.42%
Total		\$ 258,247,052		6.54%	\$ 178,420,273		7.84%

Principal Property Owners

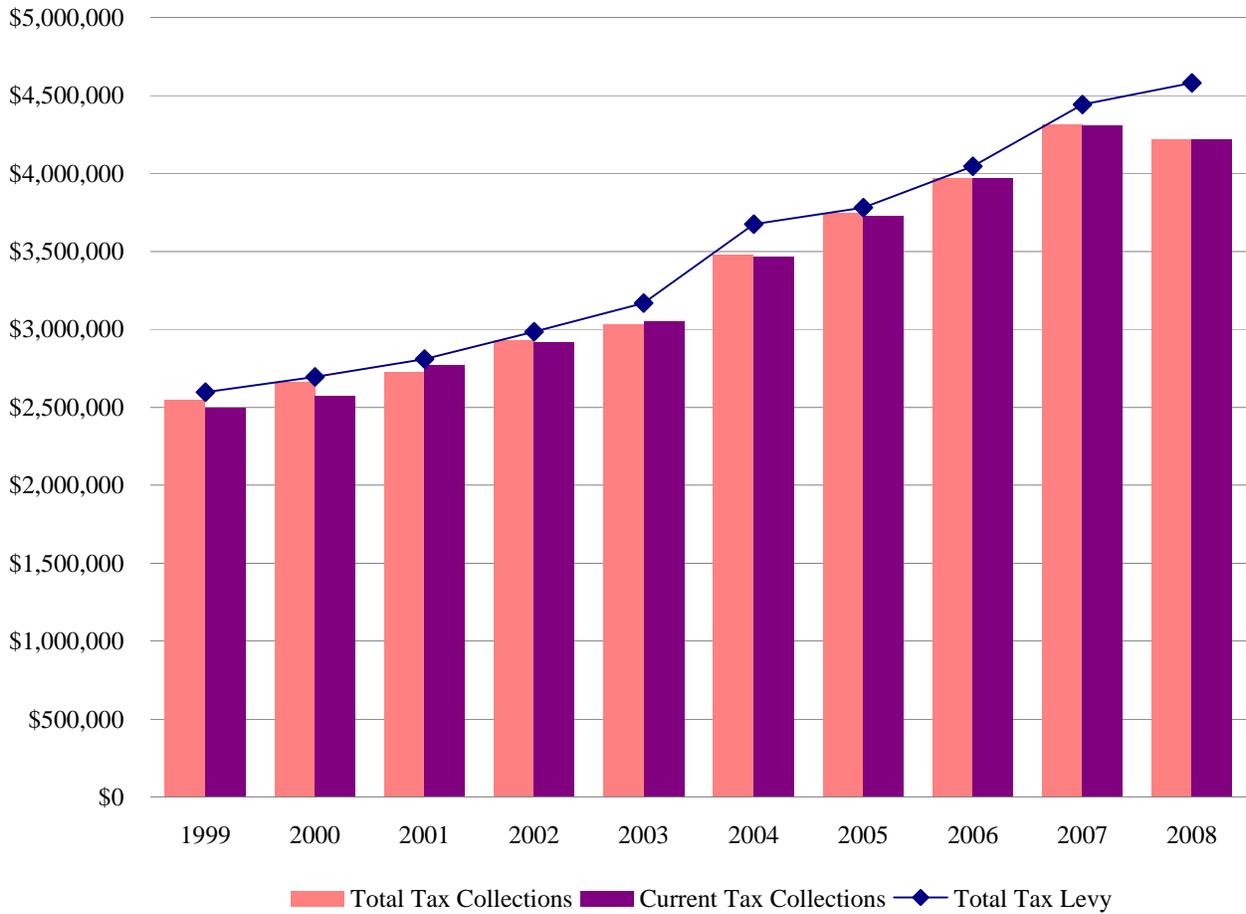


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Property Tax Levies and Collections⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
1999	2,594,078	2,495,759	96.2%	49,691	2,545,450	98.1%
2000	2,691,977	2,573,142	95.6%	89,471	2,662,613	98.9%
2001	2,806,479	2,767,589	98.6%	(42,922)	2,724,667	97.1%
2002	2,984,786	2,914,015	97.6%	14,073	2,928,088	98.1%
2003	3,166,766	3,052,281	96.4%	(25,212)	3,027,069	95.6%
2004	3,671,615	3,463,795	94.3%	12,253	3,476,048	94.7%
2005	3,777,764	3,725,369	98.6%	19,890	3,745,259	99.1%
2006	4,044,043	3,968,302	98.1%	-	3,968,302	98.1%
2007	4,439,472	4,306,933	97.0%	8,432	4,315,365	97.2%
2008	4,578,890	4,221,702	92.2%	(7,129)	4,214,573	92.0%



⁽¹⁾ Includes only City general property taxes of the General Fund and Municipal Parking District Special Revenue Fund.

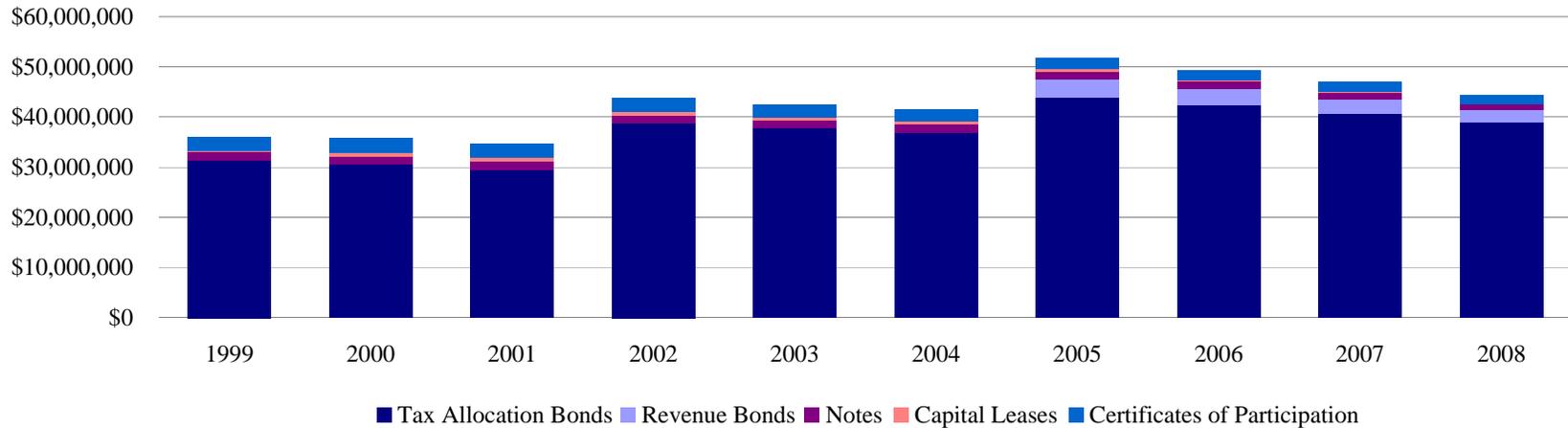
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

Source: Los Angeles County

CITY OF COVINA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business Activities	Total	Percentage of Taxable Assessed Valuation ⁽¹⁾	Per Capita ⁽²⁾
	Tax Allocation Bonds	Revenue Bonds	Notes	Capital Leases	Certificates of Participation			
1999	31,275,000	-	1,810,527	87,655	2,815,000	35,988,182	1.61%	757
2000	30,380,000	-	1,740,936	717,787	2,925,000	35,763,723	1.51%	764
2001	29,445,000	-	1,661,555	814,708	2,800,000	34,721,263	1.45%	732
2002	38,722,262	-	1,578,207	711,717	2,675,000	43,687,186	1.70%	908
2003	37,816,561	-	1,480,689	636,796	2,545,000	42,479,046	1.56%	872
2004	36,800,522	-	1,821,000	557,697	2,410,000	41,589,219	1.41%	848
2005	43,897,627	3,510,000	1,612,139	473,805	2,265,000	51,758,571	1.66%	1,050
2006	42,381,251	3,190,000	1,394,483	386,405	2,120,000	49,472,139	1.48%	1,002
2007	40,692,251	2,855,000	1,187,398	286,687	1,965,000	46,986,336	1.27%	945
2008	39,001,900	2,505,000	951,988	194,637	1,805,000	44,458,525	1.13%	897

Outstanding Debt by Type-Last Ten Fiscal Years



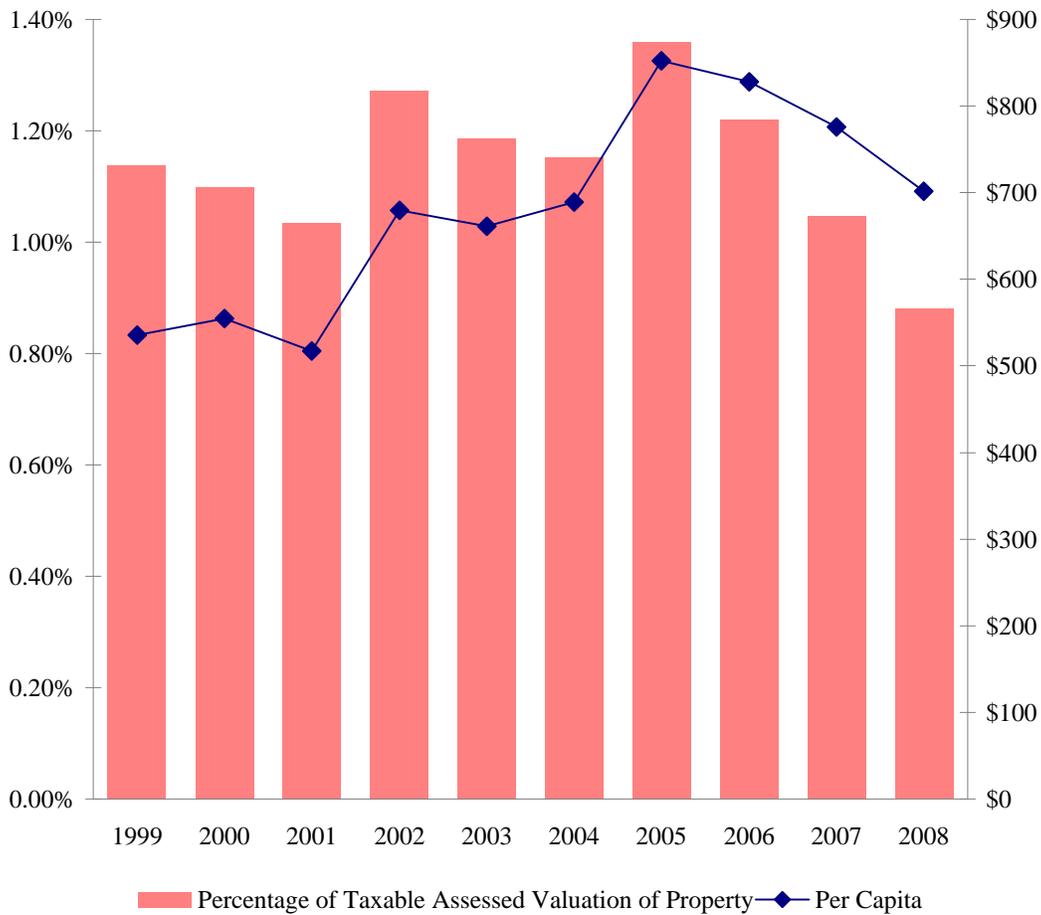
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 110.

⁽²⁾ See Demographic Statistics on page 120.

CITY OF COVINA, CALIFORNIA
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt		Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
			Service Fund			
1999	31,275,000		5,815,826	25,459,174	1.14%	536
2000	30,380,000		4,414,861	25,965,139	1.10%	554
2001	29,445,000		4,604,978	24,840,022	1.03%	524
2002	38,722,262		6,040,554	32,681,708	1.27%	679
2003	37,816,561		5,600,545	32,216,016	1.19%	661
2004	36,800,522		2,952,367	33,848,155	1.15%	690
2005	43,897,627		1,685,302	42,212,325	1.36%	857
2006	42,381,251		1,512,494	40,868,757	1.22%	828
2007	40,692,251		2,121,446	38,570,805	1.05%	776
2008	39,001,900		4,243,226	34,758,674	0.88%	701



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

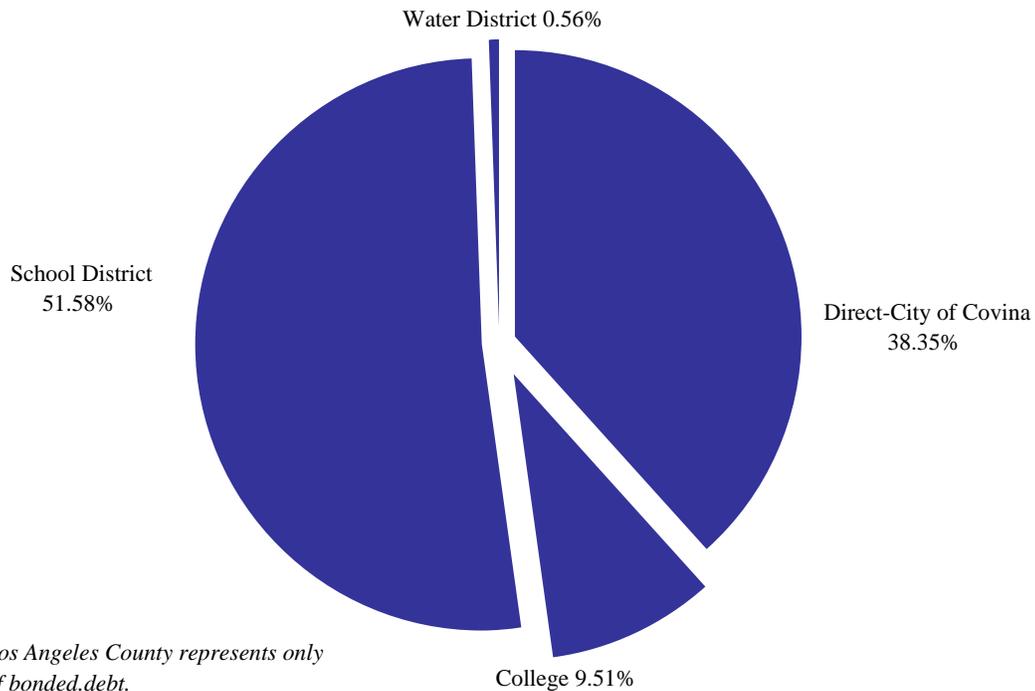
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 110.

⁽²⁾ See Demographic Statistics on page 120.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2008

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 41,506,900	100.000%	\$ 41,506,900
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	150,054,336	0.122%	183,066
Metropolitan Water District Area 1116001	150,054,336	0.280%	420,152
College:			
Citrus-2004 Series A Debt Service	56,325,000	0.406%	228,680
Mt. San Antonio-2001 Series A Debt Service	4,470,000	5.950%	265,965
Mt. San Antonio-2004 Series B Debt Service	13,300,000	5.950%	791,350
Mt. San Antonio-2005 Debt Service	71,525,843	5.950%	4,255,788
Mt. San Antonio-2006 Series C Debt Service	79,996,203	5.950%	4,759,774
School District:			
Azusa Unified 2002 Series A Bonds Debt Service	26,468,763	1.615%	427,471
Charter Oak Unified 2000 Series A Debt Service	185,000	36.896%	68,258
Charter Oak Unified 2000 Series B Debt Service	1,480,000	36.896%	546,061
Charter Oak Unified 2005 Debt Service	9,130,000	36.896%	3,368,605
Charter Oak Unified 2006 Series D Debt Service	9,992,986	36.896%	3,687,012
Charter Oak Unified 2006 Series E Debt Service	7,241,382	36.896%	2,671,780
Covina Valley Unified 2001Series A Debt Service	15,495,000	42.557%	6,594,207
Covina Valley Unified 2001Series B Debt Service	25,316,656	42.557%	10,774,009
Covina Valley Unified 2001Series B Debt Service	65,074,949	42.557%	27,693,946
Total direct and overlapping debt			<u>\$ 108,243,023</u>

Amount Applicable to City of Covina



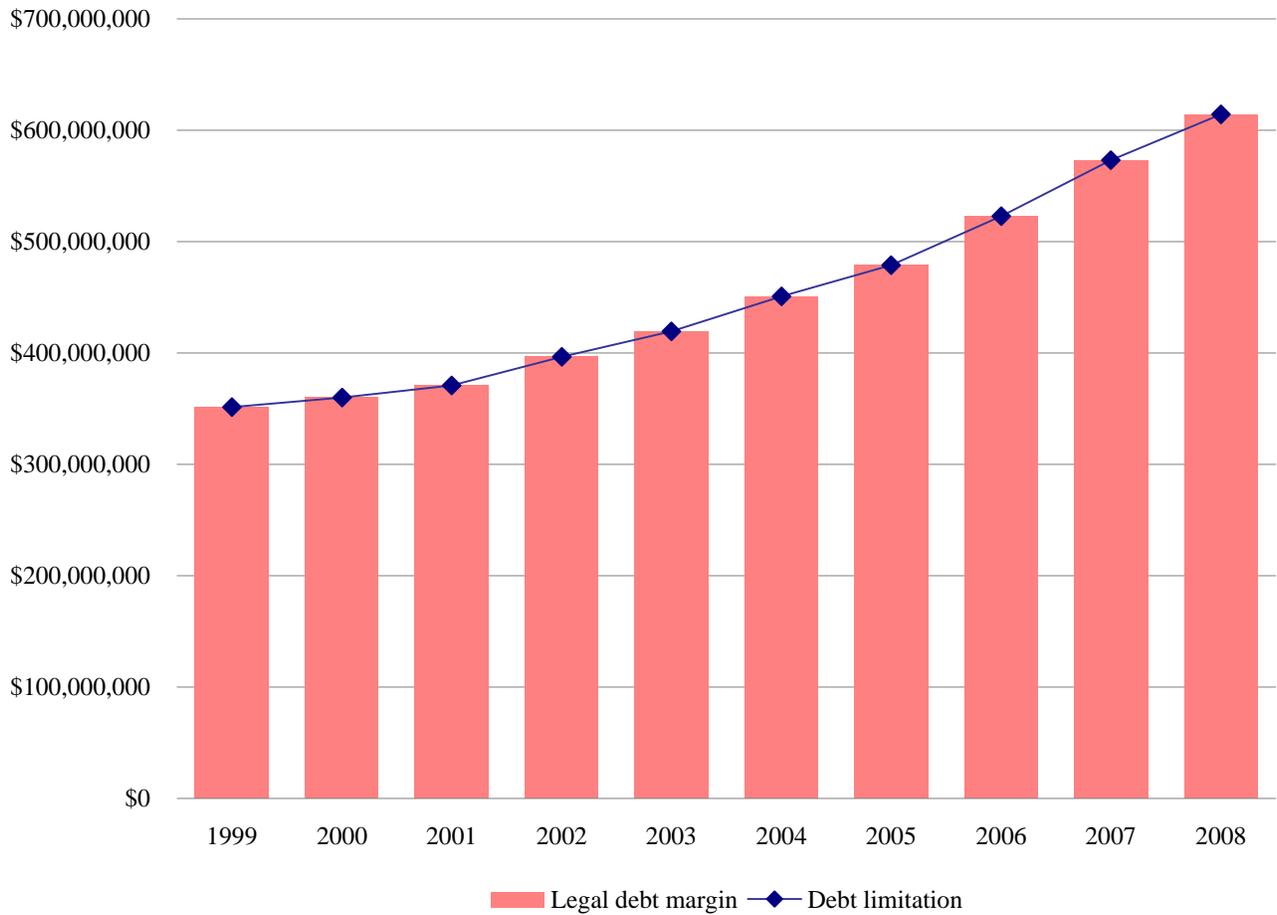
NOTE: Los Angeles County represents only 0.001% of bonded debt.

⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 115.

Source: Los Angeles County/Hdl Companies

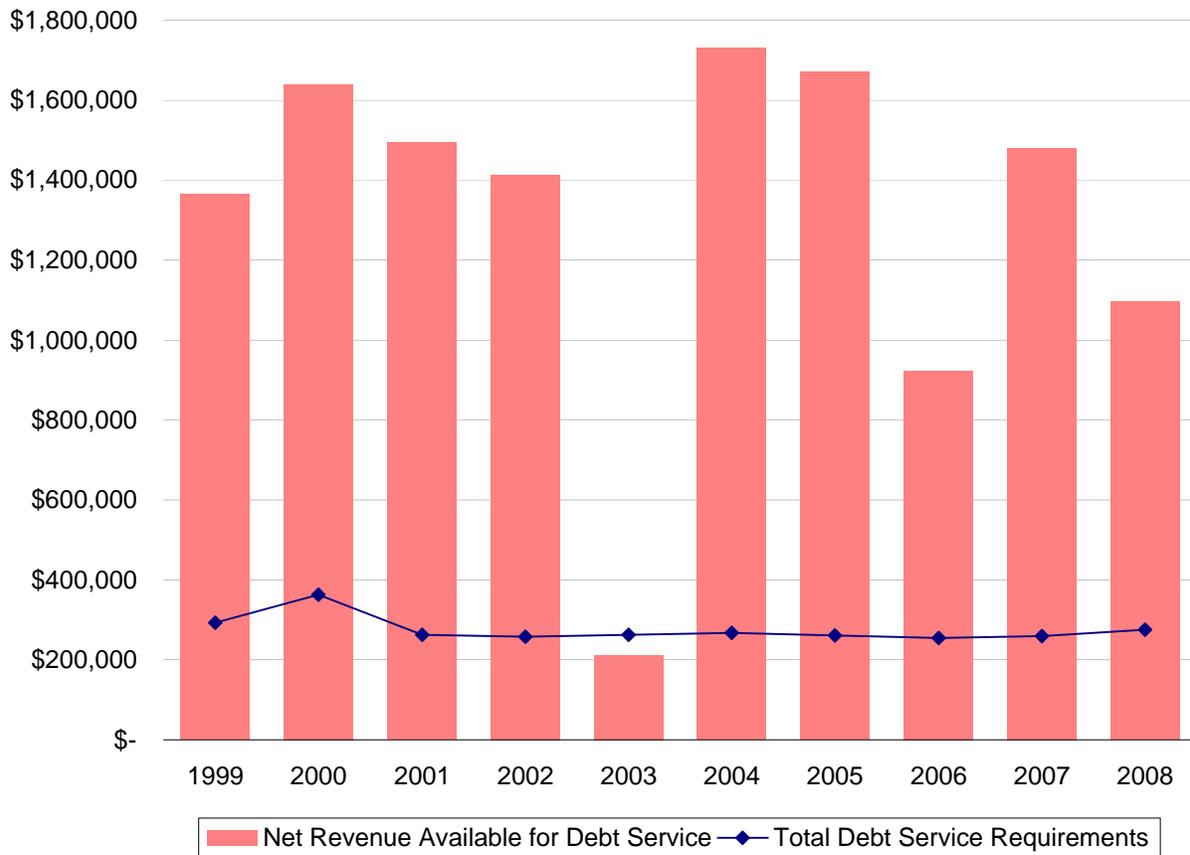
CITY OF COVINA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation-15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
1999	2,236,173,769	105,804,450	2,341,978,219	351,296,733	-	351,296,733
2000	2,364,400,359	35,403,429	2,399,803,788	359,970,568	-	359,970,568
2001	2,401,940,985	71,592,181	2,473,533,166	371,029,975	-	371,029,975
2002	2,569,278,176	74,585,939	2,643,864,115	396,579,617	-	396,579,617
2003	2,715,792,164	78,627,437	2,794,419,601	419,162,940	-	419,162,940
2004	2,939,588,118	66,744,821	3,006,332,939	450,949,941	-	450,949,941
2005	3,113,944,052	79,029,647	3,192,973,699	478,946,055	-	478,946,055
2006	3,350,485,838	133,793,779	3,484,279,617	522,641,943	-	522,641,943
2007	3,685,316,131	135,164,362	3,820,480,493	573,072,074	-	573,072,074
2008	3,950,770,699	144,927,903	4,095,698,602	614,354,790	-	614,354,790



CITY OF COVINA, CALIFORNIA
Pledged-Revenue Bond Coverage
Water Utility Fund Certificates of Participation
Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	4,291,121	2,927,072	1,364,049	85,000	208,245	\$ 293,245	4.65
2000	4,671,666	3,032,830	1,638,836	90,000	272,500	362,500	4.52
2001	4,432,185	2,937,946	1,494,239	125,000	137,310	262,310	5.70
2002	4,752,183	3,338,198	1,413,985	125,000	132,623	257,623	5.49
2003	4,354,917	4,143,789	211,128	135,000	127,586	262,586	0.80
2004	5,238,474	3,509,173	1,729,301	145,000	122,218	267,218	6.47
2005	5,118,717	3,448,245	1,670,472	145,000	116,045	261,045	6.40
2006	5,339,489	4,416,669	922,820	145,000	110,243	255,243	3.62
2007	5,649,525	4,169,737	1,479,788	155,000	103,716	258,716	5.72
2008	6,286,463	5,189,693	1,096,770	160,000	115,662	275,662	3.98



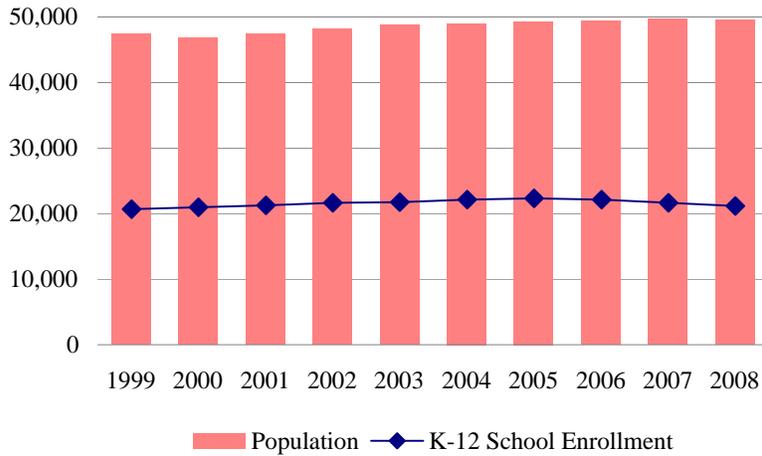
⁽¹⁾ Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.

⁽²⁾ Total operating expenses exclusive of depreciation.

CITY OF COVINA, CALIFORNIA
Demographic and Economic Statistics

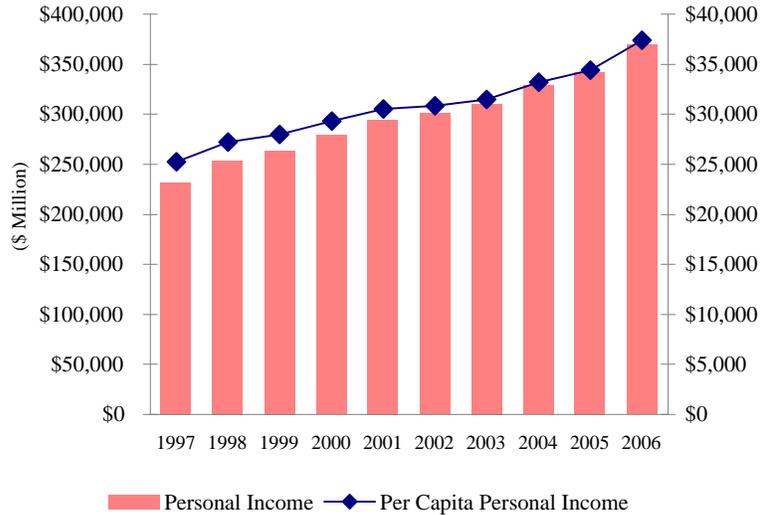
Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
1999	47,350	20,711
2000	46,837	20,966
2001	47,444	21,299
2002	48,137	21,670
2003	48,726	21,744
2004	49,052	22,145
2005	49,272	22,316
2006	49,378	22,144
2007	49,720	21,689
2008	49,552	21,147



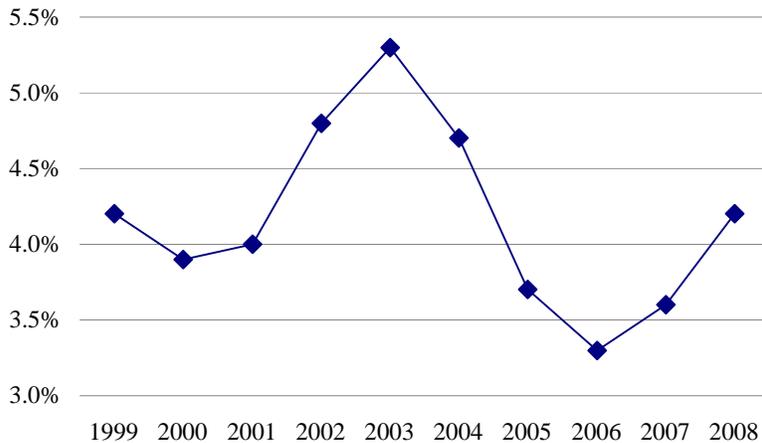
Fiscal Years 1997-2006

Year	Los Angeles County ⁽³⁾	
	Personal Income (\$ Million)	Per Capita Personal Income
1997	\$ 232,360	\$ 25,239
1998	253,516	27,220
1999	263,987	27,973
2000	279,050	29,323
2001	294,508	30,503
2002	301,003	30,828
2003	310,044	31,452
2004	329,048	33,179
2005	342,231	34,426
2006	369,164	37,362



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
1999	4.2%
2000	3.9%
2001	4.0%
2002	4.8%
2003	5.3%
2004	4.7%
2005	3.7%
2006	3.3%
2007	3.6%
2008	4.2%



⁽¹⁾ State Department of Finance.

⁽²⁾ State Department of Education-Covina Valley and Charter Oak Unified School Districts

⁽³⁾ U.S. Department of Commerce-Bureau of Economic Analysis

⁽⁴⁾ State Employment Development Department

CITY OF COVINA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2008

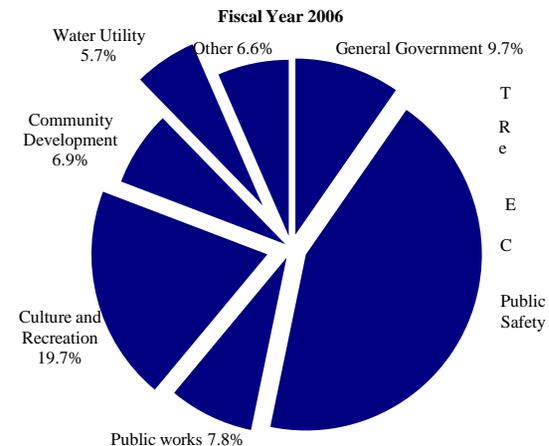
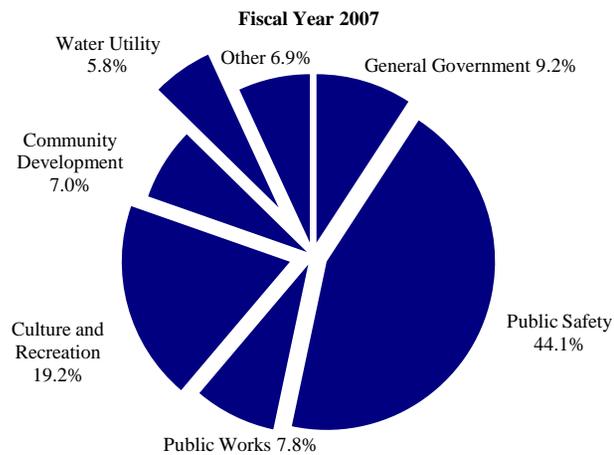
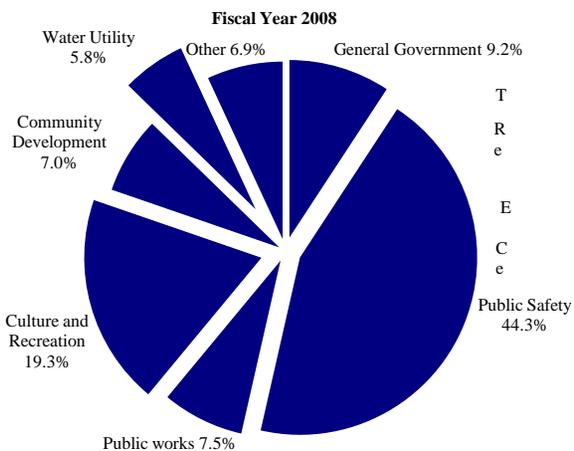
Employer	2008			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Covina Valley Unified School District	1,492	1	9.92%	2,494	1	15.91%
Citrus Valley Medical Center	1,012	2	6.73%	845	2	5.39%
Charter Oak Unified School District	650	3	4.32%	249	4	1.59%
Wal-Mart	308	4	2.05%	205	10	1.31%
Magan Medical Clinic	270	5	1.80%	277	5	1.77%
City of Covina	268	6	1.78%	307	3	1.96%
Land America Tax & Flood Services	265	7	1.76%	206	9	1.31%
Bert's Mega Mall	220	8	1.46%	249	6	1.59%
Pall Medical	202	9	1.34%	241	7	1.54%
Vitas Healthcare Corporation	202	10	1.34%	218	8	1.39%
	<u>4,889</u>		<u>32.52%</u>	<u>5,291</u>		<u>33.76%</u>

⁽¹⁾ No principal employer information available prior to 2006.

Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

CITY OF COVINA, CALIFORNIA
 Full-time Equivalent City Government Employees by Function ⁽¹⁾
 Last Three Fiscal Years

	Full-Time Equivalent Positions								
	2008			2007			2006		
	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total
General government	18.50	2.56	21.06	18.50	2.56	21.06	19.50	2.81	22.31
Public safety	91.00	10.00	101.00	91.00	10.00	101.00	90.00	10.50	100.50
Public works	15.00	2.00	17.00	16.00	2.00	18.00	16.00	2.00	18.00
Culture and recreation	22.00	21.88	43.88	22.00	21.88	43.88	22.00	23.54	45.54
Community development	15.00	0.95	15.95	15.00	0.95	15.95	15.00	0.95	15.95
Transit	1.00	0.50	1.50	1.00	0.50	1.50	1.00	0.35	1.35
Redevelopment and housing	3.00	0.50	3.50	3.00	0.50	3.50	3.00	0.50	3.50
Water utility	12.75	0.50	13.25	12.75	0.50	13.25	12.75	0.50	13.25
Environmental protection	3.75	-	3.75	3.75	-	3.75	3.75	-	3.75
Central equipment	4.00	-	4.00	4.00	-	4.00	3.00	0.50	3.50
Management information systems	3.00	-	3.00	3.00	-	3.00	3.00	-	3.00
Total full-time equivalent positions	189.00	38.89	227.89	190.00	38.89	228.89	189.00	41.65	230.65



⁽¹⁾ No full-time equivalent positions information available prior to 2006.

Source: Finance Department Budget

CITY OF COVINA, CALIFORNIA
 Operating Indicators by Function ⁽¹⁾
 Last Three Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety			
Police:			
Physical arrests	3,265	4,231	3,455
Parking violations	13,458	19,893	21,775
Traffic violations	6,896	8,091	8,019
Fire:			
Number of calls answered	3,951	3,477	3,511
Inspections	2,287	2,521	2,630
Culture and recreation			
Parks and recreation:			
Leaders-in-Training participants	70	70	70
Youth sports participants	2,413	2,313	1,093
Leisure lifestyle classes participants	7,212	7,946	7,867
Cultural excursion program participants	347	436	390
Summer evening event attendees	10,005	6,013	10,500
Senior service participants	14,350	10,836	10,211
Senior nutrition program meals served	10,074	12,075	10,871
Special events	53,000	28,000	53,200
Aquatic participants	4,115	9,630	15,132
Library:			
Reference questions	24,999	29,017	30,270
Literacy hours tutored	2,448	4,000	5,792
Library materials added	4,771	4,183	6,242
Community development			
Planning reviews	359	267	450
Inspections	4,249	7,378	3,788
Permits issued	790	1,075	946
Transit			
Average daily parking customers (station & structure paid)	823	757	550
Dial-A-Cab participants (monthly average)	1,111	835	1,000
Subsidized bus passes (monthly average)	143	119	125
Water utility			
Average daily consumption (gallons)	5,878,647	6,472,445	6,305,734
Environmental protection			
Refuse collected (tons/month)	2,762	3,759	2,700
Recyclables collected (tons/month)	211	226	290
Green waste collected (tons/month)	567	579	620
Compressed natural gas sold (gallon equivalents)	16,496	19,521	22,318

⁽¹⁾ Information provided by various departments for last three fiscal years. No indicators for general government, public works and redevelopment and housing.

CITY OF COVINA, CALIFORNIA
 Capital Asset Statistics by Function ⁽¹⁾
 Last Three Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government			
Buildings-civic center	1	1	1
Public safety			
Police:			
Stations	1	1	1
Patrol units	26	26	26
Fire stations	3	3	3
Public works			
Arterial streets (miles)	35	35	35
Residential streets (miles)	82	82	82
Curb and gutter (miles)	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,000,000
Traffic signals	58	58	56
Sanitary sewer (miles)	121	121	120
Storm water catch basins	72	65	65
Street trees	9,637	9,754	9,900
Parking structure (spaces)	125	-	-
Culture and recreation			
Parks and recreation:			
Park acreage	57	57	57
Parks	9	9	9
Horse-walking trails	1	1	1
Nature trails	1	1	1
Playground areas	8	8	8
Swimming pools	2	2	2
Softball fields	3	4	4
Baseball fields	3	3	3
Basketball courts	10	5	5
Roller hockey rinks	2	2	2
Tennis courts	3	9	9
Buildings and centers	12	3	3
Library buildings	1	1	1
Transit			
Parking structure (spaces)	655	655	655
Redevelopment and housing			
Transitional housing	1	1	1
Water utility			
Reservoirs	8	8	8
Pump stations	6	6	6
Water mains (miles)	102	102	102
Service meters	8,443	8,470	8,470
Fire hydrants	1,006	1,003	991

⁽¹⁾ Information provided by various departments for last three fiscal years. There are no capital asset statistics available for community development and environmental protection.