



# *City of Covina California*



**Comprehensive Annual Financial Report**  
*Fiscal Year Ended June 30, 2009*

# **CITY OF COVINA, CALIFORNIA**

## **Comprehensive Annual Financial Report**

**For the fiscal year ended June 30, 2009**

Walter Allen III, Mayor

Peggy A. Delach  
Mayor Pro Tem



John King  
Council Member

Bob Low  
Council Member

Kevin Stapleton  
Council Member

Daryl Parrish, City Manager

*Prepared by the City of Covina Finance Department*

CITY OF COVINA, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

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# CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

January 12, 2010

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, 2009 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, 2009. The auditor's 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 49,541 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 30<sup>th</sup> 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.

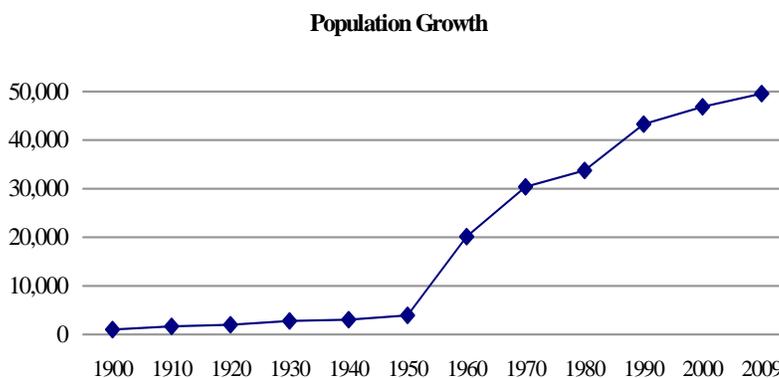
In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Covina Public Finance Authority and Covina Redevelopment Agency in the financial report. The Covina Redevelopment Agency was created in 1969, pursuant to the State of California 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
2009	49,541



*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 2005 through October 2009:

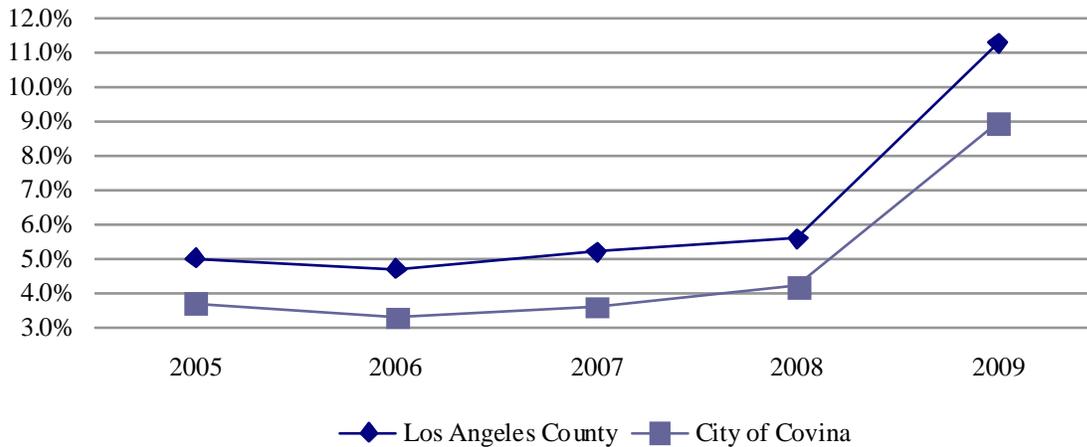
LOS ANGELES COUNTY AND CITY OF COVINA STATISTICAL AREA  
 Civilian Labor Force, Employment, Unemployment and Unemployment Rate  
 Annual Averages (000's) <sup>(1)</sup>

	2005		2006		2007		2008		2009	
	County	City								
Civilian labor force <sup>(2)</sup>	4,887	25.7	4,861	26.2	4,975	26.7	4,995	26.3	4,971	25.7
Employment	4,641	24.8	4,632	25.3	4,717	25.7	4,717	25.2	4,410	23.4
Unemployment	246	0.9	229	0.9	258	1.0	435	0.1	560	0.2
Unemployment rate	5.0%	3.7%	4.7%	3.3%	5.2%	3.6%	8.7%	4.2%	11.3%	9.0%

<sup>(1)</sup> Not seasonally adjusted.

<sup>(2)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

**Unemployment Rate  
 Covina versus LA County**



Source: Labor Market Information Division of the California State Employment Development Department. 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
  - o *Encumbrances and contractual commitments*
  - o *Grant, restricted donation and capital project appropriations are considered life-cycle appropriations*
  - o *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 20% of operating expenses-reserve exclusive of risk management requirements*
  - *Excess reserves will be designated for nonrecurring activities or capital improvements*
  - *Maintain general liability and worker's compensation reserves based on actuarial recommendations*
- 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 try to maintain a minimum \$100,000 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

- Legal requirements
- Loans
- Accounting changes and prior period adjustments

#### 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 Covina Public Library received a \$4,000 grant from the California State Library, and a \$1,000 grant from the Friends of the Library, to establish an online homework help service. This live helpline is available on the Library's computers and on home computers for users who input their Covina Public Library card number. Our users' reaction has been very positive and we will be evaluating the service over the next 18 months to see if we want to make it a permanent addition. We have added regular programs for teens, some book clubs, and had several author visits.

The Public Works Department completed in excess of \$3 million of street, sewer and water distribution system improvements in a variety of industrial and residential areas including the Adams Park area, the Grovecenter area west of Azusa Avenue, Wingate between Grand and Glendora, Barranca Avenue between Workman and Cypress, the entire residential area bordered by Hollenbeck, Puente, Citrus and Badillo; the entire residential area bordered by Virginia, Covina, Cypress and Grand; and the entire residential area bordered by Cypress, Barranca, the Metrolink right-of-way, and the westerly city limit. Work was also 75 % completed on the replacement of the existing 1.25 million gallon La Merced water storage tank that was seismically deficient with a 1 million gallon tank that will be fully compliant with all current construction standards.

The fiscal year also saw the City Council approve substantial rate increases for both the Sanitary Sewer District and the Water Utility to fund needed improvements in both of these enterprise fund activity areas; including some of the projects listed previously, along with a major renovation of the City's sanitary sewer system in the near future.

Public Information successfully transitioned to in-house recording, reproduction and cable broadcasting of local government information. Equipment has been purchased, installed and the one full-time staff person (PIO) has undergone training. City Council meetings and other local government information are now broadcast on two cable channels, Verizon FIOS channel 42, and Time Warner channel 29, (shared channel with the City of Pomona).

The Parks & Recreation Department continues to provide outstanding customer service to the residents of Covina and our surrounding communities. The busy administrative staff handled more than 30,000 customer contacts. Over 14,000 program registrations are processed each year. In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served 5,400 participants during the summer months. The Leisure Lifestyle Classes program offers over 120 different classes each season, generating over \$200,000 in gross revenues. Two dance recitals are held each year with over 300 performers and 800 in attendance at each recital. The Cultural Excursion program offered 11 successful one-day trips with over 380 participants. The Recreation Services Division developed several new programs, including a hugely successful Summer Day Camp, which was attended by over 400 youth. The Department secured a \$5,000 grant from the National Recreation and Park Association to add Flag Football to the already popular Youth Sports. In total, 970 children between the ages of 3 and 11 learned new skills and had fun playing t-ball, softball, soccer, and basketball. Teens in the community are enjoying the newly renovated Teen Center thanks to IKEA. The Teen Council was established to help teens get involved in the planning of events and volunteering in the community. The Leaders-in-Training program gave 70 teens the opportunity to learn valuable life skills and serve the community with over 4,200 volunteer hours. Made possible by almost \$19,000 in sponsorship funds, the annual summer concert series brought free music and entertainment to over 23,000 people. In an effort to further improve programs and service delivery, the Department developed and implemented a new training program for part-time staff called UCPR (University of Covina Parks & Recreation).

The redevelopment agency spent a total of two-hundred thousand dollars in Façade improvements and preservation funding between April and September 2009. Recipients enhanced the exterior of their buildings by way of new

windows, stucco, paint, awnings, signage, and architectural treatments. The City began participating in Loan and Grant Programs that are considered job creation Economic Development Block Grants through the federal Community Development Block Grant (CDBG) Program. Marketing materials were updated to assist in the outreach efforts of the Agency. The web site was updated and may be viewed at [www.covinaopportunity.com](http://www.covinaopportunity.com) and [www.shopcovina.org](http://www.shopcovina.org). The Redevelopment Agency continued the revitalization of downtown by partially funding the Annual Bluesapalooza/ Thunderfest. Also, the temporary Space located at 300 N. Citrus Ave. was beautified by the Redevelopment Agency with the intention of providing a downtown gathering spot for those who visit and enjoy downtown. The site has been used over the period for Movie nights, a charitable fundraiser, ice skating rink during Christmas Festival, and as a live entertainment venue during Bluesapalooza. The Agency constructed traffic lights at Badillo Street and Rimsdale Avenue, ameliorating the inadequate public improvements at that corner.

***For the Future.***

In spite of the on-going economic recession, Public Works will be completing approximately \$1 million of street repaving to be funded by Federal Economic Stimulus funds. In addition, the City plans to sell \$15.75 million of revenue bonds to fund a major renovation of the City's sanitary sewer system that will expand the capacity of the system to meet the current and future needs of the City's residents and businesses.

Recognizing the need to transition the City to become a more sustainable community with respect to its water consumption the Public Works Department will be proposing the implementation of a tiered-rate system for the Water Utility to encourage the conservation of the City's limited water resources. This, in conjunction with a new utility billing system which will be implemented earlier in the year, will give the City the necessary tools to affect these needed changes.

Future Downtown efforts include coordination with Covina Downtown Association for events such as Wine Walks, Ladies Night Out, and Movie Nights. Agency has met and will continue to meet regularly with Downtown merchants to help facilitate downtown events. Buildings will begin being tested and identified as potentially dangerous. Any unreinforced masonry buildings must take steps to plan for the seismic retrofit of their buildings. Negotiation efforts have continued on the freeway sign that will provide freeway visibility to the City's auto dealerships. An overall evaluation to the downtown in regards to pedestrian access and layout was funded by a federal Local Highway Grant.

**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, 2008. This was the seventh 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,



Daryl Parirsh  
City Manager



Dilu de Alwis  
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, 2008

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.

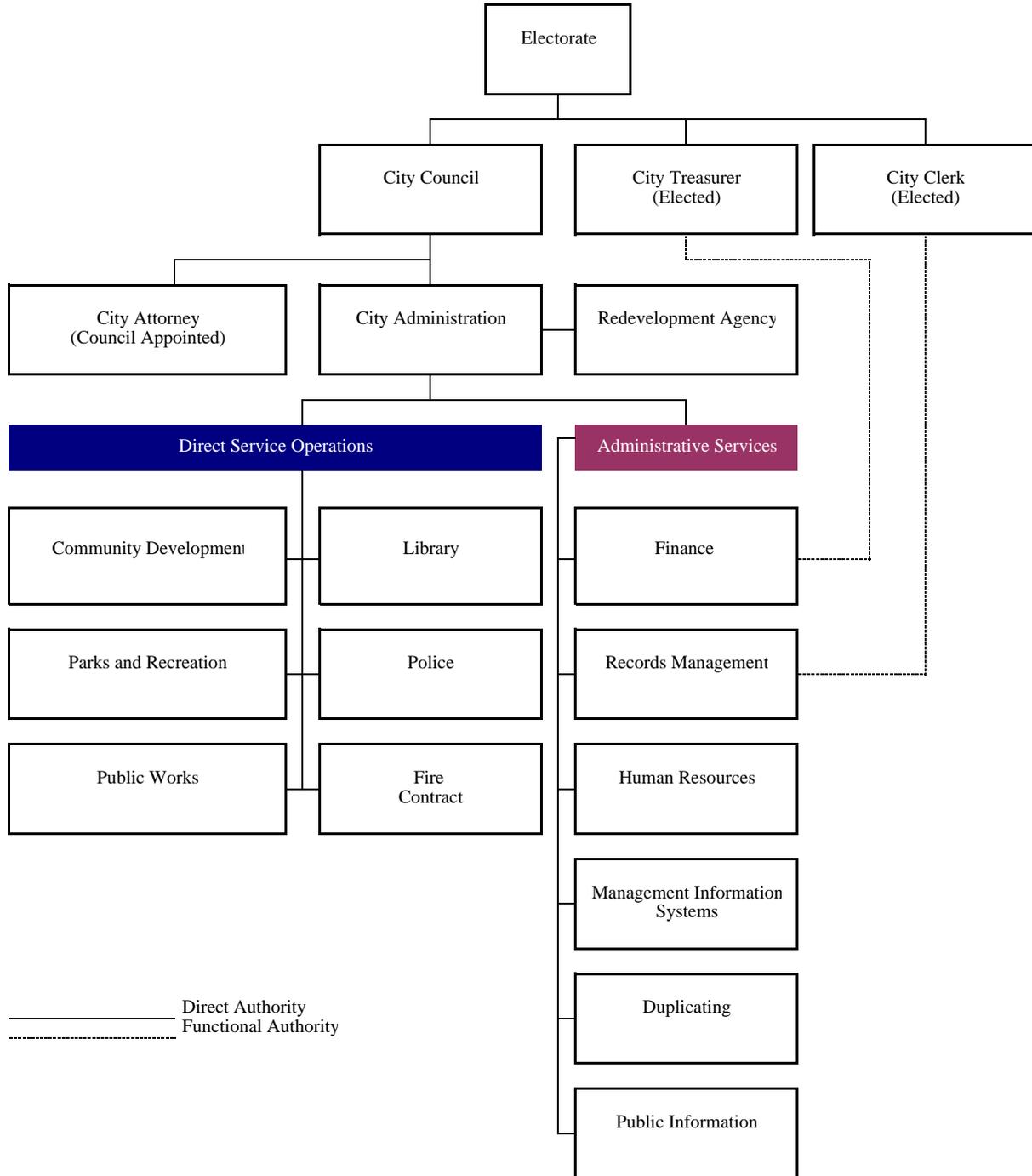


President

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart  
June 30, 2009



CITY OF COVINA, CALIFORNIA  
List of Principal Officials  
2008-2009

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Walter Allen III	March 2011
Mayor Pro Tem: Peggy A. Delach	March 2011
Council Members: Kevin Stapleton	March 2013
Bob Low	March 2013
John C. King	March 2013
City Clerk: Toni Taber	March 2013
City Treasurer: John B. Fielding	March 2013
<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * Daryl Parrish	June 2009
City Attorney: * Edward W. Lee	January 2005
Assistant City Manager: Karen S. Gallivan	January 1988
Finance Director: Dilu de Alwis	September 2009
Human Resources Director: Anthony Arroyo	September 2009
Chief Deputy City Clerk: Toni Taber	May 2008
Police Chief: Kim Raney	February 1989
Fire Chief: ** P. Michael Freeman	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

NEWPORT BEACH  
1201 Dove Street, Suite 680  
Newport Beach, CA 92660  
949.221.0025

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, (City) as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over 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 accounting principles generally accepted in the United States of America. 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, major fund budgetary comparison schedules, the combining and individual non-major 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 non-major 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 and statistical sections 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

January 12, 2010

## Management's Discussion and Analysis

(Unaudited)

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, 2009. Please read it in conjunction with the accompanying transmittal letter and basic financial statements and notes.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Covina exceeded its liabilities at the close of the fiscal year by \$150,293,000. The Governmental funds do not have unrestricted net assets, which are available to meet the City's ongoing obligations to citizens and creditors. However, the Business-type funds have \$8,383,892 of unrestricted net assets available.
- The City's net assets increased by \$3,605,000 or 2.5% from the previous fiscal year from operations.
- The total cost of all City activities was \$51,515,000 for the current fiscal year. Net cost of all activities was \$31,620,000.
- During the current fiscal year, the City's revenues exceeded net expenses of the governmental activities by \$2,605,000.
- In the City's business-type activities, revenues exceeded expenses by \$1,000,000.
- The total fund balances of the City governmental funds was \$77,436,000 at the close of the fiscal year. 45.5% of this amount, \$35,240,000, is reserved and not available for spending at the City's discretion.
- General Fund expenditures exceeded revenues and other financing uses by \$3,008,000 for the fiscal year.
- The total fund balance of the General Fund was \$17,490,000 for the year. Of this amount, \$17,180,000 is unreserved of which \$5,783,000 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, redevelopment and housing, and interest on long-term debt. 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-two individual governmental funds. Information is presented separately in the governmental funds 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 non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary 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 fund to demonstrate compliance with the budget. Budgetary comparison schedules have been provided in the supplementary information section for the remaining major and non-major 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 supplementary 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 \$150,293,000 at the close of the fiscal year.

The largest portion of the City’s net assets (70%) 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 (28%) represents resources that are subject to external restrictions on how it may be used. As *unrestricted net assets* are a negative amount for Governmental Activities, none of it may be used to meet the City’s ongoing obligations to citizens and creditors designated by certain federal, state, and local statutes. There are unrestricted net assets of \$8,384,000 for Business-Type Activities.

The City’s net assets increased by \$3,605,000 or 2.5% during the fiscal year as a result of ongoing revenues exceeding expenses. The total cost of all City activities was \$51,515,000 for the fiscal year. Net cost of all activities was \$31,620,000.

**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 (2008 amounts have not been restated to reflect adjustment of \$411,000 as described in note 23.)

**Governmental Activities Net Assets**

	2009	2008
Current and other assets	\$ 85,074,388	\$ 86,924,381
Capital assets	96,480,831	96,508,948
Total assets	181,555,219	183,433,329
Long-term liabilities outstanding	48,298,307	50,339,445
Other liabilities	2,623,109	4,654,074
Total liabilities	50,921,416	54,993,519
Net assets:		
Invested in capital assets, net of related debt	94,263,857	93,809,311
Restricted	41,514,531	18,530,089
Unrestricted	(5,144,585)	16,100,410
Total net assets	\$ 130,633,803	\$ 128,439,810

The net assets of the governmental activities represent 86.9% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, debt service, and redevelopment and housing (2008 amounts have not been restated to reflect adjustment described in note 23.)

### Governmental Activities Change in Net Assets

	2009	2008
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 4,967,508	\$ 5,259,550
Operating grants and contributions	3,193,844	3,051,803
Capital grants and contributions	2,418,316	2,399,175
General revenues:		
Property taxes	16,920,696	16,124,178
Sales taxes	7,306,177	8,633,461
Utility users taxes	5,274,912	5,433,339
Other taxes	2,116,757	2,169,264
Intergovernmental-unrestricted	131,080	498,071
Other revenues	3,215,767	4,142,492
Total revenues	45,545,057	47,711,333
<b>Expenses</b>		
General government	3,142,876	2,314,101
Public safety	21,209,236	19,708,840
Public works	5,646,611	1,940,499
Culture and recreation	3,953,534	3,611,600
Community development	674,691	872,902
Transit	1,035,264	928,296
Redevelopment and housing	5,476,535	8,430,738
Nondepartmental	-	710,097
Interest on long-term debt	1,801,211	2,686,004
Total expenses	42,939,958	41,203,077
Change in net assets	2,605,099	6,508,256
Beginning Net Assets (as restated)	128,028,704	121,931,554
Ending Net Assets	\$ 130,633,803	\$ 128,439,810

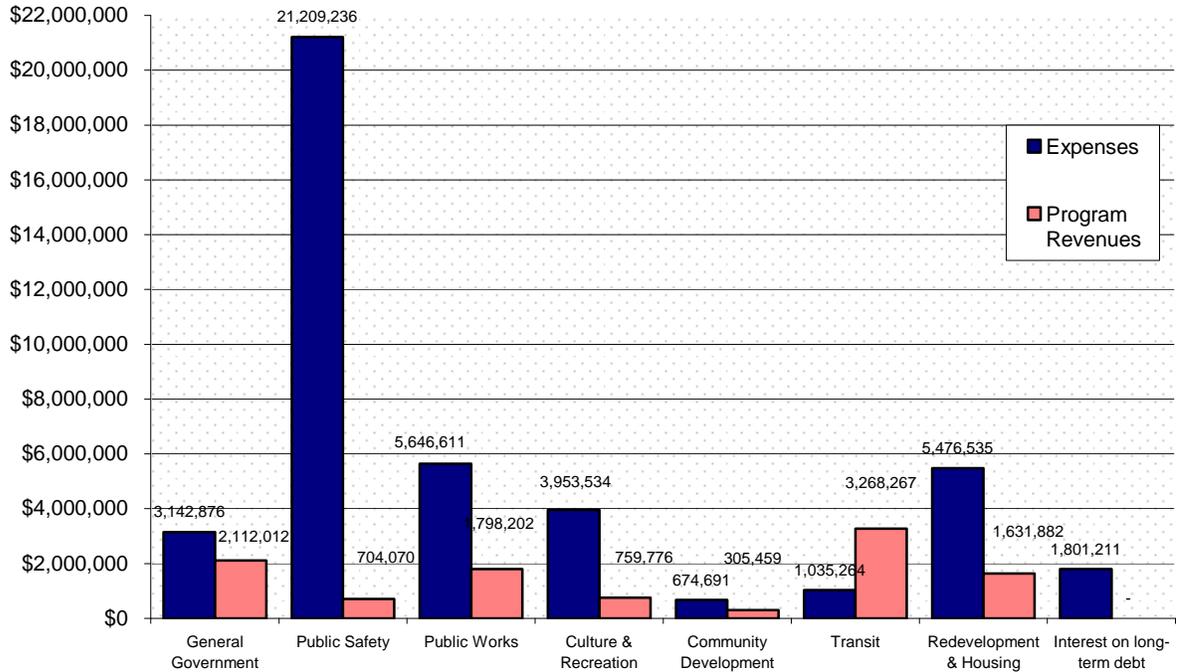
The City's revenues exceeded net expenses of the governmental activities by \$2,605,000. Revenues decreased by \$2,166,000 or 4.5% from the previous fiscal year. General tax revenue decreased by \$742,000 or 2.4%. The decrease is primarily due to a sharp decline in retail sales activity (sales tax revenue). The decrease in general other revenues is attributed to lower investment earnings.

Expenses increased by \$1,737,000 or 4.2% from the previous fiscal year. The increase of \$1,500,000 in public safety was attributed to an increase in personnel services due to negotiated salary increases as well as an increase in the cost of fire services contract. The increase of \$3,706,000 in public works expenses was attributed to more assets placed into service and depreciated. Redevelopment and housing expenses decreased by \$2,954,000 due to fewer economic and redevelopment projects. Interest on long-term debt decreased by \$885,000 due to a large loan between the City to the Redevelopment Agency which was repaid in 2008.

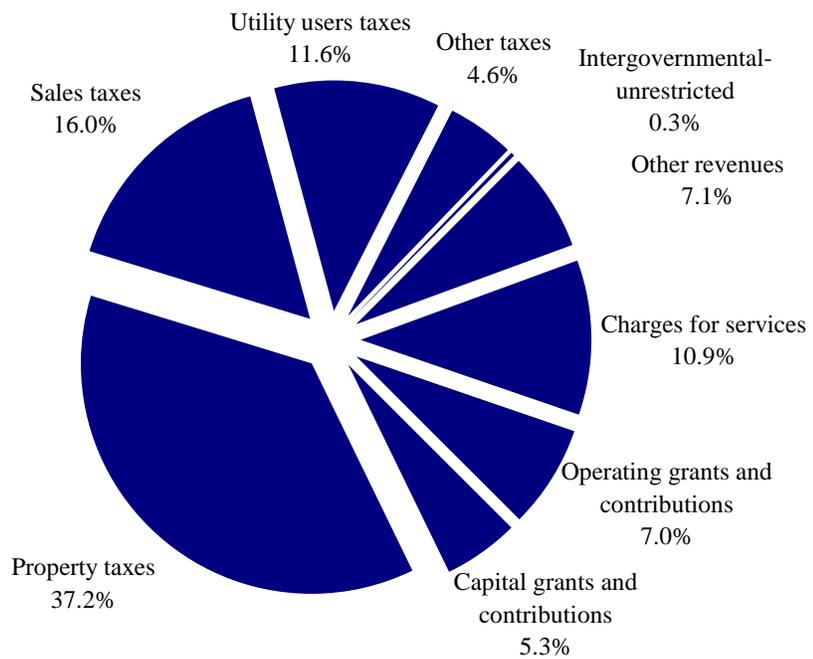
Net expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. Transit is the only function that recovers its expenses with program revenues. General

government, public safety, public works, culture and recreation, community development, redevelopment and housing, and interest on long-term debt are financed primarily from general revenues.

### Expenses and Program Revenues-Governmental Activities

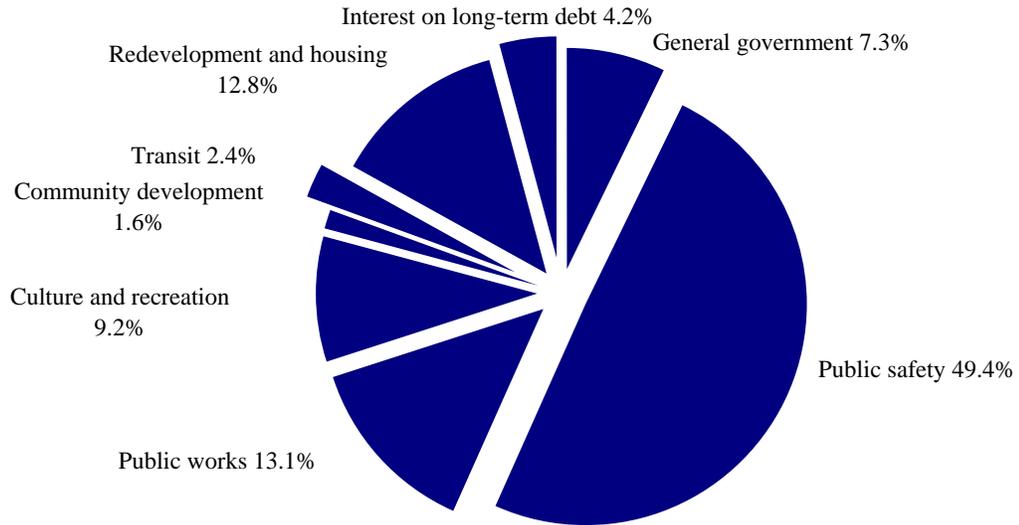


### Revenue Sources-Governmental Activities



Taxes, intergovernmental-unrestricted, and operating grants and contributions provide 76.7% 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.

**Functions/Programs-Governmental Activities**



Public safety and public works represents 62.5% 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 (12.8%) and interest on long-term debt (4.2%). 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**

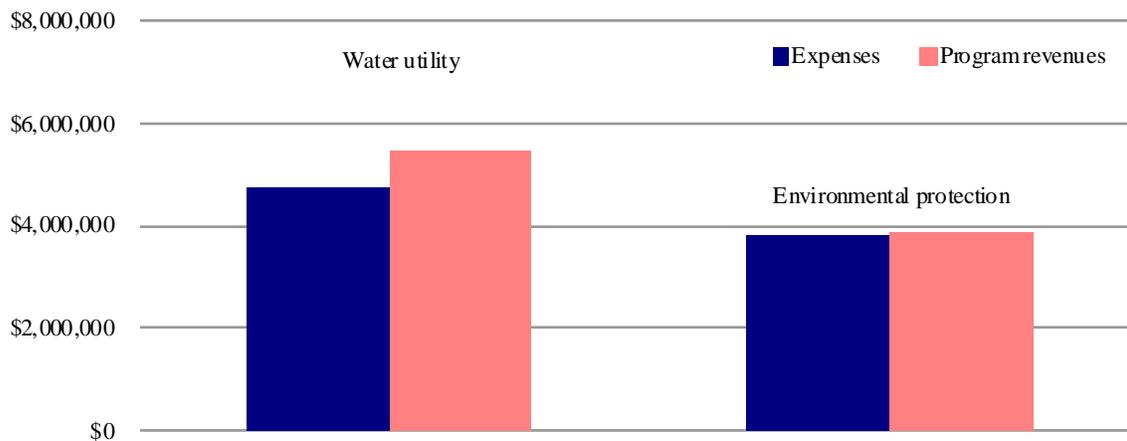
	2009	2008
Current assets and other assets	\$ 9,337,988	\$ 9,106,102
Capital assets	12,688,278	12,873,529
Total assets	<u>22,026,266</u>	<u>21,979,631</u>
Long-term liabilities outstanding	1,742,868	1,911,301
Other liabilities	623,975	1,409,229
Total liabilities	<u>2,366,843</u>	<u>3,320,530</u>
Net assets:		
Invested in capital assets, net of related debt	11,081,331	11,106,918
Restricted for debt service	194,200	242,609
Unrestricted	8,383,892	7,309,574
Total net assets	<u>\$ 19,659,423</u>	<u>\$ 18,659,101</u>

The net assets of the business-type activities represent 13.1% of the City's total net assets. Business-type net assets increased by \$1,000,000 from the previous year. The increase is primarily attributed to a decrease in charges for services due to the restructuring of water rates during the 2009 fiscal year accompanied by a decrease in expenses, primarily due to purchasing water in the prior fiscal year at drought rates (substantially higher than normal), versus purchasing water during the current fiscal year at regular rates.

### Business-type Activities Change in Net Assets

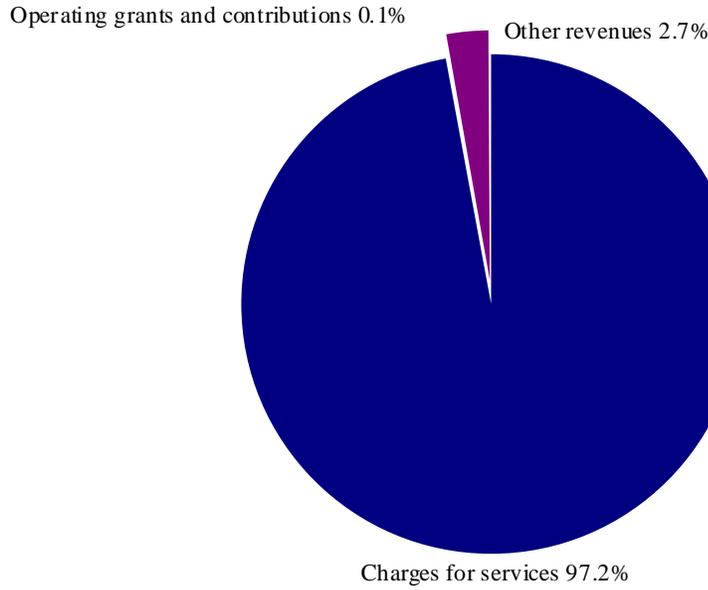
	2009	2008
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 9,305,639	\$ 9,893,720
Operating grants and contributions	9,797	26,138
General revenues-other revenues	<u>259,666</u>	<u>581,779</u>
Total revenues	<u>9,575,102</u>	<u>10,501,637</u>
<b>Expenses</b>		
Water utility	4,736,319	5,663,819
Environmental protection	<u>3,838,461</u>	<u>3,636,875</u>
Total expenses	<u>8,574,780</u>	<u>9,300,694</u>
Change in net assets	1,000,322	1,200,943
Beginning Net Assets	<u>18,659,101</u>	<u>17,458,158</u>
Ending Net Assets	<u><u>\$ 19,659,423</u></u>	<u><u>\$ 18,659,101</u></u>

### Expenses and Program Revenues-Business-type Activities



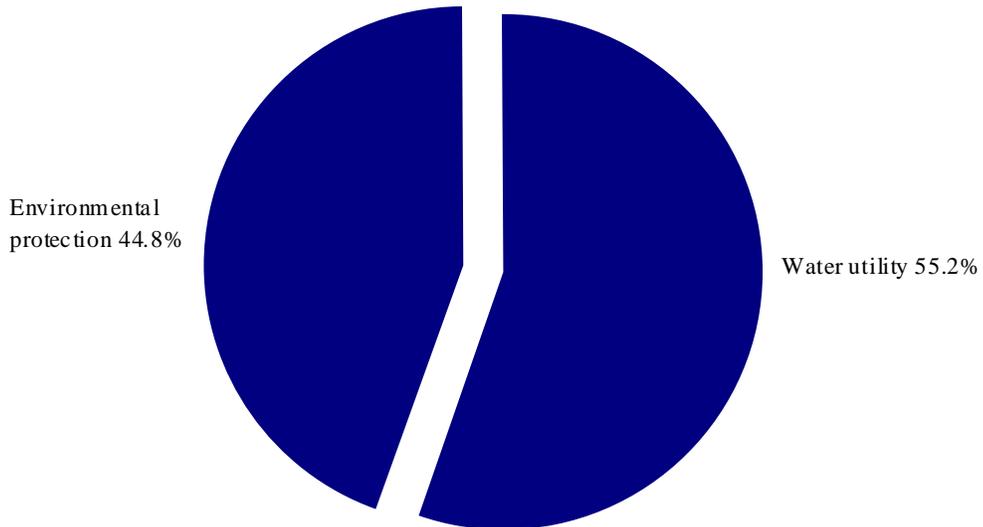
The City's business-type program revenues exceeded expenses by \$741,000. Water utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services and operating grants and contributions also recovered all operating expenses.

### Revenues by Source-Business-type Activities



Total business-type revenues decreased to \$9,575,000 from \$10,502,000 in 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 decreased to \$8,575,000 from \$9,301,000 in the previous fiscal year. The decrease in expenses is attributed to the water utility 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

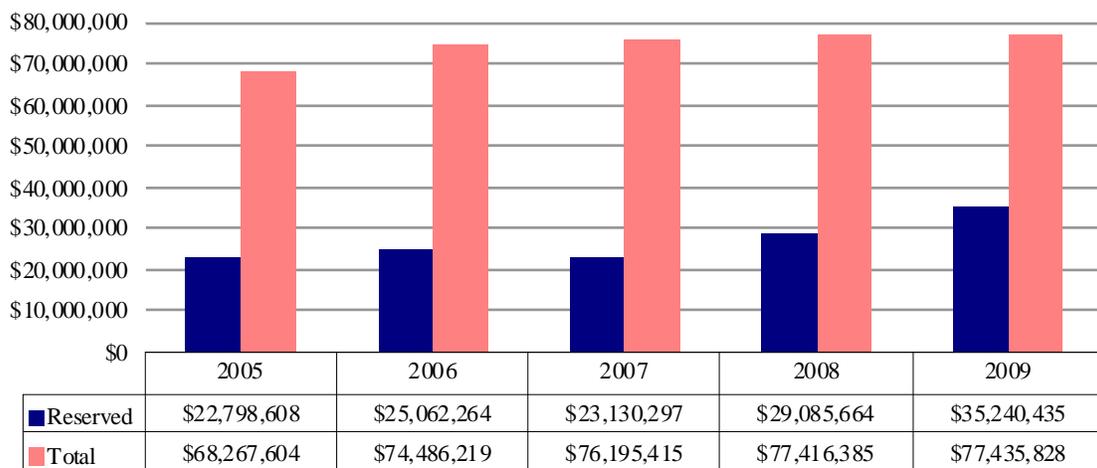
The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses the City’s financing requirements. *Unreserved fund balance* is a measure of the City’s net resources available for designation or spending at the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

As of June 30, 2009, the City’s governmental funds reported combined fund balances of \$77,436,000, an increase of \$19,000 from the prior year. *Unreserved fund balance* of \$42,195,000 is available for designation and/or future spending at the City’s discretion. A majority of the unreserved fund balance is designated by certain local statutes. The remainder of fund balance of \$35,240,000 is *reserved* to indicate that it is not available for future spending because it is already committed to:

- Encumbrances
- Notes receivable
- 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 2005-2009:

**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 \$17,490,000 of which \$17,180,000 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 58% of total general fund expenditures and unreserved fund balance represents 57% 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), and emergency contingency. The general fund has an undesignated fund balance of \$5,783,000 as of June 30, 2009.

The fund balance of the general fund decreased by \$3,008,000 during the fiscal year. The decrease is attributed primarily to the following:

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

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 \$52,546,000 of which \$32,915,000 is reserved. The total fund balances increased by \$1,268,000 during the fiscal year. The increase is attributed to a decrease in the economic and redevelopment activity expenses.

### **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 increased to \$8,178,000 in the fiscal year from \$6,919,000 in the prior year. Environmental fund unrestricted net assets decreased to \$364,000 from \$382,000 in 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 \$289,000 which represents a 0.9% increase. The largest general fund appropriation increases were attributed to transfers out to other funds of \$246,000.

During the fiscal year, budgetary estimates exceeded actual revenues by \$593,000 and expenditures and transfers out were less than budgetary appropriations by \$759,000. 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.** General insurance expenditures were less than budget which resulted in a positive variance of \$354,000.
- **Public safety.** Actual Police Patrol expenses were less than budgeted during the fiscal year which provided a positive variance of \$213,000.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for governmental and business-type activities as of June 30, 2009 is \$109,169,000 (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 decrease (deletions less additions) in capital assets for the fiscal year was \$198,000. The following is a summary of capital assets (net of depreciation) at June 30, 2009 and 2008:

**Capital Assets  
(net of depreciation)**

	2009	2008
<b>Governmental activities</b>		
Land	\$ 7,875,010	\$ 7,875,010
Buildings and structures	23,297,082	16,422,588
Improvements other than buildings	1,290,672	1,349,532
Public domain infrastructure	58,188,926	60,622,479
Sanitary sewer infrastructure	2,902,381	2,995,462
Machinery and equipment	2,061,883	2,180,866
Construction in progress	864,877	4,651,905
Total governmental activities	<u>96,480,831</u>	<u>96,097,842</u>
<b>Business-type activities</b>		
Land	377,408	377,408
Buildings and structures	2,518,751	2,596,391
Improvements other than buildings	108,631	-
Water system infrastructure	9,033,840	8,266,960
Machinery and equipment	464,927	577,492
Construction in progress	184,720	1,055,278
Total business-type activities	<u>12,688,277</u>	<u>12,873,529</u>
Total capital assets	<u>\$ 109,169,108</u>	<u>\$ 108,971,371</u>

There was an increase in buildings and structures of \$6,875,000 during the current fiscal year. This increase is due to construction of the Downtown Parking Structure. 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 \$42,662,000. 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, 2009 and 2008:

**Outstanding Debt  
(net of unamortized charges)**

	2009	2008
<b>Governmental activities</b>		
Notes payable	\$ 761,693	\$ 951,988
Capital lease payable	81,974	194,637
Tax allocation bonds payable	37,892,429	39,623,416
Revenue bonds payable	2,319,020	2,725,824
Total governmental activities	<u>41,055,116</u>	<u>43,495,865</u>
<b>Business-type activities</b>		
Certificates of participation payable	<u>1,606,948</u>	<u>1,766,611</u>
Total outstanding debt	<u>\$ 42,662,064</u>	<u>\$ 45,262,476</u>

The decrease in long-term debt from 2008 to 2009 was due primarily to principal payments of \$3,053,000 made during the fiscal year ended June 30, 2009.

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 \$650,605,000 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 City of Covina has not been immune from the global economic downturn that was experienced beginning with fiscal year 2007-08. For the City of Covina the erosion of sales tax revenue is a major contributing factor in this downturn.

Sales tax revenue declined \$1,327,000 or 15.4% from the previous year. Since sales tax makes up approximately 27% of the General Fund revenue budget, an impact of this magnitude has serious consequences. This decline is attributable to the decline in consumer confidence primarily due to the high unemployment that the region is experiencing. Preliminary numbers indicate that the County of Los Angeles is experiencing an unemployment rate of approximately 12.6% which is an increase of almost 4% from the previous year. The City of Covina on the other hand is reflecting an unemployment rate of approximately 9% which is an increase of almost 5% when compared with the previous year.

Despite the decrease in revenue a policy decision was made by the City Council during the adoption of the fiscal year 2009-10 budget to maintain service levels and use one-time borrowings from the Internal Service Fund to bridge the budget deficit.

### **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. You may also find a copy of the report online at [www.covinaca.gov](http://www.covinaca.gov). 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

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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 financial position. A statement of financial 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. Residual internal balances (payables and receivables between governmental activities and business-type activities) are reported in the related activity column and are eliminated in the total column of 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
- Interest on long-term debt

Business-type activities include direct expenses of the water utility and environmental protection 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, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (note 4)	\$ 58,988,163	\$ 3,154,824	\$ 62,142,987
Cash and investments-fiscal agent (note 4)	1,690,749	264,561	1,955,310
Accrued interest receivable	66,017	-	66,017
Receivables (net of allowances for uncollectibles):			
Property taxes (note 6)	723,949	-	723,949
Sales taxes	818,000	-	818,000
Utility user taxes	390,411	-	390,411
Other taxes	137,265	119,531	256,796
Accounts	299,969	1,651,233	1,951,202
Special assessments	22,036	-	22,036
Loans (note 14)	836,478	-	836,478
Notes (note 13)	527,661	-	527,661
Due from other governments	1,419,504	-	1,419,504
Internal balances (note 5)	(33,911)	33,911	-
Inventories	69,050	187,100	256,150
Prepaid expenses	91,307	499	91,806
Deferred charges	1,348,725	-	1,348,725
Investment in Covina Irrigating Company (note 18)	-	3,926,329	3,926,329
Net postemployment benefit asset	14,250	-	14,250
Land held for resale	17,664,765	-	17,664,765
Capital assets, not depreciated (note 7)	8,739,887	562,128	9,302,015
Capital assets, depreciated, (net of accumulated depreciation) (note 7)	<u>87,740,944</u>	<u>12,126,150</u>	<u>99,867,094</u>
Total assets	<u>181,555,219</u>	<u>22,026,266</u>	<u>203,581,485</u>
<b>Liabilities</b>			
Accounts payable	1,096,847	475,238	1,572,085
Deposits payable	465,900	94,734	560,634
Accrued liabilities	515,151	32,685	547,836
Due to other governments	159,836	-	159,836
Accrued interest payable	113,775	21,318	135,093
Unearned revenue	271,600	-	271,600
Long-term liabilities (notes 9, 10, 11 and 12):			
Due within one year	3,813,791	184,200	3,997,991
Due in more than one year (net of unamortized discount and premium)	<u>44,484,516</u>	<u>1,558,668</u>	<u>46,043,184</u>
Total liabilities	<u>50,921,416</u>	<u>2,366,843</u>	<u>53,288,259</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	94,263,857	11,081,331	105,345,188
Restricted for:			
Public safety	512,924	-	512,924
Public works	856,850	-	856,850
Culture and recreation	17,432	-	17,432
Transit	1,713,240	-	1,713,240
Debt service	6,584,875	194,200	6,779,075
Redevelopment and housing	31,829,210	-	31,829,210
Unrestricted (deficit)	<u>(5,144,585)</u>	<u>8,383,892</u>	<u>3,239,307</u>
Total net assets	<u>\$ 130,633,803</u>	<u>\$ 19,659,423</u>	<u>\$ 150,293,226</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA  
Statement of Activities  
For the fiscal year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,142,876	\$ 1,346,804	\$ 765,208	\$ -	\$ (1,030,864)	\$ -	\$ (1,030,864)
Public safety	21,209,236	402,084	301,986	-	(20,505,166)	-	(20,505,166)
Public works	5,646,611	1,010,808	787,394	-	(3,848,409)	-	(3,848,409)
Culture and recreation	3,953,534	670,775	61,050	27,951	(3,193,758)	-	(3,193,758)
Community development	674,691	305,459	-	-	(369,232)	-	(369,232)
Transit	1,035,264	229,107	717,172	2,321,988	2,233,003	-	2,233,003
Redevelopment and housing	5,476,535	1,002,471	561,034	68,377	(3,844,653)	-	(3,844,653)
Interest on long-term debt	1,801,211	-	-	-	(1,801,211)	-	(1,801,211)
Total governmental activities	<u>42,939,958</u>	<u>4,967,508</u>	<u>3,193,844</u>	<u>2,418,316</u>	<u>(32,360,290)</u>	<u>-</u>	<u>(32,360,290)</u>
<b>Business-type activities:</b>							
Water utility	4,736,319	5,460,462	-	-	-	724,143	724,143
Environmental protection	3,838,461	3,845,177	9,797	-	-	16,513	16,513
Total business-type activities	<u>8,574,780</u>	<u>9,305,639</u>	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>740,656</u>	<u>740,656</u>
Total functions/programs	<u>\$ 51,514,738</u>	<u>\$ 14,273,147</u>	<u>\$ 3,203,641</u>	<u>\$ 2,418,316</u>	<u>(32,360,290)</u>	<u>740,656</u>	<u>(31,619,634)</u>
<b>General revenues:</b>							
Property taxes (note 6)					16,920,696	-	16,920,696
Sales taxes					7,306,177	-	7,306,177
Transient occupancy taxes					340,175	-	340,175
Property transfer taxes					113,113	-	113,113
Business license taxes					349,109	-	349,109
Utility user taxes					5,274,912	-	5,274,912
Franchise taxes					1,314,360	-	1,314,360
Intergovernmental-unrestricted					131,080	-	131,080
Investment earnings					2,078,611	86,322	2,164,933
Investment gain in Covina Irrigating Company					-	219,257	219,257
Other revenues					1,091,243	-	1,091,243
Transfers					45,913	(45,913)	-
Total general revenues and transfers					<u>34,965,389</u>	<u>259,666</u>	<u>35,225,055</u>
Change in net assets					2,605,099	1,000,322	3,605,421
Net assets at beginning of year, as restated (note 23)					<u>128,028,704</u>	<u>18,659,101</u>	<u>146,687,805</u>
Net assets at end of year					<u>\$ 130,633,803</u>	<u>\$ 19,659,423</u>	<u>\$ 150,293,226</u>

## Governmental Fund Financial Statements

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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 fund 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 supplementary information section.

CITY OF COVINA, CALIFORNIA  
Balance Sheet  
Governmental Funds  
June 30, 2009

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (note 4)	\$ 17,258,476	\$ 11,100,577	\$ 5,389,960	\$ 16,031,278	\$ 6,289,996	\$ 56,070,287
Cash and investments-fiscal agent (note 4)	-	-	1,418,393	-	272,356	1,690,749
Accrued interest receivable	29,331	-	-	36,062	-	65,393
Receivables (net of allowances for uncollectibles):						
Property taxes (note 6)	455,898	65,094	199,219	-	3,738	723,949
Sales taxes	818,000	-	-	-	-	818,000
Utility user taxes	390,411	-	-	-	-	390,411
Other taxes	137,265	-	-	-	-	137,265
Accounts	265,029	-	-	3,999	30,351	299,379
Special assessments	-	-	-	-	22,036	22,036
Loans (note 14)	-	106,221	-	-	730,257	836,478
Notes (note 13)	-	-	-	527,661	-	527,661
Due from other governments	152,928	-	-	-	1,249,129	1,402,057
Due from other funds (note 5)	343,767	6,021	-	-	11,500	361,288
Prepaid expenses	37,664	-	-	3,383	70	41,117
Advances to other funds (note 5)	107,306	937,918	-	525,327	-	1,570,551
Land held for resale	-	2,067,432	-	15,597,333	-	17,664,765
Total assets	<u>\$ 19,996,075</u>	<u>\$ 14,283,263</u>	<u>\$ 7,007,572</u>	<u>\$ 32,725,043</u>	<u>\$ 8,609,433</u>	<u>\$ 82,621,386</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 630,072	\$ 43,080	\$ 1,792	\$ 189,819	\$ 165,401	\$ 1,030,164
Deposits payable	436,500	900	-	28,000	500	465,900
Accrued liabilities	482,758	1,402	-	6,081	9,578	499,819
Due to other governments	159,488	-	-	-	348	159,836
Due to other funds (note 5)	-	-	5,447	50,000	303,596	359,043
Advances from other funds (note 5)	525,327	-	415,458	522,460	-	1,463,245
Deferred revenue (notes 13 and 14)	271,600	106,221	-	99,473	730,257	1,207,551
Total liabilities	<u>2,505,745</u>	<u>151,603</u>	<u>422,697</u>	<u>895,833</u>	<u>1,209,680</u>	<u>5,185,558</u>
Fund balances:						
Reserved for:						
Encumbrances	165,429	4,765,960	-	2,005,070	1,698,191	8,634,650
Notes receivables	-	-	-	428,188	-	428,188
Prepaid items	37,664	-	-	3,383	70	41,117
Land held for resale	-	2,067,432	-	15,597,333	-	17,664,765
Restricted revenue	-	-	-	-	316,289	316,289
Advances to other funds	107,306	937,918	-	525,327	-	1,570,551
Debt service	-	-	6,584,875	-	-	6,584,875
Unreserved, reported in (note 15):						
General fund	17,179,931	-	-	-	-	17,179,931
Special revenue funds	-	6,360,350	-	-	3,686,762	10,047,112
Capital projects funds	-	-	-	13,269,909	1,698,441	14,968,350
Total fund balances	<u>17,490,330</u>	<u>14,131,660</u>	<u>6,584,875</u>	<u>31,829,210</u>	<u>7,399,753</u>	<u>77,435,828</u>
Total liabilities and fund balances	<u>\$ 19,996,075</u>	<u>\$ 14,283,263</u>	<u>\$ 7,007,572</u>	<u>\$ 32,725,043</u>	<u>\$ 8,609,433</u>	<u>\$ 82,621,386</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, 2009

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<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Fund balances-total governmental funds	\$	77,435,828
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.		95,386,333
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.		935,951
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 bonds.		1,348,725
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.		(113,775)
Postemployment benefit asset is not a financial resource in the current period and therefore is not reported in the funds. Postemployment benefit payments are reported as expenditures in the funds.		14,250
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.		(48,208,227)
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.		3,834,718
		3,834,718
Net assets of governmental activities	\$	130,633,803

*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, 2009

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes (note 6)	\$ 9,127,908	\$ 1,812,544	\$ 5,953,810	\$ -	\$ 26,434	\$ 16,920,696
Sales taxes	7,306,177	-	-	-	-	7,306,177
Transient occupancy taxes	340,175	-	-	-	-	340,175
Property transfer taxes	113,113	-	-	-	-	113,113
Business license taxes	348,064	-	-	-	1,045	349,109
Utility user taxes	5,274,912	-	-	-	-	5,274,912
Franchise taxes	1,314,360	-	-	-	-	1,314,360
Licenses and permits	210,009	-	-	-	-	210,009
Intergovernmental	765,208	3,251	13,003	-	4,830,709	5,612,171
Charges for services	1,675,563	-	-	929,031	411,104	3,015,698
Fines and forfeits	608,152	-	-	-	-	608,152
Special assessments	-	-	-	-	1,133,637	1,133,637
Investment earnings	609,807	378,661	167,719	639,377	194,502	1,990,066
Miscellaneous	76,233	681,793	-	144,125	189,092	1,091,243
Total revenues	<u>27,769,681</u>	<u>2,876,249</u>	<u>6,134,532</u>	<u>1,712,533</u>	<u>6,786,523</u>	<u>45,279,518</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	3,380,536	-	-	-	-	3,380,536
Public safety	20,499,532	-	-	-	674,541	21,174,073
Public works	593,211	-	-	-	1,602,453	2,195,664
Culture and recreation	3,520,602	-	-	-	256,837	3,777,439
Community development	686,297	-	-	-	-	686,297
Transit	-	-	-	-	804,996	804,996
Redevelopment and housing	-	852,517	62,700	2,655,638	652,311	4,223,166
Capital outlay	1,336,870	-	-	1,765,654	1,201,178	4,303,702
<b>Debt service:</b>						
Principal retirement	112,663	185,000	2,150,295	-	370,000	2,817,958
Interest and fiscal charges	24,610	211,284	1,579,888	-	126,375	1,942,157
Total expenditures	<u>30,154,321</u>	<u>1,248,801</u>	<u>3,792,883</u>	<u>4,421,292</u>	<u>5,688,691</u>	<u>45,305,988</u>
Excess (deficiency) of revenues over expenditures	<u>(2,384,640)</u>	<u>1,627,448</u>	<u>2,341,649</u>	<u>(2,708,759)</u>	<u>1,097,832</u>	<u>(26,470)</u>
<b>Other financing sources (uses):</b>						
Transfers in (note 5)	-	-	-	7,491	1,095,827	1,103,318
Transfers out (note 5)	(623,786)	-	-	-	(433,619)	(1,057,405)
Total other financing sources (uses)	<u>(623,786)</u>	<u>-</u>	<u>-</u>	<u>7,491</u>	<u>662,208</u>	<u>45,913</u>
Net change in fund balances	(3,008,426)	1,627,448	2,341,649	(2,701,268)	1,760,040	19,443
Fund balances at beginning of year	20,498,756	12,504,212	4,243,226	34,530,478	5,639,713	77,416,385
Fund balances at end of year	<u>\$ 17,490,330</u>	<u>\$ 14,131,660</u>	<u>\$ 6,584,875</u>	<u>\$ 31,829,210</u>	<u>\$ 7,399,753</u>	<u>\$ 77,435,828</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  
 June 30, 2009

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<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Net change in fund balances-total governmental funds	\$ 19,443
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.	705,518
The focus of governmental funds is on short-term financing, therefore, some assets are offset by deferred revenue. Loans and notes issued during the year are reported as expenditures in the governmental funds when paid. Collections of loans and notes are reported as revenues in the governmental funds when received. The annual activity for loans and notes is not reported as revenues and expenses in the statement of activities.	(528,830)
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.	65,263
Change in postemployment benefits on a pay as you go basis.	14,250
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. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized charges are included in the statement of net assets and are amortized as an expense in the statement of activities.	1,933,124
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.	<u>396,331</u>
Change in net assets of governmental activities	<u>\$ 2,605,099</u>

*See accompanying notes to the financial statements.*

## Proprietary Fund Financial Statements

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Generally accepted accounting principles (GAAP) for state and local governments prescribe the 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 and capital maintenance (depreciation).

Individual internal service funds are located in the supplementary information section.

CITY OF COVINA, CALIFORNIA  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
<b>Assets</b>				
Current assets:				
Cash and investments (note 4)	\$ 3,154,824	\$ -	\$ 3,154,824	\$ 2,917,876
Cash and investments-fiscal agent (note 4)	264,561	-	264,561	-
Accrued interest receivable	-	-	-	624
Other taxes receivable	-	119,531	119,531	-
Accounts receivable (net of allowances for uncollectibles)	1,125,002	526,231	1,651,233	590
Due from other governments	-	-	-	17,447
Prepaid expenses	198	301	499	50,190
Inventories	187,100	-	187,100	69,050
Total current assets	<u>4,731,685</u>	<u>646,063</u>	<u>5,377,748</u>	<u>3,055,777</u>
Noncurrent assets:				
Investment in Covina Irrigating Company (note 18)	3,926,329	-	3,926,329	-
Capital assets:				
Land	377,408	-	377,408	-
Building and structures	3,854,995	291,193	4,146,188	-
Improvements other than buildings	132,913	-	132,913	-
Water system infrastructure	13,943,960	-	13,943,960	-
Machinery and equipment	1,382,858	14,771	1,397,629	6,906,505
Construction in progress	184,720	-	184,720	-
Less accumulated depreciation	<u>(7,400,297)</u>	<u>(94,243)</u>	<u>(7,494,540)</u>	<u>(5,812,007)</u>
Total capital assets, net	<u>12,476,557</u>	<u>211,721</u>	<u>12,688,278</u>	<u>1,094,498</u>
Total noncurrent assets	<u>16,402,886</u>	<u>211,721</u>	<u>16,614,607</u>	<u>1,094,498</u>
Total assets	<u>21,134,571</u>	<u>857,784</u>	<u>21,992,355</u>	<u>4,150,275</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	226,798	248,440	475,238	66,683
Deposits payable	80,464	14,270	94,734	-
Current portion of compensated absences payable (notes 9 and 12)	8,210	5,990	14,200	11,950
Accrued liabilities	25,276	7,409	32,685	15,332
Due to other funds (note 5)	-	2,245	2,245	-
Accrued interest payable	21,318	-	21,318	-
Current portion of certificates of participation payable (note 12)	170,000	-	170,000	-
Total current liabilities	<u>532,066</u>	<u>278,354</u>	<u>810,420</u>	<u>93,965</u>
Noncurrent liabilities:				
Compensated absences payable (notes 9 and 12)	117,980	3,740	121,720	78,130
Advances from other funds (note 5)	-	-	-	107,306
Certificates of participation payable (net of unamortized discount) (note 12)	1,436,948	-	1,436,948	-
Total noncurrent liabilities	<u>1,554,928</u>	<u>3,740</u>	<u>1,558,668</u>	<u>185,436</u>
Total liabilities	<u>2,086,994</u>	<u>282,094</u>	<u>2,369,088</u>	<u>279,401</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	10,869,609	211,721	11,081,330	987,192
Unrestricted (note 20)	8,177,968	363,969	8,541,937	2,883,682
Total net assets	<u>\$ 19,047,577</u>	<u>\$ 575,690</u>	<u>19,623,267</u>	<u>\$ 3,870,874</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>36,156</u>	
Net assets of business-type activities			<u>\$ 19,659,423</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, 2009

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
<b>Operating Revenues:</b>				
Water sales	\$ 5,237,713	\$ -	\$ 5,237,713	\$ -
Environmental fees	-	3,845,177	3,845,177	-
Information technology charges	-	-	-	1,097,688
Motor pool charges	-	-	-	1,370,289
Fire line fees	67,334	-	67,334	-
Meter installation fees	70,292	-	70,292	-
Late fees	20,624	-	20,624	-
Antenna rentals and other	64,499	-	64,499	-
Intergovernmental-environmental	-	9,797	9,797	-
Total operating revenues	<u>5,460,462</u>	<u>3,854,974</u>	<u>9,315,436</u>	<u>2,467,977</u>
<b>Operating expenses:</b>				
General and administrative	784,365	551,512	1,335,877	-
Management information systems	-	-	-	799,388
Utility billing	92,135	89,149	181,284	-
Customer service	284,891	-	284,891	-
Source and supply	1,567,518	-	1,567,518	-
Production and storage	570,553	-	570,553	-
Transmission and distribution	925,845	-	925,845	-
Street sweeping	-	133,416	133,416	-
Environmental services	-	128,316	128,316	-
Refuse collection	-	1,916,207	1,916,207	-
Waste management	-	1,010,749	1,010,749	-
Central equipment	-	-	-	803,482
Depreciation	443,133	9,112	452,245	496,696
Total operating expenses	<u>4,668,440</u>	<u>3,838,461</u>	<u>8,506,901</u>	<u>2,099,566</u>
Operating income	<u>792,022</u>	<u>16,513</u>	<u>808,535</u>	<u>368,411</u>
<b>Nonoperating revenues (expenses):</b>				
Investment gain-CIC (note 18)	219,257	-	219,257	-
Investment earnings	84,277	2,045	86,322	88,543
Interest expense	(95,534)	-	(95,534)	(29,191)
Transfer out	-	(45,913)	(45,913)	-
Loss on sale and disposal of capital assets	-	-	-	(3,777)
Total nonoperating revenues (expenses)	<u>208,000</u>	<u>(43,868)</u>	<u>164,132</u>	<u>55,575</u>
Change in net assets	1,000,022	(27,355)	972,667	423,986
Net assets at beginning of year	<u>18,047,557</u>	<u>603,045</u>		<u>3,446,888</u>
Net assets at end of year	<u>\$ 19,047,579</u>	<u>\$ 575,690</u>		<u>\$ 3,870,874</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.

	27,655
Change in net assets of business-type activities	\$ 1,000,322

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
<b>Cash flows from operating activities:</b>				
Cash received from customers, users and grants	\$ 5,590,308	\$ 3,823,777	\$ 9,414,085	\$ 2,479,554
Deposits	(72,650)	(1,718)	(74,368)	-
Cash paid to suppliers for goods and services	(2,840,668)	(3,298,870)	(6,139,538)	(882,628)
Cash paid to employees for services	(902,115)	(273,979)	(1,176,094)	(559,526)
Cash paid for interfund services-net	(960,868)	(443,722)	(1,404,590)	(163,675)
Net cash provided (used) by operating activities	<u>814,007</u>	<u>(194,512)</u>	<u>619,495</u>	<u>873,725</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(266,990)	-	(266,990)	(163,785)
Principal paid on advances from other funds	-	(45,913)	(45,913)	(214,250)
Interest paid on advances from other funds	-	-	-	(29,191)
Principal paid on certificates of participation	(165,000)	-	(165,000)	-
Interest paid on certificates of participation	(92,140)	-	(92,140)	-
Net cash used by capital and related financing activities	<u>(524,130)</u>	<u>(45,913)</u>	<u>(570,043)</u>	<u>(407,226)</u>
<b>Cash flows from investing activities - interest received on investments</b>				
	84,277	2,045	86,322	87,919
Net increase (decrease) in cash and cash equivalents	374,154	(238,380)	135,774	554,418
Cash and cash equivalents beginning of year	<u>3,045,231</u>	<u>238,380</u>	<u>3,283,611</u>	<u>2,363,458</u>
Cash and cash equivalents end of year	<u>\$ 3,419,385</u>	<u>\$ -</u>	<u>\$ 3,419,385</u>	<u>\$ 2,917,876</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income	<u>\$ 792,022</u>	<u>\$ 16,513</u>	<u>\$ 808,535</u>	<u>\$ 368,411</u>
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation	443,133	9,112	452,245	496,696
<b>Change in operating assets and liabilities:</b>				
Increase in other taxes receivable	-	(11,403)	(11,403)	-
Decrease (increase) in accounts receivable	129,844	(23,747)	106,097	14,219
Decrease (increase) in due from other governments	-	1,715	1,715	(2,640)
Decrease (increase) in prepaid expenses	(198)	(301)	(499)	28,789
Decrease in inventories	52,647	-	52,647	4,876
Increase (decrease) in accounts payable	(510,416)	(175,681)	(686,097)	324
Decrease in deposits payable	(72,650)	(1,718)	(74,368)	-
Decrease in compensated absences payable	(3,050)	(5,720)	(8,770)	(10,459)
Decrease in accrued liabilities	(17,325)	(5,527)	(22,852)	(26,491)
Increase in due to other funds	-	2,245	2,245	-
Total adjustments	<u>21,985</u>	<u>(211,025)</u>	<u>(189,040)</u>	<u>505,314</u>
Net cash provided (used) by operating activities	<u>\$ 814,007</u>	<u>\$ (194,512)</u>	<u>\$ 619,495</u>	<u>\$ 873,725</u>
<b>Noncash capital, financing and investing activities</b>				
Investment gain-Covina Irrigating Company	\$ 219,257	\$ -	\$ 219,257	\$ -
Deletion of capital assets	49,688	-	49,688	(37,770)
Deletion of accumulated depreciation on capital assets	(49,688)	-	(49,688)	33,993
Net effect on noncash activities	<u>\$ 219,257</u>	<u>\$ -</u>	<u>\$ 219,257</u>	<u>\$ (3,777)</u>

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

The financial statements of the City of Covina (City) include the financial activities of the City, the Covina Redevelopment Agency (Agency) and the Covina Public Financing Authority (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 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 these entities are component units. Additionally, since the governing boards of the City and the two component units are the same, 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 Governmental Accounting Standards Board (GASB) 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). 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  
Notes to the Financial Statements (Continued)  
June 30, 2009

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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. The 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, grants and investment earnings are considered to be susceptible to accrual. 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.

The City 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***

This 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***

This 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***

This 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 pronouncements.

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.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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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  
Notes to the Financial Statements (Continued)  
June 30, 2009

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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 one year. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair 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 (net of interest earnings) 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 is 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>
<b><i>City of Covina</i></b>				
Covina Emergency Aid	125 E. College St.	Storage room	Month to month	None
Comcast	Public right of way	Easements	Month to month	5% franchise
Bank of America	212 E. Badillo St.	ATM site	Month to month	\$ 3,000
Nextel	2001 Edmund Halley	Communication	Month to month	\$ 1,267
Verizon Wireless	P.O. Box 2167	Communication	Month to month	\$ 1,276
T-Mobile	6100 Atlantic Blvd	Communication	Month to month	\$ 581
Sprint	P.O. Box 7977	Communication	Month to month	\$ 1,005

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

***Covina Redevelopment Agency***

Pry Properties	528 S. Citrus Ave.	Commercial	2/03/86-10/31/16	\$ 3,778
Bozzani Volvo	626 S. Citrus Ave.	Commercial	5/15/01-10/31/16	\$ 9,267
Jack in the Box	602 S. Citrus Ave.	Commercial	Month to month	\$ 6,450
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	\$ 9,100
Ginchi Girl	312 N. Citrus Ave.	Commercial	Month to month	\$ 530
Whistle Stop	115 E. Italia	Commercial	Month to month	\$ 1,000
La Tazza	116 E. School	Commercial	Month to month	\$ 900
Jesse Torres	116 E. School	Warehouse	Month to month	\$ 500
Eldon Long	115 E. Italia	Parking lot	Month to month	\$ 50
DK Shoes	316 N. Citrus Ave.	Commercial	Month to month	\$ 960
RJS/Seidner	1151 N. Azusa	Commercial	Month to month	\$41,507

**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, 2009 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).

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

“Total fund balances” of the City’s governmental funds is \$77,435,828 which differs from “net assets” of \$130,633,803 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:

***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.

Cost of capital assets	\$ 157,240,872
Accumulated depreciation	<u>(61,854,539)</u>
	<u>\$ 95,386,333</u>

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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***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>\$ 935,951</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 bonds.

Deferred charges addition	<u>\$1,348,725</u>
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***Accrued Interest Payable***

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 associated with the bonds.

Accrued interest payable addition	<u>\$ (113,775)</u>
-----------------------------------	---------------------

***Other Postemployment Benefits***

Postemployment benefit asset (other than pensions) is not a financial resource in the current period and therefore is not reported in the funds. All postemployment benefit payments are reported as expenditures in the funds.

	<u>\$ 14,250</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	\$ (2,383,111)
Claims and judgments payable	(4,770,000)
Notes payable	(761,693)
Capital lease payable	(81,974)
Tax allocation bonds payable (net of unamortized premium)	(37,892,429)
Revenue bonds payable (net of unamortized premium)	<u>(2,319,020)</u>
	<u><u>\$ (48,208,227)</u></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>\$3,834,718</u>
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CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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

The “net change in fund balances” increase of \$19,443 for governmental funds differs from the “change in net assets” increase of \$2,605,099 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.

Capital outlay	\$ 5,342,493
Depreciation expense	<u>(4,636,975)</u>
	<u>\$ 705,518</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. Loans and notes issued during the year are reported as expenditures in the governmental funds when paid. Collections of loans and notes are reported as revenues in the governmental funds when received. The annual activity for loans and notes is not reported as revenues and expenses in the statement of activities.

Change in operating expense	<u>\$ (528,830)</u>
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***Interest on Long-term Debt***

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 associated with the bonds.

Change in interest on long-term debt	<u>\$ 65,263</u>
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***Other Postemployment Benefit***

Change in postemployment benefit other than pension on a pay as you go basis.	<u>\$ 14,250</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. Other long-term liabilities such as compensated absences and claims and judgments are not recorded as expenditures in the governmental funds because they are not due and payable at year end. However, such costs are reported as expenses in the statement of activities. Unamortized discounts and premiums are included in the statement of net assets and are amortized in the statement of activities.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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Principal retirement	\$ 2,817,958
Amortization of discounts and premiums	75,683
Deferred charges	(97,555)
Claims and judgments	(423,000)
Compensated absences	12,930
Accreted interest on capital appreciation bonds	<u>(452,892)</u>
	<u>\$ 1,933,124</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 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	<u>\$ 396,331</u>
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**3. 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 fund level. Budget figures used in the required supplementary information budgetary comparison schedules 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 lapse at year end, 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. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. 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.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**B. Excess of Charges over Appropriations**

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations as follows:

	Budget	Actual	Variance
Other governmental funds:			
Law Enforcement Special Revenue Fund	\$ 329,230	\$ 696,670	\$ 367,440
Narcotic Seizure Special Revenue Fund	-	3,285	3,285
Lighting Assessment District Special Revenue Fund	137,770	231,045	93,275
Landscaping Assessment District Special Revenue Fund	144,510	241,521	97,011
Community Facilities District Special Revenue Fund	-	3,846	3,846
Shoppers Lane Parking District Special Revenue Fund	20,030	21,436	1,406
Library Grant Special Revenue Fund	134,270	183,576	49,306
City Donation Special Revenue Fund	-	75,300	75,300
Other Grants Special Revenue Fund	60,260	117,640	57,380
General Projects Capital Projects Fund	315,550	507,040	191,490
Park Development Capital Projects Fund	-	68,466	68,466

**C. Deficit Fund Equity**

The Community Development Block Grant special revenue had a deficit fund balance of \$8,788 as of June 30, 2009. This fund did not get reimbursed for all expenses incurred during the year. The Lighting Assessment District special revenue fund had a deficit fund balance of \$74,202 as of June 30, 2009. This fund incurs more expenses than it collects for services rendered. Community Facilities District (CFD) special revenue fund had a deficit fund balance of \$27,108 as of June 30, 2009. The fund incurred initial costs for the creation of the CFD. Future collection of assessments from the CFD will pay for the initial costs. Shoppers Lane Parking District special revenue fund had a deficit fund balance of \$2,970 as of June 30, 2009. This fund incurs more expenses than it collects for services rendered. Future collection of revenues from assessments, taxes and reimbursements of costs will help fund these deficits.

**4. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 62,142,987
Cash and investments - fiscal agent	<u>1,955,310</u>
Total cash and investments	<u><u>\$ 64,098,297</u></u>
Cash and investments as of June 30, 2009 consist of the following:	
Cash on hand	\$ 9,860
Deposits with financial institutions	5,800,437
Investments	<u>58,288,000</u>
Total cash and investments	<u><u>\$ 64,098,297</u></u>

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**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
Corporate Bonds	2 years	10%	None
Mutual funds (money market funds)	90 days	20%	None
Local Agency Investment Fund (LAIF)	N/A	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 values of an investment. The interest rate risk is monitored by measuring the weighted average maturity of its portfolio. Generally, the longer the maturity of an investment, the greater sensitivity of its fair 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.

<b>Investment type</b>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
LAIF	\$ 19,368,298	0.64
U.S. Agency Securities	11,299,767	0.89
U.S. Treasury Notes	22,960,582	0.97
Money Market Funds	2,412,555	0.25
Corporate Bonds	291,488	1.50
Held at Fiscal Agent-Money Market Funds	1,955,310	1.13
Total	<u>\$ 58,288,000</u>	

**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 as of year end for each investment type:

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

	Minimum Credit Rating	Rating as of June 30, 2009		Total
		AAA	Not Rated	
LAIF	N/A	\$ -	\$ 19,368,298	\$ 19,368,298
U.S. Securities	N/A	11,299,767	-	11,299,767
U.S. Treasury Notes	N/A	22,960,582	-	22,960,582
Money market funds	AAA	-	2,412,555	2,412,555
Corporate Notes	N/A	291,488	-	291,488
Held by bond trustee-money market funds	N/A	-	1,955,310	1,955,310
		<u>\$ 34,551,837</u>	<u>\$ 23,736,163</u>	<u>\$ 58,288,000</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 of the 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 custodial credit risk for investments is the risk that in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another 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, 2009, \$4,641,193 of the City of Covina's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts. As of June 30, 2009, 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:

<b>Investment type</b>	<u>Amount</u>
Federal Agency Securities	\$ 11,299,767
U.S. Treasury Notes	22,960,582

**Investment in State Investment Pool**

The City of Covina 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 our pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on LAIF accounting records, recorded on an amortized basis.

The total amount invested by all public agencies in LAIF as of June 30, 2009 \$25.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009 had a balance of \$50.7 billion. Of that amount, 15% was invested in structured notes and asset-backed securities. The weighted average maturity of PMIA investments was 235 days as of June 30, 2009.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**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, 2009:

Receivable Fund	Payable Fund	Amount
General	Redevelopment Agency	\$ 50,000
	Environmental	2,245
	Non-major governmental funds	291,522
Low-Moderate Income Housing	Tax Allocation	5,447
	Non-major governmental funds	574
Non-major governmental funds	Non-major governmental funds	11,500
Total		<u>\$ 361,288</u>

**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 the fiscal year ended June 30, 2009:

Transfers In Fund	Transfers Out Fund	Amount
Redevelopment Agency	General	\$ 7,491
Non-major governmental funds	General	616,295
Non-major governmental funds	Environmental	45,913
Non-major governmental funds	Non-major governmental funds	433,619
Total		<u>\$ 1,103,318</u>

**C. Advances To/Advances From Other Funds**

Advances to/from other funds are non-current interfund loans 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 advance from the Low-Moderate Income Housing fund to the Tax Allocation fund is payable at \$44,000 per year until paid, at 0% interest. The remaining advances have a 0% interest rate and are repayable within the next year. The following are advances to/from other funds as of June 30, 2009:

Receivable Fund	Payable Fund	Amount
General	Management Information Systems	\$ 107,306
Low-Moderate Income Housing	Tax Allocation	415,458
	Redevelopment Agency	522,460
Redevelopment Agency	General	525,327
Total		<u>\$ 1,570,551</u>

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**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 November 1 and February 1 and became delinquent after 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 (County) 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 unless it has been sold or improvements have been made.. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance (1) July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Governmental activities</b>				
Capital assets, not depreciated:				
Land	\$ 7,875,010	\$ -	\$ -	\$ 7,875,010
Construction in progress	4,651,905	4,844,531	(8,631,559)	864,877
Total capital assets, not depreciated	<u>12,526,915</u>	<u>4,844,531</u>	<u>(8,631,559)</u>	<u>8,739,887</u>
Capital assets, depreciated:				
Buildings and structures	22,597,240	7,427,907	-	30,025,147
Improvements other than buildings	3,836,060	80,105	-	3,916,165
Public domain infrastructure	104,935,411	1,341,486	(482,983)	105,793,914
Sanitary sewer infrastructure	6,334,967	-	-	6,334,967
Machinery and equipment	8,789,896	585,171	(37,770)	9,337,297
Total capital assets, depreciated	<u>146,493,574</u>	<u>9,434,669</u>	<u>(520,753)</u>	<u>155,407,490</u>
Less accumulated depreciation for:				
Buildings and structures	(6,174,652)	(553,413)	-	(6,728,065)
Improvements other than buildings	(2,486,528)	(138,965)	-	(2,625,493)
Public domain infrastructure	(44,312,932)	(3,647,836)	355,780	(47,604,988)
Sanitary sewer infrastructure	(3,339,505)	(93,081)	-	(3,432,586)
Machinery and equipment	(6,609,030)	(700,376)	33,992	(7,275,414)
Total accumulated depreciation	<u>(62,922,647)</u>	<u>(5,133,671)</u>	<u>389,772</u>	<u>(67,666,546)</u>
Total capital assets, depreciated, net	<u>83,570,927</u>	<u>4,300,998</u>	<u>(130,981)</u>	<u>87,740,944</u>
Total capital assets, net	<u>\$ 96,097,842</u>	<u>\$ 9,145,529</u>	<u>\$ (8,762,540)</u>	<u>\$ 96,480,831</u>

(1) The beginning capital assets at July 1, 2008 has been restated to exclude land of \$411,106 as capital assets, as it was also recorded as land held for resale at June 30, 2008. See Note 23 for restatement of beginning net assets.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Business-type activities</b>				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	<u>1,055,278</u>	<u>267,010</u>	<u>(1,137,568)</u>	<u>184,720</u>
Total capital assets, not depreciated	<u>1,432,686</u>	<u>267,010</u>	<u>(1,137,568)</u>	<u>562,128</u>
Capital assets, depreciated:				
Buildings and structures	4,146,188	-	-	4,146,188
Improvements other than buildings	21,500	111,416	-	132,916
Water system infrastructure	12,967,510	1,026,135	(49,688)	13,943,957
Machinery and equipment	<u>1,397,629</u>	<u>-</u>	<u>-</u>	<u>1,397,629</u>
Total capital assets, depreciated	<u>18,532,827</u>	<u>1,137,551</u>	<u>(49,688)</u>	<u>19,620,690</u>
Less accumulated depreciation for:				
Buildings and structures	(1,549,797)	(77,640)	-	(1,627,437)
Improvements other than buildings	(21,500)	(2,785)	-	(24,285)
Water system infrastructure	(4,700,550)	(259,255)	49,688	(4,910,117)
Machinery and equipment	<u>(820,137)</u>	<u>(112,565)</u>	<u>-</u>	<u>(932,702)</u>
Total accumulated depreciation	<u>(7,091,984)</u>	<u>(452,245)</u>	<u>49,688</u>	<u>(7,494,541)</u>
Total capital assets, depreciated, net	<u>11,440,843</u>	<u>685,306</u>	<u>-</u>	<u>12,126,149</u>
Total capital assets, net	<u>\$ 12,873,529</u>	<u>\$ 952,316</u>	<u>\$ (1,137,568)</u>	<u>\$ 12,688,277</u>

Depreciation expense was charged to the following activities:

Governmental activities:	
General government	\$ 124,647
Public safety	213,258
Public works	3,681,441
Culture and recreation	210,112
Transit	226,339
Redevelopment and housing	181,178
Internal service funds charged to various functions	<u>496,696</u>
Total governmental activities	<u>\$5,133,671</u>
Business-type activities:	
Water utility	\$443,133
Environmental protection	<u>9,112</u>
Total business-type activities	<u>\$452,245</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.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**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 8.318% for non-safety employees and 7.526% 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, 2008 actuarial valuation is as follows:

<b>Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Liability % of Payroll</b>
<u>Miscellaneous Plan</u>					
\$ 52,329,680	\$ 50,963,765	\$ 1,365,915	97.4%	\$ 7,677,625	17.8%

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 2008-2009, the City's annual pension cost of \$1,123,882 for miscellaneous and \$833,317 for safety for PERS was equal to the City's required and actual contributions. The principal assumptions and methods used to determine the annual required contribution, which was based on the June 30, 2006 valuation, and the funded status, which was based on the June 30, 2008 valuation, were the same. The assumptions are as follows.

Actuarial cost method	Entry age normal 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%.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 1,059	100%	\$ -
6/30/2008	1,102	100%	-
6/30/2009	1,124	100%	-

**Safety Plan**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 729	100%	\$ -
6/30/2008	833	100%	-
6/30/2009	833	100%	-

**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, 2009, there were 69 plan participants and employer contributions of \$35,805 for the year.

**9. COMPENSATED ABSENCES**

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2009 was \$2,383,111. The short-term portion of \$348,890 and long-term portion of \$2,034,220 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 \$90,080, of which \$11,950 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 \$135,920, of which \$14,200 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 2008 to fiscal year 2009. Claims have not exceeded insurance coverage over the last three years.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**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, 2009, total actual and estimated claims and judgments payable were as follows:

	Amount
General liability	\$ 1,596,000
Workers' compensation	3,174,000
Total	\$ 4,770,000

The current portion of \$657,399 and long-term portion of \$4,112,601 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 2009 and 2008:

	Fiscal Year Ended June 30	
	2009	2008
Claims and judgments, beginning of fiscal year	\$ 4,347,000	\$ 4,292,000
Claims incurred (including IBNRs)	981,431	1,061,895
Claims paid	(558,431)	(1,006,895)
Claims and Judgments, End of Fiscal Year	\$ 4,770,000	\$ 4,347,000

**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, 2009 are as follows:

Year Ending June 30,	Amount
2010	\$ 85,866
Total minimum lease payments	85,866
Less amount representing interest	(3,892)
Present value of minimum lease payment	\$ 81,974

The value of the assets acquired by the capital lease was \$585,541, net of accumulated depreciation of \$243,702.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

**12. LONG-TERM LIABILITIES**

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
<b>Governmental activities</b>					
Compensated absences (see note 9)	\$ 2,496,580	\$ 347,840	\$ (371,229)	\$ 2,473,191	\$ 360,840
Claims and judgments (see note 10)	4,347,000	981,431	(558,431)	4,770,000	657,399
Notes payable	951,988	-	(190,295)	761,693	103,578
Capital lease payable (see note 11)	194,637	-	(112,663)	81,974	81,974
Tax allocation bonds payable	39,001,900	452,892	(2,145,000)	37,309,792	2,225,000
Unamortized premium on tax allocation bonds	621,516	-	(38,879)	582,637	-
Revenue bonds payable	2,505,000	-	(370,000)	2,135,000	385,000
Unamortized premium on revenue bonds	220,824	-	(36,804)	184,020	-
Total long-term liabilities, net	<u>\$ 50,339,445</u>	<u>\$ 1,782,163</u>	<u>\$ (3,823,301)</u>	<u>\$ 48,298,307</u>	<u>\$ 3,813,791</u>
	Balance			Balance	Current
	June 30, 2008	Additions	Deletions	June 30, 2009	Portion
<b>Business-type activities</b>					
Compensated absences (see note 9)	\$ 144,690	\$ 21,733	\$ (30,503)	\$ 135,920	\$ 14,200
Certificates of participation payable	1,805,000	-	(165,000)	1,640,000	170,000
Unamortized discount on certificates of participation	(38,389)	-	5,337	(33,052)	-
Total long-term liabilities, net	<u>\$ 1,911,301</u>	<u>\$ 21,733</u>	<u>\$ (190,166)</u>	<u>\$ 1,742,868</u>	<u>\$ 184,200</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**

On April 28, 1998, the Covina Redevelopment Agency purchased the Chick's East property for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052 with PFF Bank and Trust. The Agency then 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 accrues at a variable rate which was 6.82% per annum at June 30, 2009. Monthly payments were \$13,143 at June 30, 2009.

\$ 761,693

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	147,173	25,100	172,273
2015-2018	<u>138,176</u>	<u>6,936</u>	<u>145,112</u>
	<u>\$ 761,693</u>	<u>\$ 235,583</u>	<u>\$ 997,276</u>

***Tax Allocation Bonds Payable***

*Tax Allocation Revenue Bonds of 1997, Series A*

On July 30, 1997, the 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 until 2022.

\$ 1,400,000

*Tax Allocation Revenue Bonds of 1997, Series B*

On November 1, 1997, the Authority issued \$6,350,000 Tax Allocation Revenue Bonds of 1997, Series B. Interest is payable 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.

3,795,000

*Tax Allocation Revenue Bonds of 2002, Series A*

On February 1, 2002, the 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, 2009 balance is \$2,592,530 of the accreted interest on the capital appreciation bonds.

10,994,792

*Tax Allocation Revenue Bonds of 2004 Series A*

On November 1, 2004, the 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.

14,835,000

*Tax Allocation Revenue Bonds of 2004, Series B*

On November 1, 2004, the 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 will begin December 1, 2005, and they are due on December 1 each year until 2009.

6,285,000

Total tax allocation bonds payable

\$37,309,792

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

The annual requirements to amortize the tax allocation bonds payable (excluding accreted interest of \$2,592,530) included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2010	\$ 2,225,000	\$ 1,321,258	\$ 3,546,258
2011	2,320,000	1,224,660	3,544,660
2012	2,425,000	1,121,015	3,546,015
2013	2,535,000	1,006,965	3,541,965
2014	2,660,000	888,118	3,548,118
2015-2019	15,220,000	2,451,375	17,671,375
2020-2024	7,332,262	10,428,410	17,760,672
	<u>\$ 34,717,262</u>	<u>\$ 18,441,801</u>	<u>\$ 53,159,063</u>

*Pledged Revenues – Tax Increment*

The Agency has pledged a portion of future property tax increment revenues to repay \$37,309,792 of all the tax allocation bonds issued between July 1997 and November 2004. The bonds were issued to finance construction and acquisition of capital improvements in the Agency’s redevelopment project areas. The bonds are payable solely from the incremental property taxes generated by increased property values in the project areas excluding the 20% set aside for low and moderate income housing. Although the incremental property taxes were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, certain conditions could have a material, adverse impact on revenues allocated to the Agency. These include future decreases in the assessed valuation of the project areas, decreases in the applicable tax rates or collection rates, general decline in the economic condition of the project areas, or a change in the law reducing the tax increment received by the Agency. Total principal and interest remaining on the various bonds is \$55,751,593 payable through December 2023. For the current year, principal and interest paid and total incremental property tax revenues were \$3,223,626 and \$5,953,809, respectively.

**Revenue Bonds Payable, Transportation Fund**

In October 2004, the City 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.

\$ 2,135,000

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

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

Years Ending June 30,	Principal	Interest	Total
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>\$ 2,135,000</u>	<u>\$ 335,500</u>	<u>\$ 2,470,500</u>

**Certificates of Participation Payable, Water Enterprise Fund**

In October 1999, the Authority issued \$2,925,000 of refunding certificates of participation (certificates) to refund the 1991 water 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.

\$ 1,640,000

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
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	205,000	42,924	247,924
2015-2017	695,000	57,896	752,896
	<u>\$ 1,640,000</u>	<u>\$ 371,523</u>	<u>\$ 2,011,523</u>

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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**13. NOTES RECEIVABLE**

The Agency has sold parcels of land in exchange for notes receivable to various companies and developers for the purpose of developing businesses in the City. In connection with these sales, the Agency has received from the purchasers non-interest bearing notes which are long-term and have been recorded as notes receivable in the capital projects funds, with an offset of deferred revenue of \$99,473 and reservation of fund balance of \$428,188.

\$ 527,661

**14. LOANS RECEIVABLE**

The City's Community Development Block Grant program and the 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 and these amounts have been recorded as loans receivable and deferred revenue in the Low-Moderate Income Housing special revenue redevelopment and capital projects funds.

\$ 836,478

**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, 2009</u>
Fund Balance Designations:	
General liability claims	\$2,030,000
Workers' compensation claims	3,473,000
Emergency contingency	5,894,117
Undesignated	<u>5,782,814</u>
Total General Fund	<u>17,179,931</u>
Low-Moderate Income Housing Fund-special revenue purposes	<u>6,360,350</u>
Redevelopment Agency-capital improvements	<u>13,269,909</u>
Non-major governmental funds:	
Special revenue purposes	3,686,762
Capital improvements	<u>1,698,441</u>
Total non-major governmental funds	<u>5,385,203</u>
Total unreserved fund balances	<u>\$42,195,393</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.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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**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, 2009</u>
1994 Refunding Mortgage Revenue Bonds (Shadow Hills)	\$13,980,000	\$10,893,715

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

**18. INVESTMENT IN 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, 2009 is as follows:

Operating revenues	\$ 3,770,774
Operating expenses	<u>3,322,478</u>
Operating gain	<u>\$ 448,296</u>
Net gain	<u>\$ 521,049</u>
Total assets	<u>\$10,930,774</u>
Total liabilities	<u>\$ 2,326,047</u>
Total fund equity	<u>\$ 8,604,727</u>
Total liabilities and fund equity	<u>\$10,930,774</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. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

During fiscal year 2008-2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*.

***Plan Description:***

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

***Eligibility:***

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 184 eligible active employees and 140 enrolled eligible retirees at June 30, 2009. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

***Funding Policy:***

The contribution requirements of plan members and the City are established and may be amended by the City and City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2009, the City contributed \$376,939 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's OPEB obligation as of June 30, 2009, the most recent actuarial valuation, was \$5,014,195. The Annual Required Contribution (ARC) as of June 30, 2009, was \$362,689. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset:

	June 30, 2009
Annual required contribution	\$ 362,689
Contributions made	(376,939)
Decrease in net OPEB obligation	(14,250)
Net OPEB Obligation (asset), Beginning of Year	-
Net OPEB asset, End of Year	\$ (14,250)

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)
6/30/09	\$ 362,689	103.93%	\$ (14,250)

***Funding Status and Progress:***

As of June 30, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$5,014,195, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,014,195 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, currently presents only one year of information because fiscal year 2008-2009 was the initial implementation year. Future reporting periods will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

***Actuarial Methods and Assumptions:***

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

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions per the 2009 valuation, which was used for the current year ARC and funded status, included a 3.75 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 3 percent annually. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years, on a closed amortization period. It is assumed the City's payroll will increase 2.5% per year.

CITY OF COVINA, CALIFORNIA  
Notes to the Financial Statements (Continued)  
June 30, 2009

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**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>2,099,172</u>
Total designated net assets	<u>\$2,143,753</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 1983 Issue of \$7,000,000 bond issue is considered defeased. The outstanding balance of this bond issue at June 30, 2009 is \$1,130,000.

**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, 2009 was \$1,570,000.

**22. REBATABLE ARBITRAGE**

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

**23. RESTATEMENT OF NET ASSETS**

The beginning net assets as of June 30, 2008 has been restated to remove land incorrectly included in capital asset class. The land was appropriately recorded as land held for resale at June 30, 2008. The adjustment is shown in the following table:

	Government-wide Net Assets
Balance June 30, 2008, as originally reported	\$ 128,439,810
Restatement	<u>(411,106)</u>
Balance June 30, 2008, as restated	<u>\$ 128,028,704</u>

**24. SUBSEQUENT EVENTS**

**A. SERAF**

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency’s share of this revenue shift is approximately \$2,540,091 in fiscal year 2009-2010 and \$522,454 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency intends to borrow from the Housing Funds.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year’s successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year’s lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

**B. Revenue Bonds**

The City issued Wastewater Revenue Bonds Series 2009 in the amount of \$15,750,000 on July 30, 2009. Bond proceeds will finance improvements to the wastewater collection and distribution system. Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 2.5% to 5.375%. Payment of principal will begin on October 1, 2011, and they are due on April 1 and December 1 each year until 2029.

**C. Capital Lease**

The City entered into a capital lease with Government Capital Corporation on July 1, 2009 for telephone equipment. Lease payments will begin on July 1, 2009 at the amount of \$9,395 each month, for a total cost of \$500,636.

CITY OF COVINA, CALIFORNIA  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 20,498,756	\$ 20,498,756	\$ 20,498,756	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,727,620	5,051,470	4,741,760	(309,710)
Unsecured personal	150,000	150,000	314,612	164,612
Prior year secured and unsecured	10,000	10,000	8,617	(1,383)
Supplemental roll	400,000	400,000	203,520	(196,480)
Property tax in-lieu motor vehicle license	3,300,000	3,300,000	3,769,834	469,834
Interest and penalties	25,000	25,000	37,698	12,698
Pass through	-	52,999	51,867	(1,132)
Sales taxes	8,322,000	7,659,000	7,306,177	(352,823)
Transient occupancy taxes	450,000	370,000	340,175	(29,825)
Property transfer taxes	225,000	144,000	113,113	(30,887)
Business license taxes	330,700	330,700	330,530	(170)
Business registration penalties	15,000	15,000	17,534	2,534
Utility users taxes	5,532,040	5,532,040	5,274,912	(257,128)
Franchise taxes:				
Cable TV	185,000	185,000	152,876	(32,124)
Gas utility	150,000	150,000	187,505	37,505
Principal retirement				
Electric utility	210,000	210,000	232,527	22,527
Refuse service	313,000	341,340	356,133	14,793
Towing	210,000	210,000	359,988	149,988
Other	15,500	15,500	25,331	9,831
Licenses and permits	481,400	481,400	210,009	(271,391)
Intergovernmental:				
State:				
Homeowner exemption	43,000	43,000	43,275	275
Mandated cost reimbursement	42,160	42,160	(140,627)	(182,787)
Public safety augmentation	369,000	369,000	328,139	(40,861)
POST subvention	45,720	45,720	62,097	16,377
Motor vehicle in-lieu tax	275,000	275,000	168,956	(106,044)
Library services grant	2,000	2,000	1,003	(997)
Library foundation grant	18,000	18,000	16,872	(1,128)
County:				
Prop A discretionary	-	-	4,779	4,779
Other	45,000	45,000	30,000	(15,000)
School district	121,500	121,500	206,948	85,448
Other government units	-	-	5,000	5,000
Other grants	-	-	38,766	38,766
Charges for services:				
General government	-	556,250	528,642	(27,608)
Public safety	-	101,370	94,956	(6,414)
Public works	-	120,000	75,731	(44,269)
Culture and recreation	-	693,480	670,775	(22,705)
Community development	-	236,170	305,459	69,289
Fines and forfeits	660,000	464,368	608,152	143,784
Investment earnings	458,440	509,010	609,807	100,797
Miscellaneous	83,980	86,980	76,233	(10,747)
Amounts available for appropriation	<u>47,714,816</u>	<u>48,861,213</u>	<u>48,268,437</u>	<u>(592,776)</u>

(Continued)

CITY OF COVINA, CALIFORNIA  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Charges to appropriations (outflows):</b>				
<b>General government:</b>				
City council	\$ 43,700	\$ 109,485	\$ 107,311	\$ 2,174
City clerk	3,440	3,440	3,231	209
City treasurer	3,780	3,780	3,523	257
City manager	607,010	592,010	754,872	(162,862)
City attorney	221,190	221,190	271,655	(50,465)
Finance	1,432,320	1,432,320	1,377,655	54,665
Elections	66,170	66,170	56,900	9,270
Records management	228,960	228,960	235,046	(6,086)
Human resources	537,390	537,390	492,223	45,167
Employee development	15,500	15,500	5,353	10,147
Workers compensation	683,800	683,800	587,636	96,164
Public liability	659,000	659,000	467,598	191,402
General insurance	755,000	755,000	401,036	353,964
Duplicating services	126,820	126,820	125,304	1,516
Public information	246,310	246,310	232,627	13,683
Civic center	238,990	238,990	230,342	8,648
Intergovernmental	19,900	19,900	31,522	(11,622)
Community outreach	14,820	14,820	11,267	3,553
Indirect cost allocation	(1,869,920)	(1,869,920)	(1,869,920)	-
Total general government	<u>4,034,180</u>	<u>4,084,965</u>	<u>3,525,181</u>	<u>559,784</u>
<b>Public safety:</b>				
Police administration	1,038,080	1,038,080	1,042,410	(4,330)
Crime prevention	450,010	450,010	415,370	34,640
Police investigation	2,038,060	2,038,060	1,973,244	64,816
Police patrol	6,370,270	6,370,270	6,157,007	213,263
Police records	474,290	474,290	447,542	26,748
Police jail	469,620	469,620	399,667	69,953
Traffic safety	345,000	345,000	340,716	4,284
Parking control	270,280	270,280	207,143	63,137
Communication services	1,233,953	1,233,953	1,124,041	109,912
Police training	412,520	412,520	268,756	143,764
Police computer services	371,970	371,970	370,564	1,406
Fire suppression	7,805,840	7,805,840	7,772,169	33,671
Disaster preparedness	84,060	84,060	44,014	40,046
Animal control	173,060	173,060	63,180	109,880
Indirect cost allocation	(45,020)	(45,020)	(45,020)	-
Total public safety	<u>21,491,993</u>	<u>21,491,993</u>	<u>20,580,803</u>	<u>911,190</u>
<b>Public works:</b>				
Public works administration	223,720	223,720	237,209	(13,489)
Engineering	464,670	464,670	429,300	35,370
Streets	50,690	50,690	634,759	(584,069)
Street lighting	147,070	147,070	179,011	(31,941)
Traffic control	495,720	495,720	375,219	120,501
Yard center	271,355	259,255	153,515	105,740
Indirect cost allocation	(443,810)	(443,810)	(443,810)	-
Total public works	<u>1,209,415</u>	<u>1,197,315</u>	<u>1,565,203</u>	<u>(367,888)</u>

(Continued)

CITY OF COVINA, CALIFORNIA  
Required Supplementary Information  
Budgetary Comparison Statement  
General Fund  
For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Culture and recreation:</b>				
Parks-recreation administration	\$ 369,500	\$ 369,500	\$ 400,975	\$ (31,475)
Community relations	109,130	109,130	127,469	(18,339)
Recreation services	438,430	438,430	494,463	(56,033)
Community programs	54,820	54,820	45,150	9,670
Park facilities	608,860	608,860	635,912	(27,052)
Senior services	315,226	315,226	253,211	62,015
Community events	99,300	99,300	73,294	26,006
Aquatics	(470)	(470)	4,085	(4,555)
Cultural arts	279,760	279,760	255,544	24,216
Library services	2,500	2,500	1,578	922
Indirect cost allocation	<u>1,444,630</u>	<u>1,449,363</u>	<u>1,367,883</u>	<u>81,480</u>
Total culture and recreation	<u>3,721,686</u>	<u>3,726,419</u>	<u>3,659,564</u>	<u>66,855</u>
<b>Community development:</b>				
Development administration	326,220	326,220	353,229	(27,009)
Planning	355,520	355,520	333,195	22,325
Building inspection	332,640	332,640	429,521	(96,881)
Code enforcement	120,560	120,560	93,112	27,448
Indirect cost allocation	<u>(522,760)</u>	<u>(522,760)</u>	<u>(522,760)</u>	<u>-</u>
Total community development	<u>612,180</u>	<u>612,180</u>	<u>686,297</u>	<u>(74,117)</u>
<b>Debt service:</b>				
Principal retirement	137,440	137,440	112,663	24,777
Interest	<u>40,750</u>	<u>40,750</u>	<u>24,610</u>	<u>16,140</u>
Total debt service	<u>178,190</u>	<u>178,190</u>	<u>137,273</u>	<u>40,917</u>
<b>Transfers out:</b>				
Community Development Block Grant Fund	-	49,912	101,922	(52,010)
Law Enforcement Fund	-	117,700	113,228	4,472
Transit Fund	-	-	6,272	(6,272)
Lighting Assessment District Fund	-	-	138,628	(138,628)
Shoppers Lane Parking District Fund	-	-	38,048	(38,048)
Library Grant Fund	-	-	139,656	(139,656)
Other Grants Fund	-	77,966	78,541	(575)
Redevelopment Agency Fund	-	-	7,491	(7,491)
Total transfers out	<u>-</u>	<u>245,578</u>	<u>623,786</u>	<u>(378,208)</u>
Total charges to appropriations	<u>31,247,644</u>	<u>31,536,640</u>	<u>30,778,107</u>	<u>758,533</u>
Budgetary fund balance, June 30	<u>\$ 16,467,172</u>	<u>\$ 17,324,573</u>	<u>\$ 17,490,330</u>	<u>\$ 165,757</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, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 12,504,212	\$ 12,504,212	\$ 12,504,212	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	1,275,000	1,275,000	1,637,148	362,148
Unsecured personal	180,000	180,000	116,484	(63,516)
Prior year secured and unsecured	97,000	97,000	4,009	(92,991)
Supplemental roll	11,500	11,500	54,903	43,403
Intergovernmental:				
State-homeowner exemption	-	-	3,251	3,251
Investment earnings	398,330	398,330	378,661	(19,669)
Miscellaneous	208,190	208,190	681,793	473,603
Amounts available for appropriation	<u>14,674,232</u>	<u>14,674,232</u>	<u>15,380,461</u>	<u>706,229</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Housing	2,612,500	6,233,090	651,798	5,581,292
Neighborhood preservation	<u>211,570</u>	<u>211,570</u>	<u>200,719</u>	<u>10,851</u>
Total redevelopment and housing	<u>2,824,070</u>	<u>6,444,660</u>	<u>852,517</u>	<u>5,592,143</u>
Debt service:				
Principal retirement	185,000	185,000	185,000	-
Interest and fiscal charges	<u>221,910</u>	<u>221,910</u>	<u>211,284</u>	<u>10,626</u>
Total debt service	<u>406,910</u>	<u>406,910</u>	<u>396,284</u>	<u>10,626</u>
Nondepartmental-contingency	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Total charges to appropriations	<u>3,055,980</u>	<u>6,676,570</u>	<u>1,248,801</u>	<u>5,612,769</u>
Budgetary fund balance, June 30	<u>\$ 11,618,252</u>	<u>\$ 7,997,662</u>	<u>\$ 14,131,660</u>	<u>\$ 6,318,998</u>

*See accompanying note to the required supplementary information.*

CITY OF COVINA, CALIFORNIA  
 Note to Required Supplementary Information  
 June 30, 2009

**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 fund level. 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. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. 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, 2009, expenditures exceeded appropriations as follows:

	Budget	Actual	Variance
Other governmental funds:			
Law Enforcement Special Revenue Fund	\$ 329,230	\$ 696,670	\$ 367,440
Narcotic Seizure Special Revenue Fund	-	3,285	3,285
Lighting Assessment District Special Revenue Fund	137,770	231,045	93,275
Landscaping Assessment District Special Revenue Fund	144,510	241,521	97,011
Community facilities District Special Revenue Fund	-	3,846	3,846
Shoppers Lane Parking District Special Revenue Fund	20,030	21,436	1,406
Library Grant Special Revenue Fund	134,270	183,576	49,306
City Donation Special Revenue Fund	-	75,300	75,300
Other Grant Special Revenue Fund	60,260	117,640	57,380
General Projects Capital Projects Fund	315,550	507,040	191,490
Park Development Capital Projects Fund	-	68,466	68,466

CITY OF COVINA, CALIFORNIA  
 Required Supplementary Information  
 June 30, 2009

**1. California Public Employees' Retirement System (PERS):**

**Schedule of Funding Progress**  
\$ 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)}
06/30/06 Miscellaneous	\$ 46,238	\$ 45,513	\$ 725	98.4%	\$ 6,682	10.9%
06/30/07 Miscellaneous	\$ 49,154	\$ 48,435	\$ 719	98.5%	\$ 7,329	9.8%
06/30/08 Miscellaneous	\$ 52,330	\$ 50,964	\$ 1,366	97.4%	\$ 7,678	17.8%

**2. Other Postemployment Benefit (OPEB):**

**Schedule of Funding Progress**

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)}
6/30/2009	\$ 5,014,195	-	\$ 5,014,195	0.00%	\$ 7,677,625	65.31%

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Tax Allocation Debt Service Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ 4,243,226	\$ 4,243,226	\$ 4,243,226	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,868,000	4,868,000	6,548,591	1,680,591
Unsecured personal	706,000	706,000	465,936	(240,064)
Prior year secured and unsecured	297,000	297,000	16,038	(280,962)
Supplemental roll	85,000	85,000	219,612	134,612
Intergovernmental:				
State-homeowner exemption	25,000	25,000	13,003	(11,997)
County Pass-through	-	-	(1,296,367)	(1,296,367)
Investment earnings	8,800	8,800	167,719	158,919
Other	-	-	-	-
Amounts available for appropriation	<u>10,233,026</u>	<u>10,233,026</u>	<u>10,377,758</u>	<u>144,732</u>
Charges to appropriations (outflows):				
Administration	<u>62,700</u>	<u>62,700</u>	<u>62,700</u>	<u>-</u>
Debt service:				
Principal retirement	4,005,730	4,005,730	2,150,295	1,855,435
Interest and fiscal charges	<u>1,554,900</u>	<u>1,554,900</u>	<u>1,579,888</u>	<u>(24,988)</u>
Total debt service	<u>5,560,630</u>	<u>5,560,630</u>	<u>3,730,183</u>	<u>1,830,447</u>
Total charges to appropriations	<u>5,623,330</u>	<u>5,623,330</u>	<u>3,792,883</u>	<u>1,830,447</u>
Budgetary fund balance, June 30	<u>\$ 4,609,696</u>	<u>\$ 4,609,696</u>	<u>\$ 6,584,875</u>	<u>\$ 1,975,179</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Redevelopment Agency Capital Projects Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ 34,530,478	\$ 34,530,478	\$ 34,530,478	\$ -
Resources (inflows):				
Charges for services-redevelopment and housing	851,110	851,110	929,031	77,921
Investment earnings	550,410	550,410	639,377	88,967
Miscellaneous	1,873,000	1,873,000	144,125	(1,728,875)
Transfers in-Tax Allocation Fund	388,480	388,480	7,491	(380,989)
Sale of capital assets	<u>40,910</u>	<u>40,910</u>	<u>-</u>	<u>(40,910)</u>
Amounts available for appropriation	<u>38,234,388</u>	<u>38,234,388</u>	<u>36,250,502</u>	<u>(1,983,886)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Redevelopment-housing administration	1,263,990	1,263,990	962,595	301,395
Marketing	455,360	455,360	371,497	83,863
Redevelopment	<u>10,334,970</u>	<u>10,334,970</u>	<u>3,087,200</u>	<u>7,247,770</u>
Total redevelopment and housing	12,054,320	12,054,320	4,421,292	7,633,028
Nondepartmental-contingency	92,570	92,570	-	92,570
Loss on sale	<u>1,183,000</u>	<u>1,183,000</u>	<u>-</u>	<u>1,183,000</u>
Total charges to appropriations	<u>13,329,890</u>	<u>13,329,890</u>	<u>4,421,292</u>	<u>8,908,598</u>
Budgetary fund balance, June 30	<u>\$ 24,904,498</u>	<u>\$ 24,904,498</u>	<u>\$ 31,829,210</u>	<u>\$ 6,924,712</u>

## Non-Major Governmental Funds

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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.

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

**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.

**Other Grants Fund** accounts for the various state grant monies for various programs of the City.

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.

CITY OF COVINA, CALIFORNIA  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2009

	Special Revenue Funds						Municipal Parking District
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	
<b>Assets</b>							
Cash and investments	\$ -	\$ 266,801	\$ 219,253	\$ 586,807	\$ 1,750,581	\$ 189,444	\$ 261,592
Cash and investments - fiscal agent	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Property taxes	-	2,670	-	-	-	-	1,068
Accounts	-	17,929	-	-	1,102	-	1,154
Special assessments	-	-	-	-	-	-	-
Loans	730,257	-	-	-	-	-	-
Due from other governments	142,579	47,341	-	65,108	-	15,491	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 872,836</u>	<u>\$ 334,741</u>	<u>\$ 219,253</u>	<u>\$ 651,915</u>	<u>\$ 1,751,683</u>	<u>\$ 204,935</u>	<u>\$ 263,814</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable	\$ 28,245	\$ 34,642	\$ 2,485	\$ -	\$ 35,468	\$ -	\$ 2,157
Deposits payable	-	-	-	-	-	-	-
Accrued liabilities	1,560	3,898	-	-	2,975	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	730,257	-	-	-	-	-	-
Due to other funds	121,562	45	-	-	-	-	-
Total liabilities	<u>881,624</u>	<u>38,585</u>	<u>2,485</u>	<u>-</u>	<u>38,443</u>	<u>-</u>	<u>2,157</u>
Fund balances:							
Reserved for prepaid items	-	-	-	-	-	-	-
Reserved for restricted revenue	-	-	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved	(8,788)	296,156	216,768	651,915	1,713,240	204,935	261,657
Total fund balances (deficits)	<u>(8,788)</u>	<u>296,156</u>	<u>216,768</u>	<u>651,915</u>	<u>1,713,240</u>	<u>204,935</u>	<u>261,657</u>
Total liabilities and fund balances	<u>\$ 872,836</u>	<u>\$ 334,741</u>	<u>\$ 219,253</u>	<u>\$ 651,915</u>	<u>\$ 1,751,683</u>	<u>\$ 204,935</u>	<u>\$ 263,814</u>

Special Revenue Funds								
Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	City Donation	Other Grants	Total
\$ -	\$ 22,419	\$ 424,343	\$ -	\$ 57	\$ -	\$ 361,204	\$ 168,453	\$ 4,250,954
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,738
-	-	-	-	-	10,142	-	6	30,333
4,505	4,348	13,183	-	-	-	-	-	22,036
-	-	-	-	-	-	-	-	730,257
-	-	-	-	-	11,065	-	-	281,584
-	-	-	-	-	11,500	-	-	11,500
-	-	-	-	-	70	-	-	70
<u>\$ 4,505</u>	<u>\$ 26,767</u>	<u>\$ 437,526</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 32,777</u>	<u>\$ 361,204</u>	<u>\$ 168,459</u>	<u>\$ 5,330,472</u>
\$ 18,522	\$ 2,002	\$ 26	\$ 500	\$ -	\$ 41	\$ 17,466	\$ 4,200	\$ 145,754
-	-	-	-	-	-	500	-	500
-	-	-	-	-	635	510	-	9,578
-	-	-	-	-	-	-	348	348
-	-	-	-	-	-	-	-	730,257
60,185	-	-	26,608	3,027	14,669	26,439	29,055	281,590
<u>78,707</u>	<u>2,002</u>	<u>26</u>	<u>27,108</u>	<u>3,027</u>	<u>15,345</u>	<u>44,915</u>	<u>33,603</u>	<u>1,168,027</u>
-	-	-	-	-	70	-	-	70
-	-	-	-	-	-	316,289	-	316,289
-	-	159,324	-	-	-	-	-	159,324
(74,202)	24,765	278,176	(27,108)	(2,970)	17,362	-	134,856	3,686,762
(74,202)	24,765	437,500	(27,108)	(2,970)	17,432	316,289	134,856	4,162,445
<u>\$ 4,505</u>	<u>\$ 26,767</u>	<u>\$ 437,526</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 32,777</u>	<u>\$ 361,204</u>	<u>\$ 168,459</u>	<u>\$ 5,330,472</u>

(Continued)

CITY OF COVINA, CALIFORNIA  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2009

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
<b>Assets</b>					
Cash and investments	\$ 237,650	\$ 169,505	\$ 1,631,887	\$ 2,039,042	\$ 6,289,996
Cash and investments - fiscal agent	-	-	272,356	272,356	272,356
Receivables (net of allowances for uncollectibles):					
Property taxes	-	-	-	-	3,738
Accounts	18	-	-	18	30,351
Special assessments	-	-	-	-	22,036
Loans	-	-	-	-	730,257
Due from other governments	35,362	52,195	879,988	967,545	1,249,129
Due from other funds	-	-	-	-	11,500
Prepaid items	-	-	-	-	70
Total assets	\$ 273,030	\$ 221,700	\$ 2,784,231	\$ 3,278,961	\$ 8,609,433
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 19,647	\$ -	\$ -	\$ 19,647	\$ 165,401
Deposits payable	-	-	-	-	500
Accrued liabilities	-	-	-	-	9,578
Due to other governments	-	-	-	-	348
Deferred Revenue	-	-	-	-	730,257
Due to other funds	22,006	-	-	22,006	303,596
Total liabilities	41,653	-	-	41,653	1,209,680
Fund balances:					
Reserved for prepaid items	-	-	-	-	70
Reserved for restricted revenue	-	-	-	-	316,289
Reserved for encumbrances	-	-	1,538,867	1,538,867	1,698,191
Unreserved	231,377	221,700	1,245,364	1,698,441	5,385,203
Total fund balances	231,377	221,700	2,784,231	3,237,308	7,399,753
Total liabilities and fund balances	\$ 273,030	\$ 221,700	\$ 2,784,231	\$ 3,278,961	\$ 8,609,433

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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, 2009

	Special Revenue Funds						Municipal Parking District
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,434
Business license taxes	-	-	-	-	-	-	-
Intergovernmental	544,780	218,789	25,517	787,394	717,172	57,680	11
Charges for services	-	41,150	-	-	228,203	-	63,926
Special assessments	-	265,978	-	-	-	-	-
Investment earnings	11	6,291	5,618	12,784	53,904	4,523	8,938
Miscellaneous	18,928	133,237	-	-	39	-	-
Total revenues	<u>563,719</u>	<u>665,445</u>	<u>31,135</u>	<u>800,178</u>	<u>999,318</u>	<u>62,203</u>	<u>99,309</u>
Expenditures:							
Current:							
Public safety	-	661,446	3,285	-	-	-	-
Public works	-	-	-	705,092	-	25,500	115,686
Culture and recreation	-	-	-	-	-	-	-
Transit	-	-	-	-	804,878	-	-
Redevelopment and housing	583,010	-	-	-	-	-	-
Capital outlay	-	35,224	-	98,614	-	-	22,294
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>583,010</u>	<u>696,670</u>	<u>3,285</u>	<u>803,706</u>	<u>804,878</u>	<u>25,500</u>	<u>137,980</u>
Excess (deficiency) of revenues over expenditures	<u>(19,291)</u>	<u>(31,225)</u>	<u>27,850</u>	<u>(3,528)</u>	<u>194,440</u>	<u>36,703</u>	<u>(38,671)</u>
Other financing sources (uses):							
Transfers in	101,922	113,228	-	-	6,272	1,640	-
Transfers out	-	-	-	-	(29,268)	-	-
Total other financing sources (uses)	<u>101,922</u>	<u>113,228</u>	<u>-</u>	<u>-</u>	<u>(22,996)</u>	<u>1,640</u>	<u>-</u>
Net change in fund balances	<u>82,631</u>	<u>82,003</u>	<u>27,850</u>	<u>(3,528)</u>	<u>171,444</u>	<u>38,343</u>	<u>(38,671)</u>
Fund balances at beginning of year (deficits)	(91,419)	214,153	188,918	655,443	1,541,796	166,592	300,328
Fund balances at end of year (deficits)	<u>\$ (8,788)</u>	<u>\$ 296,156</u>	<u>\$ 216,768</u>	<u>\$ 651,915</u>	<u>\$ 1,713,240</u>	<u>\$ 204,935</u>	<u>\$ 261,657</u>

Special Revenue Funds								
Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	City Donation	Other Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,434
-	-	-	-	1,045	-	-	-	1,045
-	-	-	-	-	36,492	-	24,558	2,412,393
-	-	1,155	-	-	-	-	2,326	336,760
122,021	111,433	531,538	-	-	-	-	102,667	1,133,637
-	3,799	3,990	-	-	294	11,799	3,067	115,018
-	-	-	-	-	15,387	19,183	2,318	189,092
<u>122,021</u>	<u>115,232</u>	<u>536,683</u>	<u>-</u>	<u>1,045</u>	<u>52,173</u>	<u>30,982</u>	<u>134,936</u>	<u>4,214,379</u>
-	-	-	-	-	-	9,810	-	674,541
231,045	140,479	270,453	3,846	21,436	-	-	53,495	1,567,032
-	-	-	-	-	183,576	34,774	38,487	256,837
-	-	-	-	-	-	-	-	804,878
-	-	-	-	-	-	-	-	583,010
-	-	-	-	-	-	-	16,690	172,822
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>231,045</u>	<u>140,479</u>	<u>270,453</u>	<u>3,846</u>	<u>21,436</u>	<u>183,576</u>	<u>44,584</u>	<u>108,672</u>	<u>4,059,120</u>
<u>(109,024)</u>	<u>(25,247)</u>	<u>266,230</u>	<u>(3,846)</u>	<u>(20,391)</u>	<u>(131,403)</u>	<u>(13,602)</u>	<u>26,264</u>	<u>155,259</u>
138,628	-	218,190	-	38,048	148,623	-	117,560	884,111
-	(101,042)	-	-	-	-	(30,716)	(8,968)	(169,994)
<u>138,628</u>	<u>(101,042)</u>	<u>218,190</u>	<u>-</u>	<u>38,048</u>	<u>148,623</u>	<u>(30,716)</u>	<u>108,592</u>	<u>714,117</u>
29,604	(126,289)	484,420	(3,846)	17,657	17,220	(44,318)	134,856	869,376
(103,806)	151,054	(46,920)	(23,262)	(20,627)	212	360,607	-	3,293,069
<u>\$ (74,202)</u>	<u>\$ 24,765</u>	<u>\$ 437,500</u>	<u>\$ (27,108)</u>	<u>\$ (2,970)</u>	<u>\$ 17,432</u>	<u>\$ 316,289</u>	<u>\$ 134,856</u>	<u>\$ 4,162,445</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, 2009

	Capital Projects Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 26,434
Business license taxes	-	-	-	-	1,045
Intergovernmental	68,377	27,951	2,321,988	2,418,316	4,830,709
Charges for services	73,440	-	904	74,344	411,104
Special assessments	-	-	-	-	1,133,637
Investment earnings	10,194	4,311	64,979	79,484	194,502
Miscellaneous	-	-	-	-	189,092
Total revenues	<u>152,011</u>	<u>32,262</u>	<u>2,387,871</u>	<u>2,572,144</u>	<u>6,786,523</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	674,541
Public works	-	-	35,421	35,421	1,602,453
Culture and recreation	-	-	-	-	256,837
Transit	-	-	118	118	804,996
Redevelopment and housing	69,301	-	-	69,301	652,311
Capital outlay	220,474	22,106	785,776	1,028,356	1,201,178
Debt service:					
Principal retirement	-	-	370,000	370,000	370,000
Interest and fiscal charges	-	-	126,375	126,375	126,375
Total expenditures	<u>289,775</u>	<u>22,106</u>	<u>1,317,690</u>	<u>1,629,571</u>	<u>5,688,691</u>
Excess (deficiency) of revenues over expenditures	<u>(137,764)</u>	<u>10,156</u>	<u>1,070,181</u>	<u>942,573</u>	<u>1,097,832</u>
Other financing sources (uses):					
Transfers in	-	160,249	51,467	211,716	1,095,827
Transfers out	(217,265)	(46,360)	-	(263,625)	(433,619)
Total other financing sources (uses)	<u>(217,265)</u>	<u>113,889</u>	<u>51,467</u>	<u>(51,909)</u>	<u>662,208</u>
Net change in fund balances	<u>(355,029)</u>	<u>124,045</u>	<u>1,121,648</u>	<u>890,664</u>	<u>1,760,040</u>
Fund balances at beginning of year	586,406	97,655	1,662,583	2,346,644	5,639,713
Fund balances at end of year	<u>\$ 231,377</u>	<u>\$ 221,700</u>	<u>\$ 2,784,231</u>	<u>\$ 3,237,308</u>	<u>\$ 7,399,753</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Community Development Block Grant Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance (deficits), July 1	\$ (91,419)	\$ (91,419)	\$ (91,419)	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-Community Development Block Grant	567,820	567,820	544,780	(23,040)
Investment Earnings	-	-	11	11
Miscellaneous	-	-	18,928	18,928
Transfers in-General Fund	<u>48,610</u>	<u>48,610</u>	<u>101,922</u>	<u>53,312</u>
Amounts available for appropriation	<u>525,011</u>	<u>525,011</u>	<u>574,222</u>	<u>49,211</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
CDBG administration	95,180	95,180	75,809	19,371
Business assistance	538,060	538,060	282,909	255,151
Public service	64,760	64,760	62,241	2,519
Residential rehabilitation	115,810	115,810	90,522	25,288
Public improvements	<u>193,050</u>	<u>193,050</u>	<u>71,529</u>	<u>121,521</u>
Total charges to appropriations	<u>1,006,860</u>	<u>1,006,860</u>	<u>583,010</u>	<u>423,850</u>
Budgetary fund balance (deficits), June 30	<u>\$ (481,849)</u>	<u>\$ (481,849)</u>	<u>\$ (8,788)</u>	<u>\$ 473,061</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Law Enforcement Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 214,153	\$ 214,153	\$ 214,153	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
Local Law Enforcement Block Grant	21,890	21,890	8,235	(13,655)
Homeland Security Grant	-	-	25,011	25,011
COPS in School	-	-	13,178	13,178
State:				
Supplemental Law Enforcement Grant	100,000	100,000	63,082	(36,918)
Other Grant	23,430	23,430	11,136	(12,294)
Other governmental units	-	-	98,147	98,147
Charges for services-police fee	36,000	36,000	41,150	5,150
Fines & Forfeits	45,632	-	265,978	265,978
Investment earnings	-	-	6,291	6,291
Miscellaneous	-	-	133,237	133,237
Transfers in:				
General Fund	<u>142,972</u>	<u>142,972</u>	<u>113,228</u>	<u>(29,744)</u>
Amounts available for appropriation	<u>584,077</u>	<u>538,445</u>	<u>992,826</u>	<u>454,381</u>
Charges to appropriations (outflows):				
Public safety:				
Police Administration	167,730	167,730	161,076	6,654
Crime prevention	24,800	24,800	31,063	(6,263)
Police patrol	75,200	75,200	313,137	(237,937)
Traffic safety	61,500	61,500	80,069	(18,569)
Communications	<u>-</u>	<u>-</u>	<u>111,325</u>	<u>(111,325)</u>
Total charges to appropriations	<u>329,230</u>	<u>329,230</u>	<u>696,670</u>	<u>(367,440)</u>
Budgetary fund balance, June 30	<u>\$ 254,847</u>	<u>\$ 209,215</u>	<u>\$ 296,156</u>	<u>\$ 86,941</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Narcotic Seizure Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 188,918	\$ 188,918	\$ 188,918	\$ -
Resources (inflows):				
Intergovernmental:				
State-Narcotic Seizure Program Grant	-	-	25,517	25,517
Investment earnings	-	-	5,618	5,618
Amounts available for appropriation	188,918	188,918	220,053	31,135
Charges to appropriations (outflows):				
Public safety-special detail services	-	-	3,285	(3,285)
Budgetary fund balance, June 30	<u>\$ 188,918</u>	<u>\$ 188,918</u>	<u>\$ 216,768</u>	<u>\$ 34,420</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 State Gas Tax Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 655,443	\$ 655,443	\$ 655,443	\$ -
Resources (inflows):				
Intergovernmental:				
State-gas tax	960,100	960,100	787,394	(172,706)
Charges for services	-	-	-	-
Investment earnings	<u>13,600</u>	<u>13,600</u>	<u>12,784</u>	<u>(816)</u>
Amounts available for appropriation	<u>1,629,143</u>	<u>1,629,143</u>	<u>1,455,621</u>	<u>(173,522)</u>
Charges to appropriations (outflows):				
Public works:				
Streets	671,424	671,424	655,038	16,386
Street lighting	73,430	73,430	73,428	2
Traffic control	<u>75,240</u>	<u>75,240</u>	<u>75,240</u>	<u>-</u>
Total charges to appropriations	<u>820,094</u>	<u>820,094</u>	<u>803,706</u>	<u>16,388</u>
Budgetary fund balance, June 30	<u>\$ 809,049</u>	<u>\$ 809,049</u>	<u>\$ 651,915</u>	<u>\$ (157,134)</u>



CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Air Quality Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 166,592	\$ 166,592	\$ 166,592	\$ -
Resources (inflows):				
Intergovernmental:				
Other government units-motor vehicle environmental fee	56,950	56,950	57,680	730
Investment earnings	-	-	4,523	4,523
Transfers in:				
General fund	-	-	1,640	1,640
Amounts available for appropriation	223,542	223,542	230,435	6,893
Charges to appropriations (outflows):				
Public works-air quality	85,000	85,000	25,500	59,500
Budgetary fund balance, June 30	<u>\$ 138,542</u>	<u>\$ 138,542</u>	<u>\$ 204,935</u>	<u>\$ (52,607)</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Municipal Parking District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 300,328	\$ 300,328	\$ 300,328	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	26,800	26,800	24,417	(2,383)
Unsecured personal	700	700	1,701	1,001
Prior year secured and unsecured	500	500	229	(271)
Supplemental roll	20	20	68	48
Interest and penalties	200	200	25	(175)
Intergovernmental:				
State-homeowner exemption	20	20	11	(9)
County pass through	-	-	(6)	(6)
Charges for services-public works	76,000	76,000	63,926	(12,074)
Investment earnings	5,000	5,000	8,938	3,938
Amounts available for appropriation	409,568	409,568	399,637	(9,931)
Charges to appropriations (outflows):				
Public works-public parking	171,820	171,820	137,980	33,840
Budgetary fund balance, June 30	<u>\$ 237,748</u>	<u>\$ 237,748</u>	<u>\$ 261,657</u>	<u>\$ 23,909</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Lighting Assessment District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance (deficits), July 1	\$ (103,806)	\$ (103,806)	\$ (103,806)	\$ -
Resources (inflows):				
Special assessments	120,000	120,000	122,021	2,021
Transfers in-General Fund	<u>17,160</u>	<u>17,160</u>	<u>138,628</u>	<u>121,468</u>
Amounts available for appropriation	33,354	33,354	156,843	123,489
Charges to appropriations (outflows):				
Public works-street lighting	<u>137,770</u>	<u>137,770</u>	<u>231,045</u>	<u>(93,275)</u>
Budgetary fund balance (deficits), June 30	<u>\$ (104,416)</u>	<u>\$ (104,416)</u>	<u>\$ (74,202)</u>	<u>\$ 30,214</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Landscaping Assessment District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 151,054	\$ 151,054	\$ 151,054	\$ -
Resources (inflows):				
Special assessments	103,000	103,000	111,433	8,433
Investment earnings	-	-	3,799	3,799
Amounts available for appropriation	254,054	254,054	266,286	12,232
Charges to appropriations (outflows):				
Public works-street landscaping	144,510	144,510	241,521	(97,011)
Budgetary fund balance, June 30	<u>\$ 109,544</u>	<u>\$ 109,544</u>	<u>\$ 24,765</u>	<u>\$ (84,779)</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Sewer Assessment District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (46,920)	\$ (46,920)	\$ (46,920)	\$ -
Resources (inflows):				
Charges for services	-	-	1,155	1,155
Special assessments	645,000	645,000	531,538	(113,462)
Investment earnings	25,000	25,000	3,990	(21,010)
Transfers in -General Fund	-	-	218,190	218,190
Amounts available for appropriation	623,080	623,080	707,953	84,873
Charges to appropriations (outflows):				
Public works-sanitary sewer	475,310	475,310	270,453	204,857
Budgetary fund balance, June 30	<u>\$ 147,770</u>	<u>\$ 147,770</u>	<u>\$ 437,500</u>	<u>\$ 289,730</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Community Facilities District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ (23,262)	\$ (23,262)	\$ (23,262)	\$ -
Resources (inflows):				
Intergovernmental:	-	-	-	-
Amounts available for appropriation	(23,262)	(23,262)	(23,262)	-
Charges to appropriations (outflows):				
Public Works:				
Police Patrol	-	-	-	-
Park Facilities	-	-	3,846	(3,846)
Total charges to appropriations	-	-	3,846	(3,846)
Budgetary fund balance, June 30	<u>\$ (23,262)</u>	<u>\$ (23,262)</u>	<u>\$ (27,108)</u>	<u>\$ 3,846</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Shoppers Lane Parking District Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance (deficits), July 1	\$ (20,627)	\$ (20,627)	\$ (20,627)	\$ -
Resources (inflows):				
Business license taxes	1,000	1,000	1,045	45
Transfers in-General Fund	<u>-</u>	<u>-</u>	<u>38,048</u>	<u>38,048</u>
Amounts available for appropriation	(19,627)	(19,627)	18,466	38,093
Charges to appropriations (outflows):				
Public works-public parking	<u>20,030</u>	<u>20,030</u>	<u>21,436</u>	<u>(1,406)</u>
Budgetary fund balance( deficits), June 30	<u>\$ (39,657)</u>	<u>\$ (39,657)</u>	<u>\$ (2,970)</u>	<u>\$ 36,687</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Library Grant Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 212	\$ 212	\$ 212	\$ -
Resources (inflows):				
Intergovernmental-State:				
Literacy Grant	26,000	26,000	31,955	5,955
Other	18,180	18,180	4,537	(13,643)
Miscellaneous-donations	6,000	6,000	15,387	9,387
Investment earnings	-	-	294	294
Transfers in-General Fund	<u>2,533</u>	<u>2,533</u>	<u>148,623</u>	<u>146,090</u>
Amounts available for appropriation	52,925	52,925	201,008	148,083
Charges to appropriations (outflows):				
Culture and recreation-library services	<u>134,270</u>	<u>134,270</u>	<u>183,576</u>	<u>(49,306)</u>
Budgetary fund balance, June 30	<u>\$ (81,345)</u>	<u>\$ (81,345)</u>	<u>\$ 17,432</u>	<u>\$ 98,777</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 City Donation Special Revenue Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 360,607	\$ 360,607	\$ 360,607	\$ -
Resources (inflows):				
Investment earnings	-	-	11,799	11,799
Miscellaneous-donations	-	-	19,183	19,183
Amounts available for appropriation	<u>360,607</u>	<u>360,607</u>	<u>391,589</u>	<u>30,982</u>
Charges to appropriations (outflows):				
Culture and recreation:				
Senior services	-	-	15,568	(15,568)
Cultural arts	-	-	49,750	(49,750)
Police administration	-	-	9,810	(9,810)
Library services	-	-	172	(172)
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>75,300</u>	<u>(75,300)</u>
Budgetary fund balance, June 30	<u>\$ 360,607</u>	<u>\$ 360,607</u>	<u>\$ 316,289</u>	<u>\$ (44,318)</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Other Grants Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental-State:				
Governmental	-	-	24,558	24,558
Charges for services	-	-	2,326	2,326
Special assessments	35,000	35,000	102,667	67,667
Investment earnings	-	-	3,067	3,067
Miscellaneous	7,250	7,250	2,318	(4,932)
Transfer In	-	-	117,560	117,560
Amounts available for appropriation	<u>42,250</u>	<u>42,250</u>	<u>252,496</u>	<u>210,246</u>
Charges to appropriations (outflows):				
Public works	17,750	17,750	62,463	(44,713)
Culture and recreation	7,250	7,250	38,487	(31,237)
Capital outlay	<u>35,260</u>	<u>35,260</u>	<u>16,690</u>	<u>18,570</u>
Total Charges to appropriations	<u>60,260</u>	<u>60,260</u>	<u>117,640</u>	<u>(57,380)</u>
Budgetary fund balance (deficits), June 30	<u>\$ (18,010)</u>	<u>\$ (18,010)</u>	<u>\$ 134,856</u>	<u>\$ 152,866</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 General Projects Capital Projects Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 586,406	\$ 586,406	\$ 586,406	\$ -
Resources (inflows):				
Intergovernmental:				
EDI McGill Grant	-	-	68,377	68,377
Charges for services-sewer construction	-	-	73,440	73,440
Investment earnings	-	-	10,194	10,194
Amounts available for appropriations	586,406	586,406	738,417	152,011
Charges to appropriations (outflows):				
Redevelopment and housing-redevelopment	315,550	315,550	507,040	(191,490)
Budgetary fund balance, June 30	<u>\$ 270,856</u>	<u>\$ 270,856</u>	<u>\$ 231,377</u>	<u>\$ (39,479)</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Park Development Capital Projects Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 97,655	\$ 97,655	\$ 97,655	\$ -
Resources (inflows):				
Intergovernmental:				
County Park Grant	-	-	27,951	27,951
Investment earnings	-	-	4,311	4,311
Transfers in-General Fund	-	-	160,249	160,249
Amounts available for appropriation	97,655	97,655	290,166	192,511
Charges to appropriations (outflows):				
Culture and recreation-park facilities	-	-	22,106	(22,106)
Transfers Out-General Fund	-	-	46,360	(46,360)
Budgetary fund balance, June 30	<u>\$ 97,655</u>	<u>\$ 97,655</u>	<u>\$ 221,700</u>	<u>\$ 260,977</u>

CITY OF COVINA, CALIFORNIA  
 Budgetary Comparison Schedule  
 Transportation Capital Projects Fund  
 For the fiscal year ended June 30, 2009

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,662,583	\$ 1,662,583	\$ 1,662,583	\$ -
Resources (inflows):				
Intergovernmental:				
State:				
Traffic Congestion Relief	-	-	298,236	298,236
Transportation Program	-	-	739,155	739,155
County:				
Proposition C	70,000	70,000	597,251	527,251
MTA Grant	35,000	35,000	51,931	16,931
Surface Transportation Grant	429,000	429,000	636,317	207,317
Bicycle and Pedestrian	-	-	(902)	(902)
Charges for services-bid packages	-	-	904	904
Investment earnings	-	-	64,979	64,979
Other	-	-	-	-
Transfers in-General Fund	3,450	3,450	51,467	48,017
Amounts available for appropriation	<u>2,200,033</u>	<u>2,200,033</u>	<u>4,101,921</u>	<u>1,901,888</u>
Charges to appropriations (outflows):				
Public works-streets	29,430	29,430	35,421	(5,991)
Transit-transit operation	-	-	118	(118)
Public works-traffic control	1,559,720	1,559,720	785,776	773,944
	<u>1,589,150</u>	<u>1,589,150</u>	<u>821,315</u>	<u>767,835</u>
Debt service:				
Principal retirement	350,000	350,000	370,000	(20,000)
Interest and fiscal charges	143,880	143,880	126,375	17,505
Total debt service	<u>493,880</u>	<u>493,880</u>	<u>496,375</u>	<u>(2,495)</u>
Total charges to appropriations	<u>2,083,030</u>	<u>2,083,030</u>	<u>1,317,690</u>	<u>765,340</u>
Budgetary fund balance, June 30	<u>\$ 117,003</u>	<u>\$ 117,003</u>	<u>\$ 2,784,231</u>	<u>\$ 2,667,228</u>

## 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, 2009

	Management Information Systems	Central Equipment	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 1,022,214	\$ 1,895,662	\$ 2,917,876
Interest receivable	624	-	624
Accounts receivable	-	590	590
Due from other governments	-	17,447	17,447
Prepaid expenses	50,190		50,190
Inventories	-	69,050	69,050
Total current assets	<u>1,073,028</u>	<u>1,982,749</u>	<u>3,055,777</u>
Capital assets:			
Machinery and equipment	2,696,724	4,209,781	6,906,505
Less accumulated depreciation	<u>(2,357,302)</u>	<u>(3,454,705)</u>	<u>(5,812,007)</u>
Total capital assets (net of accumulated depreciation)	<u>339,422</u>	<u>755,076</u>	<u>1,094,498</u>
Total assets	<u>1,412,450</u>	<u>2,737,825</u>	<u>4,150,275</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	27,038	39,645	66,683
Current portion of compensated absences payable	4,370	7,580	11,950
Accrued liabilities	<u>8,038</u>	<u>7,294</u>	<u>15,332</u>
Total current liabilities	<u>39,446</u>	<u>54,519</u>	<u>93,965</u>
Noncurrent liabilities:			
Compensated absences payable	32,270	45,860	78,130
Advances from other funds	<u>107,306</u>	<u>-</u>	<u>107,306</u>
Total noncurrent liabilities	<u>139,576</u>	<u>45,860</u>	<u>185,436</u>
Total liabilities	<u>179,022</u>	<u>100,379</u>	<u>279,401</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	232,116	755,076	987,192
Unrestricted	<u>1,001,312</u>	<u>1,882,370</u>	<u>2,883,682</u>
Total net assets	<u>\$ 1,233,428</u>	<u>\$ 2,637,446</u>	<u>\$ 3,870,874</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, 2009

	Management Information Systems	Central Equipment	Total
<b>Operating Revenues:</b>			
Information technology charges	\$1,097,688	\$ -	\$ 1,097,688
Motor pool charges	-	1,370,289	1,370,289
Total operating revenues	<u>1,097,688</u>	<u>1,370,289</u>	<u>2,467,977</u>
<b>Operating expenses:</b>			
Management information systems:			
Administration	177,639	-	177,639
General systems	338,678	-	338,678
Citywide network	115,440	-	115,440
Financial systems	167,631	-	167,631
Central equipment:			
Administration	-	234,575	234,575
Vehicle and equipment operation	-	568,907	568,907
Depreciation	134,296	362,400	496,696
Total operating expenses	<u>933,684</u>	<u>1,165,882</u>	<u>2,099,566</u>
Operating income	<u>164,004</u>	<u>204,407</u>	<u>368,411</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	31,512	57,031	88,543
Interest expense	(29,191)	-	(29,191)
Loss on sale and disposal of capital assets	-	(3,777)	(3,777)
Total nonoperating revenues (expenses)	<u>2,321</u>	<u>53,254</u>	<u>55,575</u>
Change in net assets	166,325	257,661	423,986
Net assets at beginning of year	<u>1,067,103</u>	<u>2,379,785</u>	<u>3,446,888</u>
Net assets at end of year	<u>\$1,233,428</u>	<u>\$ 2,637,446</u>	<u>\$ 3,870,874</u>

CITY OF COVINA, CALIFORNIA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the fiscal year ended June 30, 2009

	Management Information Systems	Central Equipment	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 1,097,688	\$ 1,381,866	\$ 2,479,554
Cash paid to suppliers for goods and services	(423,682)	(458,946)	(882,628)
Cash paid to employees for services	(287,652)	(271,874)	(559,526)
Cash paid for interfund services	(67,145)	(96,530)	(163,675)
Net cash provided by operating activities	<u>319,209</u>	<u>554,516</u>	<u>873,725</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(91,204)	(72,581)	(163,785)
Principal paid on advances from other funds	(207,170)	(7,080)	(214,250)
Interest paid on advances from other funds	(29,191)	-	(29,191)
Net cash used by capital and related financing activities	<u>(327,565)</u>	<u>(79,661)</u>	<u>(407,226)</u>
<b>Cash flows from investing activities - interest received on investments</b>			
Net increase in cash and cash equivalents	30,888	57,031	87,919
Cash and investments at beginning of year	22,532	531,886	554,418
Cash and investments at end of year	<u>999,682</u>	<u>1,363,776</u>	<u>2,363,458</u>
	<u>\$ 1,022,214</u>	<u>\$ 1,895,662</u>	<u>\$ 2,917,876</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 164,004	\$ 204,407	\$ 368,411
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	134,296	362,400	496,696
<b>Change in operating assets and liabilities:</b>			
Decrease in accounts receivable	-	14,219	14,219
Increase in due from other governments	-	(2,640)	(2,640)
Decrease in prepaid expenses	28,789	-	28,789
Decrease in inventories	-	4,876	4,876
Increase (decrease) in accounts payable	3,080	(2,756)	324
Increase (decrease) in compensated absences payable	6,411	(16,870)	(10,459)
Decrease in accrued liabilities	(17,371)	(9,120)	(26,491)
Total adjustments	<u>155,205</u>	<u>350,109</u>	<u>505,314</u>
Net cash provided by operating activities	<u>\$ 319,209</u>	<u>\$ 554,516</u>	<u>\$ 873,725</u>
<b>Noncash capital, financing and investing activities</b>			
Deletion of capital assets	\$ -	\$ (37,770)	\$ (37,770)
Deletion of accumulated depreciation on capital assets	-	33,993	33,993
Net effect of noncash activities	<u>\$ -</u>	<u>\$ (3,777)</u>	<u>\$ (3,777)</u>

## Statistical Section

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*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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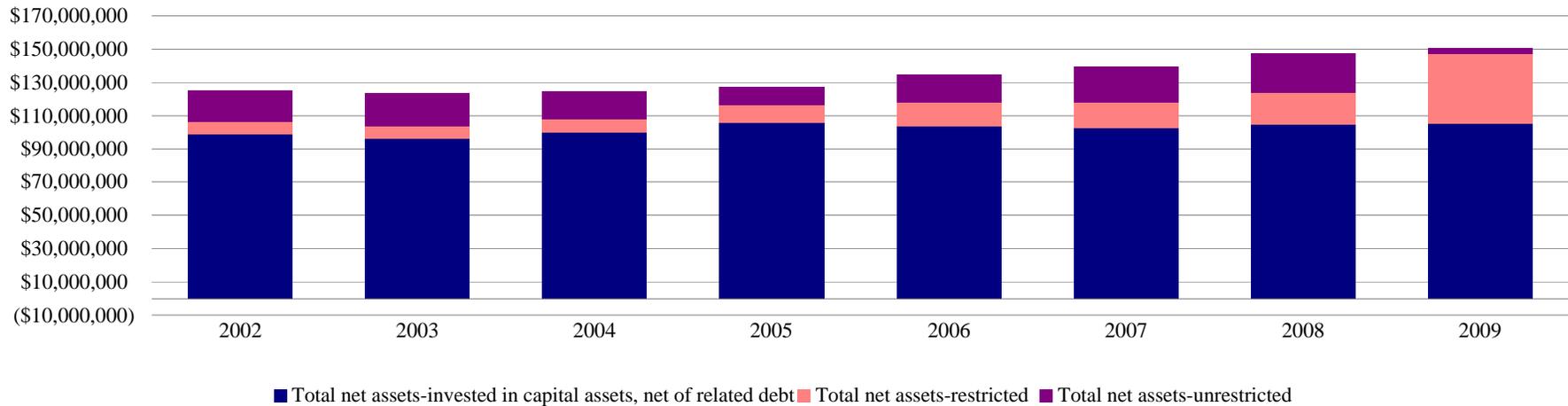
### ***Operating Information***

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 Eight Fiscal Years<sup>(1)</sup>  
 (accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>								
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	\$ 94,263,857
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,530,089	41,514,531
Unrestricted	13,583,198	15,151,508	11,461,698	5,519,371	10,336,685	13,463,167	16,100,410	(5,144,585)
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>	<u>\$ 130,633,803</u>
<b>Business-type activities</b>								
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	\$ 11,081,331
Restricted							242,609	194,200
Unrestricted	5,221,040	4,836,896	5,276,030	5,484,707	6,472,653	8,117,344	7,309,574	8,383,892
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>	<u>\$ 19,659,423</u>
<b>Total net assts</b>								
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	\$ 105,345,188
Restricted	7,328,338	7,646,136	8,170,210	10,490,780	14,313,629	15,004,400	18,772,698	41,708,731
Unrestricted	18,804,238	19,988,404	16,737,728	11,004,078	16,809,338	21,580,511	23,409,984	3,239,307
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>	<u>\$ 150,293,226</u>



<sup>(1)</sup> Net assets by component not available prior to fiscal year 2002

CITY OF COVINA, CALIFORNIA  
Changes in Net Assets  
Last Eight Fiscal Years <sup>(1)</sup>  
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>								
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	\$ 3,142,876
Public safety	14,588,773	15,140,384	15,850,805	16,535,212	17,402,506	19,474,983	19,708,840	21,209,236
Public works	5,508,235	5,782,852	2,911,801	5,334,006	5,729,144	5,958,931	1,940,499	5,646,611
Culture and recreation	3,081,919	3,113,159	3,340,592	3,207,603	3,470,636	3,639,406	3,611,600	3,953,534
Community development	735,774	351,209	478,487	313,404	673,436	871,061	872,902	674,691
Transit	444,018	625,591	441,439	394,371	602,471	842,987	928,296	1,035,264
Redevelopment and housing	1,796,224	5,376,969	4,141,783	4,080,456	3,983,007	6,823,408	8,815,387	5,476,535
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	2,301,355	1,801,211
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>	<u>42,939,958</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	4,736,319
Environmental protection	2,779,193	2,581,898	3,056,384	3,293,403	3,188,739	3,406,782	3,636,875	3,838,461
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>	<u>8,574,780</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>	<u>\$ 51,514,738</u>
<b>Program revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$ 348,842	\$ 437,555	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804
Public safety	933,310	885,777	858,591	957,742	1,163,481	972,892	1,108,955	402,084
Public works	830,745	358,318	532,976	551,203	497,797	801,087	720,499	1,010,808
Culture and recreation	541,686	795,442	645,007	663,789	646,731	842,336	625,015	670,775
Community development	485,875	577,026	624,850	686,359	996,218	906,443	837,228	305,459
Transit	58,096	60,819	60,739	56,872	105,717	203,242	223,334	229,107
Redevelopment and housing	817,118	804,372	831,398	868,867	860,536	857,920	873,523	1,002,471
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	3,193,844
Capital grants and contributions	2,180,004	942,548	1,394,769	1,031,227	2,991,437	2,224,198	2,399,175	2,418,316
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>	<u>10,579,668</u>

(Continued)

## CITY OF COVINA, CALIFORNIA

## Changes in Net Assets

Last Eight Fiscal Years (1)

(accrual basis of accounting)

(Continued)

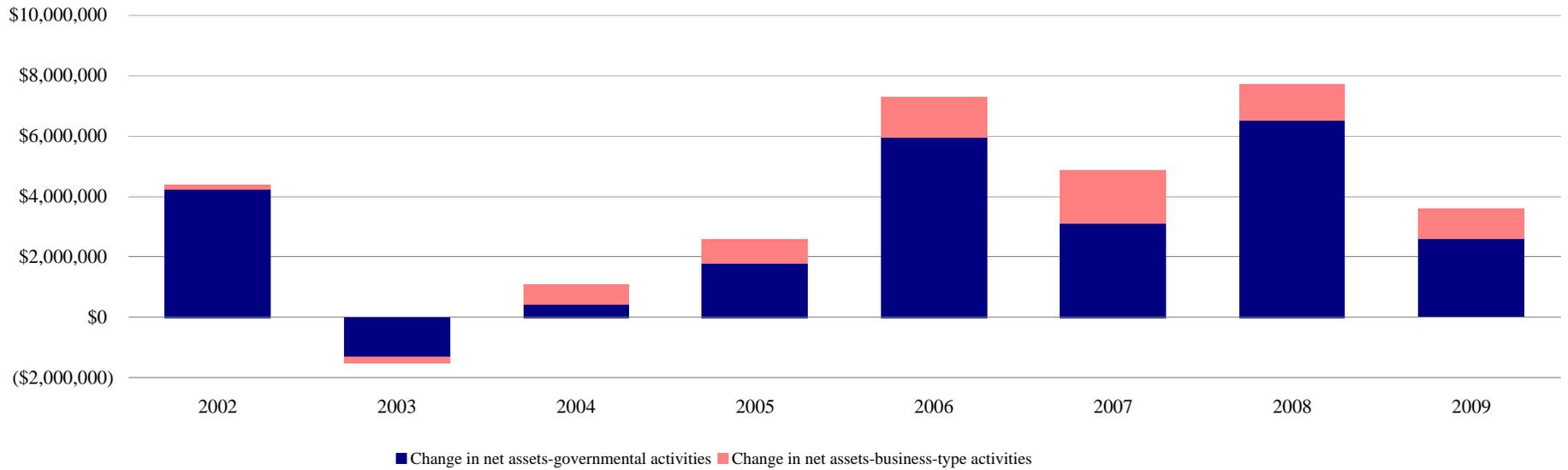
	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Business-type activities:</b>								
Charges for services:								
Water utility	4,670,235	4,323,149	5,168,104	5,088,097	5,967,600	6,096,964	6,185,853	5,460,462
Environmental protection	1,893,273	2,739,078	2,903,358	2,815,351	3,372,873	3,628,004	3,707,867	3,845,177
Operating grants and contributions	29,099	34,960	29,095	70,307	13,425	26,326	26,138	9,797
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	9,315,436
Total program revenues	\$ 15,240,576	\$ 14,528,955	\$ 15,937,904	\$ 16,094,339	\$ 19,878,230	\$ 20,703,146	\$ 20,630,386	\$ 19,895,104
<b>Net (expense) revenue</b>								
Governmental activities	\$ (22,890,686)	\$ (28,488,282)	\$ (27,420,500)	\$ (28,867,323)	\$ (26,928,339)	\$ (32,279,475)	\$ (30,492,549)	\$ (32,360,290)
Business-type activities	45,786	(241,788)	630,777	746,154	1,246,614	1,643,461	619,164	740,656
Total net expense	\$ (22,844,900)	\$ (28,730,070)	\$ (26,789,723)	\$ (28,121,169)	\$ (25,681,725)	\$ (30,636,014)	\$ (29,873,385)	\$ (31,619,634)
<b>General revenues</b>								
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	\$ 16,920,696
Sales taxes	7,150,926	7,290,885	8,053,254	8,347,572	8,774,728	9,035,103	8,633,461	7,306,177
Transient occupancy taxes	426,572	424,727	449,872	484,621	578,418	491,226	423,861	340,175
Property transfer taxes	163,780	177,504	223,353	307,612	296,459	324,113	158,340	113,113
Business license taxes	317,044	324,899	385,820	418,336	360,265	383,254	395,503	349,109
Utility user taxes	4,279,152	4,311,903	4,887,082	5,032,784	5,329,099	5,395,617	5,433,339	5,274,912
Franchise taxes	795,374	965,402	1,031,016	1,028,228	1,098,988	1,187,401	1,191,560	1,314,360
Intergovernmental	3,416,486	3,490,253	2,725,005	4,385,626	1,088,916	675,895	498,071	131,080
Investment earnings	1,422,183	847,750	655,954	1,161,801	1,816,665	3,047,173	3,448,945	2,078,611
Transfers in/out	-	-	-	-	-	-	-	45,913
Miscellaneous	302,111	281,231	727,630	426,675	712,168	94,356	693,547	1,091,243
Total governmental activities	27,119,873	27,180,807	27,832,756	30,635,154	32,859,328	35,359,373	37,000,805	34,965,389
Business-type activities:								
Investment earnings	116,305	41,612	25,372	45,061	110,168	131,122	135,192	86,322
Investment earnings - CIC	-	-	-	-	-	-	446,587	219,257
Transfers in/out	-	-	-	-	-	-	-	(45,913)
Total general revenues	\$ 27,236,178	\$ 27,222,419	\$ 27,858,128	\$ 30,680,215	\$ 32,969,496	\$ 35,490,495	\$ 37,135,997	\$ 35,225,055

(Continued)

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

(Continued)

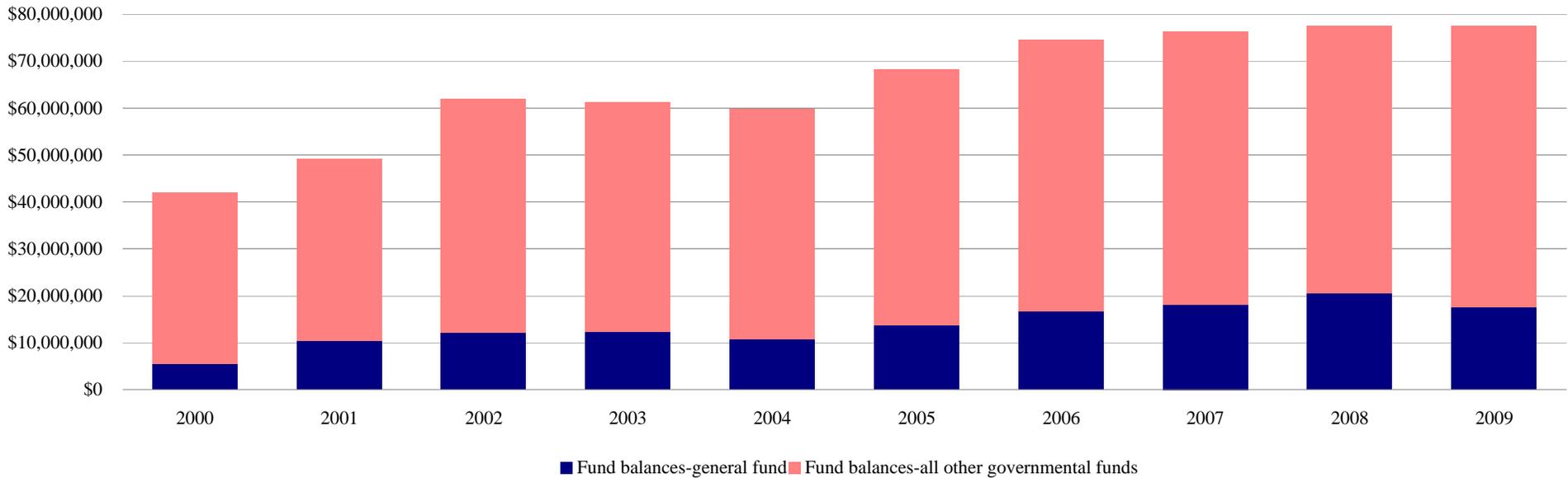
	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Change in net assets</b>								
Governmental activities	\$ 4,229,187	\$ (1,307,475)	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256	\$ 2,605,099
Business-type activities	162,091	(200,176)	656,149	791,215	1,356,782	1,774,583	754,356	1,000,322
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>	<u>\$ 3,605,421</u>



<sup>(1)</sup> Changes in net assets not available prior to fiscal year 2002.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General fund</b>										
Reserved	\$ 1,158,351	\$ 1,074,415	\$ 968,917	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399
Unreserved <sup>(2)</sup>	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	17,179,931
Total general fund	<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>	<u>\$ 17,490,330</u>
<b>All other governmental funds</b>										
Reserved	\$ 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	\$ 34,930,036
Unreserved, reported in:										
Special revenue funds <sup>(3)</sup>	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	10,047,112
Capital projects funds <sup>(4)</sup>	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	14,968,350
Total all other governmental funds	<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>	<u>\$ 59,945,498</u>



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

<sup>(2)</sup> 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.

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

<sup>(4)</sup> 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)

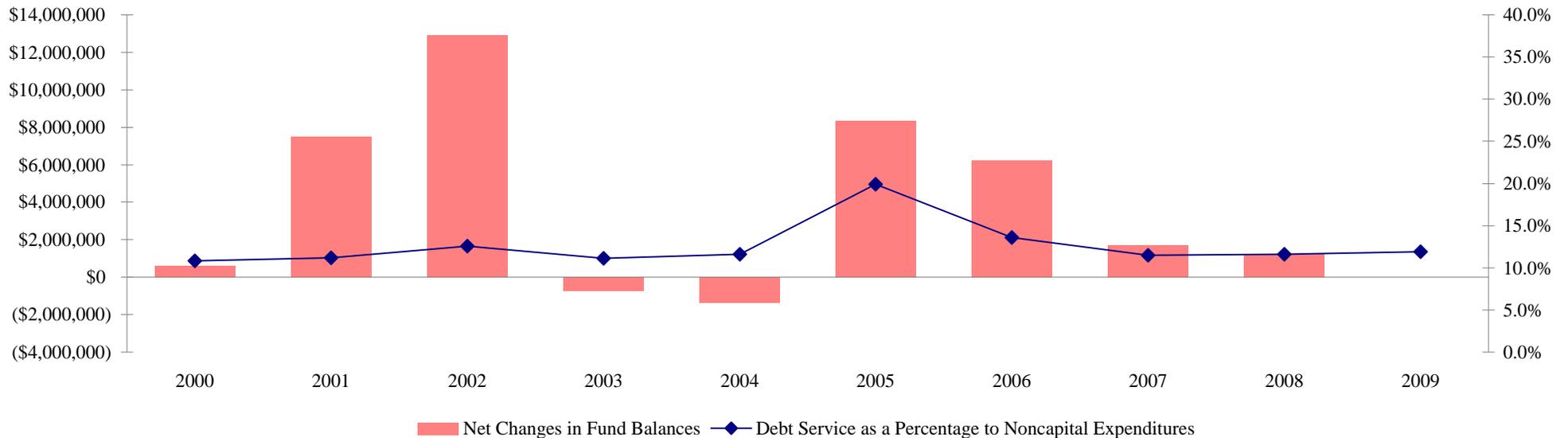
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 19,452,663	\$ 20,695,284	\$ 21,979,093	\$ 22,561,573	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242	\$ 31,618,542
Licenses and permits	445,700	309,713	438,883	468,629	454,286	547,173	711,271	476,306	444,730	210,009
Intergovernmental	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	5,612,171
Charges for services	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	3,015,698
Fines and forfeits	652,480	588,206	679,925	672,087	612,436	610,936	801,161	826,974	755,574	608,152
Special assessments	356,394	347,926	356,644	231,217	349,486	330,191	363,188	395,993	646,256	1,133,637
Investment earnings	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	1,990,066
Miscellaneous	168,367	216,219	290,061	281,231	712,631	426,675	712,168	94,356	693,547	1,091,243
Total revenues	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	45,279,518
<b>Expenditures</b>										
General government	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	3,380,536
Public safety	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	21,174,073
Public works	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	2,195,664
Culture and recreation	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	3,777,439
Community development	475,029	468,885	729,903	595,454	584,543	630,836	675,795	866,988	878,362	686,297
Transit	314,497	184,303	443,396	477,462	440,271	430,828	487,012	637,775	715,454	804,996
Redevelopment and housing	3,808,517	3,330,304	3,230,177	6,111,182	3,042,821	3,139,888	3,359,792	5,730,531	7,949,680	4,223,166
Nondepartmental	-	75,899	25,316	10,098	57,759	52,244	77,591	43,538	52,987	-
Capital outlay	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	4,303,702
Debt service:										
Principal	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	2,817,958
Interest and fiscal charges	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	1,942,157
Bond issuance costs	-	-	-	-	-	1,283,370	-	-	-	-
Payment to refunded bond account	-	-	-	-	-	1,735,000	-	-	-	-
Total expenditures	31,705,085	31,591,531	32,999,747	35,156,446	37,335,355	44,931,457	36,880,215	43,968,010	46,244,884	45,305,988
Excess of revenues over (under) expenditures	196,497	7,240,808	2,634,302	(703,101)	(1,749,824)	(6,253,259)	6,315,817	2,155,030	1,220,970	(26,470)

(Continued)

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

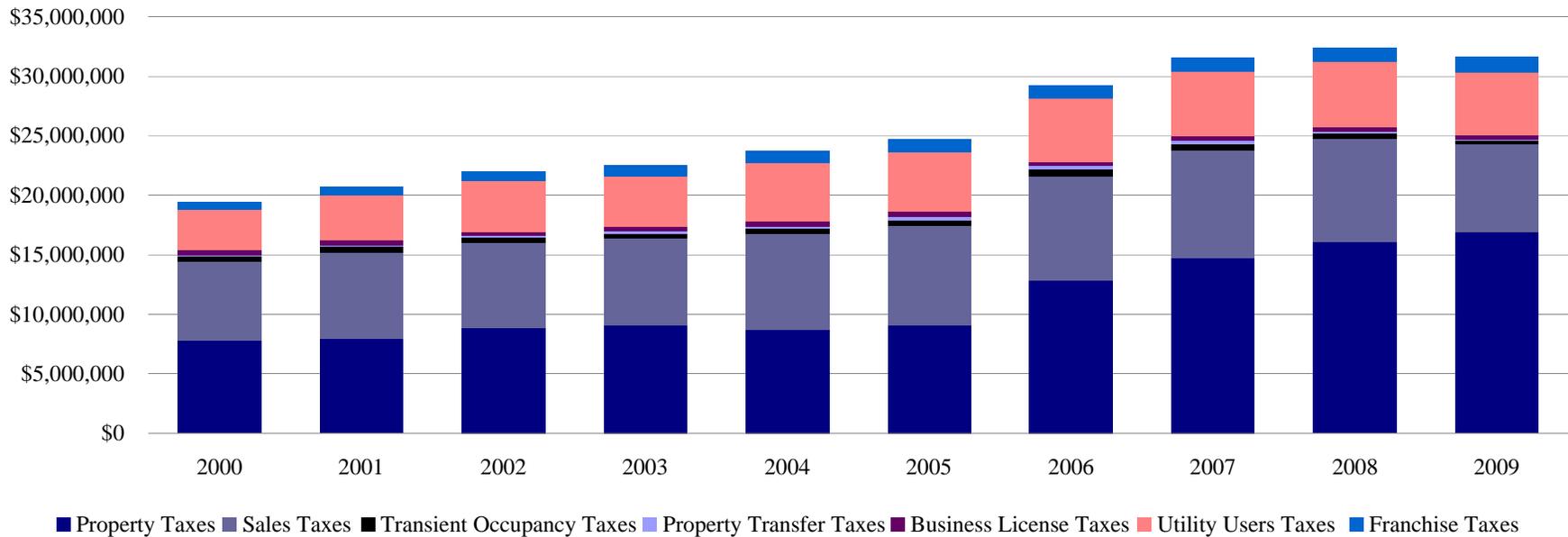
(Continued)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other financing sources (uses)</b>										
Transfers in	\$ 5,354,153	\$ 1,758,824	\$ 380,635	\$ 2,626,130	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390	\$ 1,103,318
Transfers out	(5,418,945)	(1,811,064)	(380,635)	(2,626,130)	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)	(416,390)	(1,057,405)
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)	-	-
<b>Total other financing sources (uses)</b>	<b>396,463</b>	<b>242,957</b>	<b>10,265,947</b>	<b>-</b>	<b>405,170</b>	<b>14,599,271</b>	<b>(97,202)</b>	<b>(445,834)</b>	<b>-</b>	<b>45,913</b>
<b>Net changes in fund balances</b>	<b>\$ 592,960</b>	<b>\$ 7,483,765</b>	<b>\$ 12,900,249</b>	<b>\$ (703,101)</b>	<b>\$ (1,344,654)</b>	<b>\$ 8,346,012</b>	<b>\$ 6,218,615</b>	<b>\$ 1,709,196</b>	<b>\$ 1,220,970</b>	<b>\$ 19,443</b>
 Debt service as a percentage of noncapital expenditures	 10.8%	 11.2%	 12.6%	 11.1%	 11.6%	 19.9%	 13.6%	 11.5%	 11.6%	 11.9%



CITY OF COVINA, CALIFORNIA  
 General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

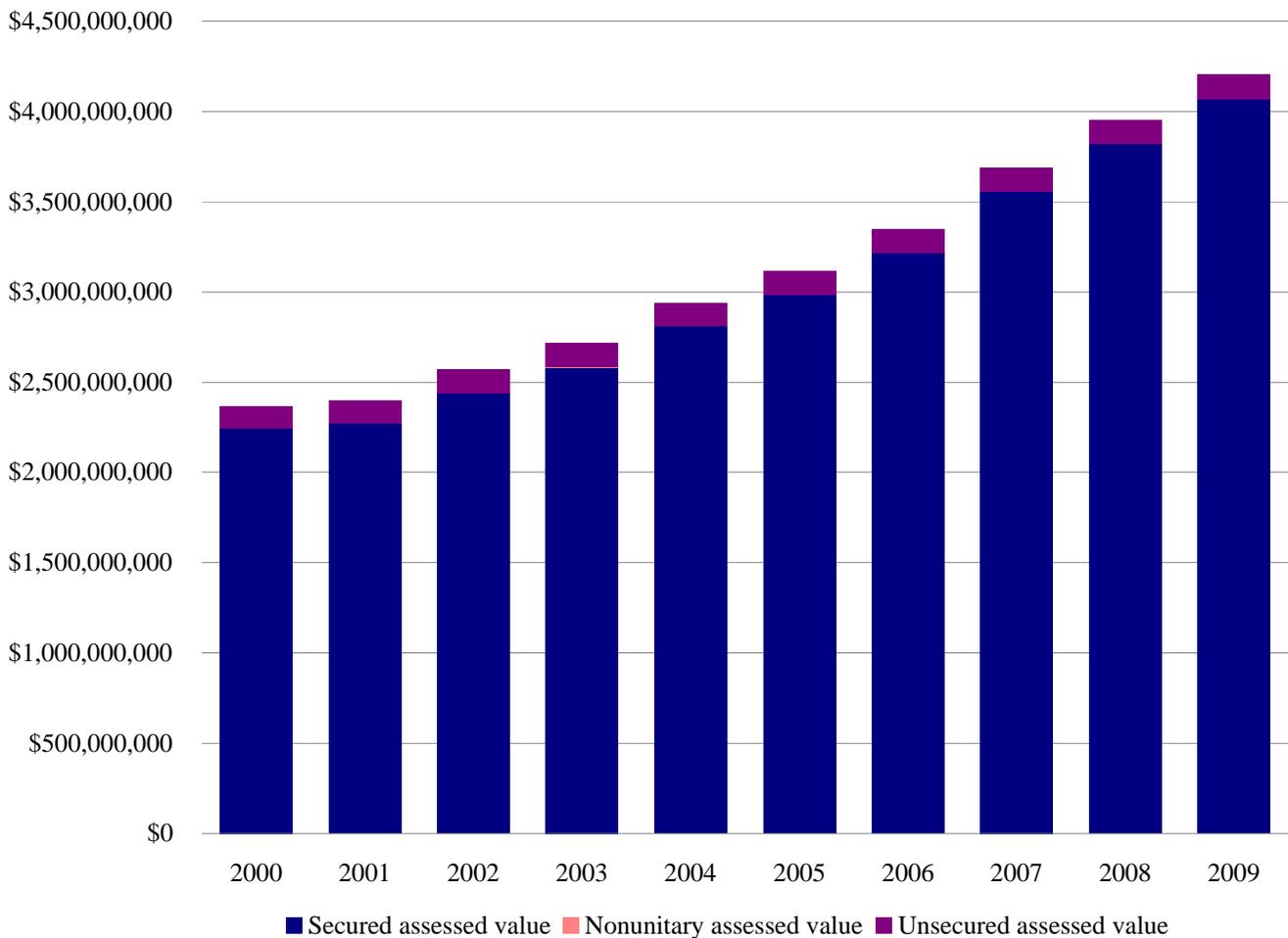
Fiscal Year	Property Taxes <sup>(1)</sup>	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2000	\$ 7,817,580	\$ 6,588,760	\$ 477,869	\$ 126,121	\$ 354,953	\$ 3,423,750	\$ 663,630	\$ 19,452,663
2001	7,942,478	7,237,890	485,115	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
2009	16,920,696	7,306,177	340,175	113,113	349,109	5,274,912	1,314,360	31,618,542



<sup>(1)</sup> 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 <sup>(1)</sup>				Total Direct Rate
	Secured	Nonunitary	Unsecured	Total	
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	0.31151%
2009	4,068,752,819	381,710	138,563,298	4,207,697,827	0.32372%

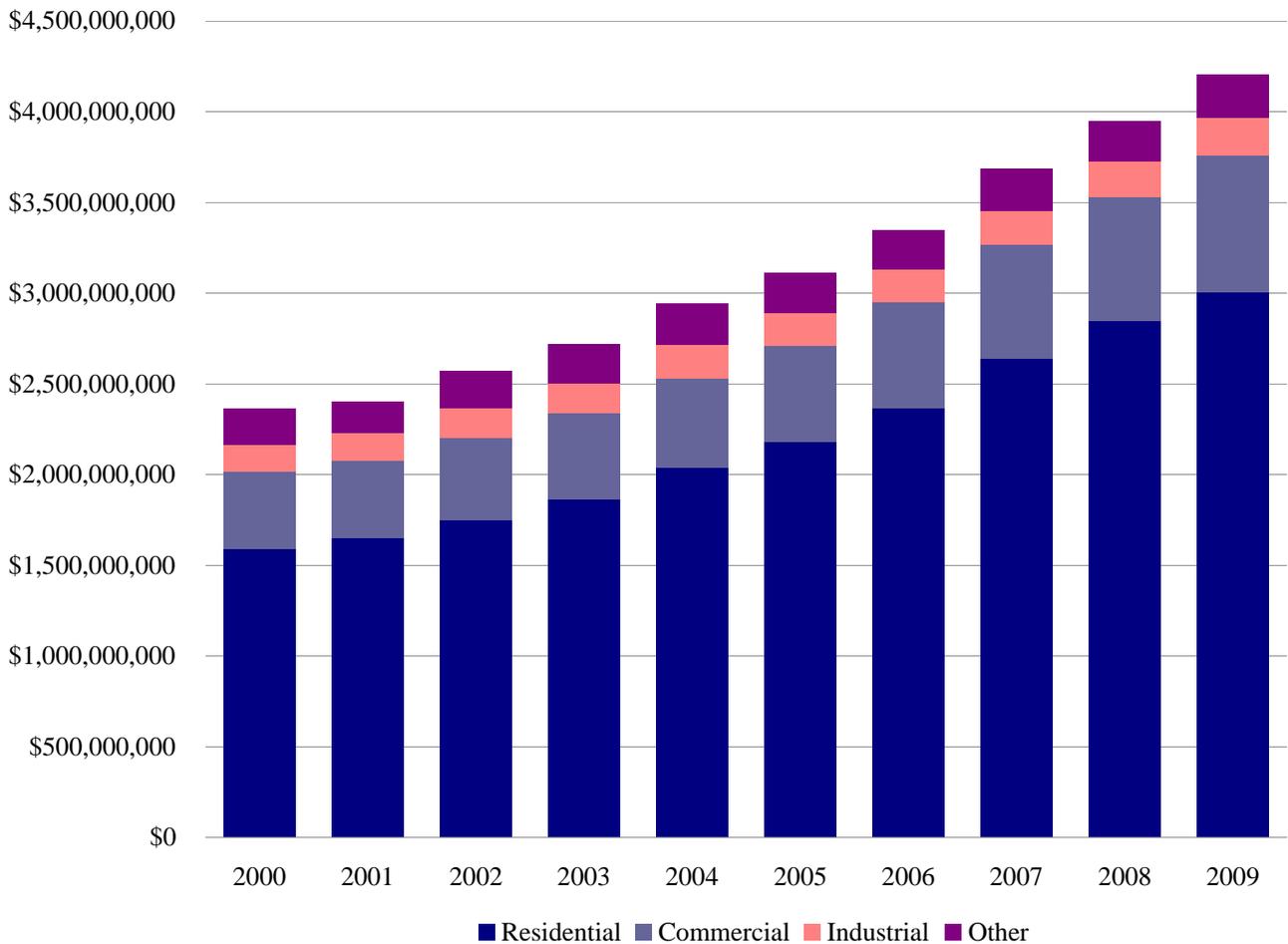


<sup>(1)</sup> Net of exemptions

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 <sup>(1)</sup>				Total	Total Direct Rate
	Residential	Commercial	Industrial	Other		
2000	\$ 1,585,674,551	\$ 430,268,561	\$ 149,785,845	\$ 198,671,402	\$ 2,364,400,359	0.34148%
2001	1,650,169,306	425,756,702	156,373,309	169,641,668	2,401,940,985	0.32136%
2002	1,749,015,590	453,874,642	163,818,342	202,569,602	2,569,278,176	0.32477%
2003	1,864,162,218	469,980,635	168,547,933	213,101,378	2,715,792,164	0.32407%
2004	2,033,624,138	498,130,278	181,385,545	226,448,157	2,939,588,118	0.31334%
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	0.30933%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	0.30800%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	0.30936%
2008	2,851,328,670	675,399,224	201,466,528	222,576,277	3,950,770,699	0.31151%
2009	3,005,135,149	752,579,095	209,086,234	240,897,349	4,207,697,827	0.32372%

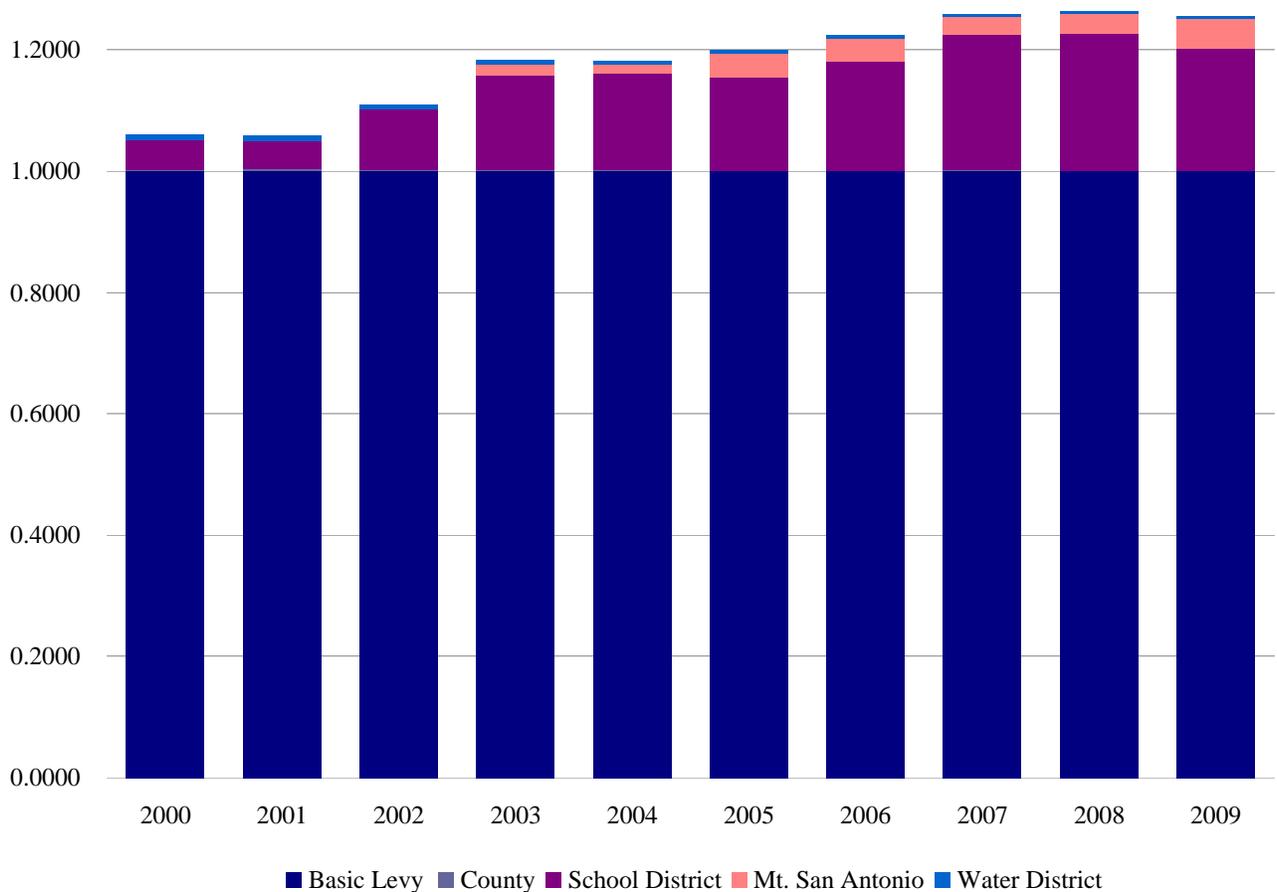


<sup>(1)</sup> Net of exemptions

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy <sup>(2)</sup>	County			School District <sup>(3)</sup>	Community		Total
		General	Flood Control	Total		College District <sup>(4)</sup>	Water District	
2000	1.0000	0.0014	0.0018	0.0032	0.0490	0.0000	0.0089	1.0611
2001	1.0000	0.0013	0.0016	0.0029	0.0472	0.0000	0.0088	1.0589
2002	1.0000	0.0011	0.0011	0.0022	0.0995	0.0000	0.0077	1.1094
2003	1.0000	0.0010	0.0009	0.0019	0.1550	0.0195	0.0067	1.1830
2004	1.0000	0.0010	0.0005	0.0015	0.1589	0.0153	0.0061	1.1817
2005	1.0000	0.0009	0.0002	0.0011	0.1525	0.0406	0.0058	1.2000
2006	1.0000	0.0008	0.0001	0.0009	0.1795	0.0389	0.0052	1.2244
2007	1.0000	0.0007	0.0001	0.0008	0.2249	0.0289	0.0047	1.2592
2008	1.0000	0.0000	0.0000	0.0000	0.2262	0.0336	0.0045	1.2643
2009	1.0000	0.0000	0.0000	0.0000	0.2027	0.0477	0.0043	1.2547



<sup>(1)</sup> Per \$100 of assessed value

<sup>(2)</sup> 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).

<sup>(3)</sup> Azusa Unified School District, Charter Oak Unified School District and Covina Valley Unified School District

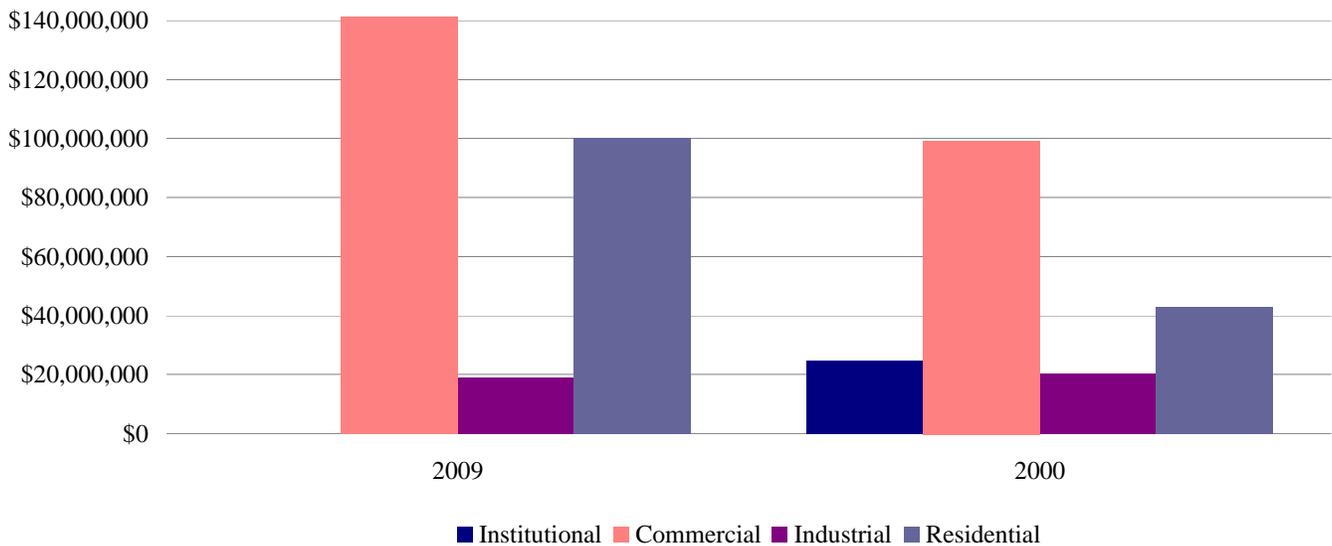
<sup>(4)</sup> Citrus Community College District and Mt. San Antonio Community College District

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA  
Principal Property Owners  
June 30, 2009

Taxpayer	Primary Use	2009			2000		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(1)</sup>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(1)</sup>
Ikea California LLC	Commercial	\$ 54,778,661	1	1.39%	\$ -	-	-
Vista Pointe Apartments LLC	Residential	42,740,398	2	1.08%	-	-	-
PPC Covina Apartments LLC	Residential	38,769,650	3	0.98%	-	-	-
KIR Covina Limited Partnership	Commercial	36,488,402	4	0.92%	-	-	-
FNL of Covina Partners LLC	Commercial	28,228,500	5	0.71%	-	-	-
Spirit SPE Covina LLC	Commercial	26,105,715	6	0.66%	-	-	-
Brisam Covina LLC	Commercial	22,440,000	7	0.57%	-	-	-
New Albertsons Inc	Commercial	19,414,593	8	0.49%	-	-	-
Medsep Corporation	Industrial	18,690,591	9	0.47%	20,047,694	3	0.88%
Covina 023 Woods 206 LP	Residential	18,496,432	10	0.47%	-	-	-
Alexander Haagen Properties	Commercial	-	-	-	39,146,749	1	1.72%
Citrus Valley Health Partners Inc.	Institutional	-	-	-	24,512,699	2	1.08%
Coastal Shadowhills LLC	Residential	-	-	-	18,939,570	4	0.83%
Am Mark Label Inc.	Commercial	-	-	-	18,361,836	5	0.81%
Granada Covina Racquet Club	Commercial	-	-	-	15,501,284	6	0.68%
Wal Mart Stores Inc	Commercial	-	-	-	13,637,314	7	0.60%
J Fanti Company Tr, Et. Al.	Residential	-	-	-	12,834,297	8	0.56%
Albertsons Inc.	Commercial	-	-	-	12,536,233	9	0.55%
Covina Gardens LLC	Residential	-	-	-	11,200,411	10	0.49%
<b>Total</b>		<b>\$ 306,152,942</b>		<b>7.75%</b>	<b>\$ 186,718,087</b>		<b>8.21%</b>

**Principal Property Owners**

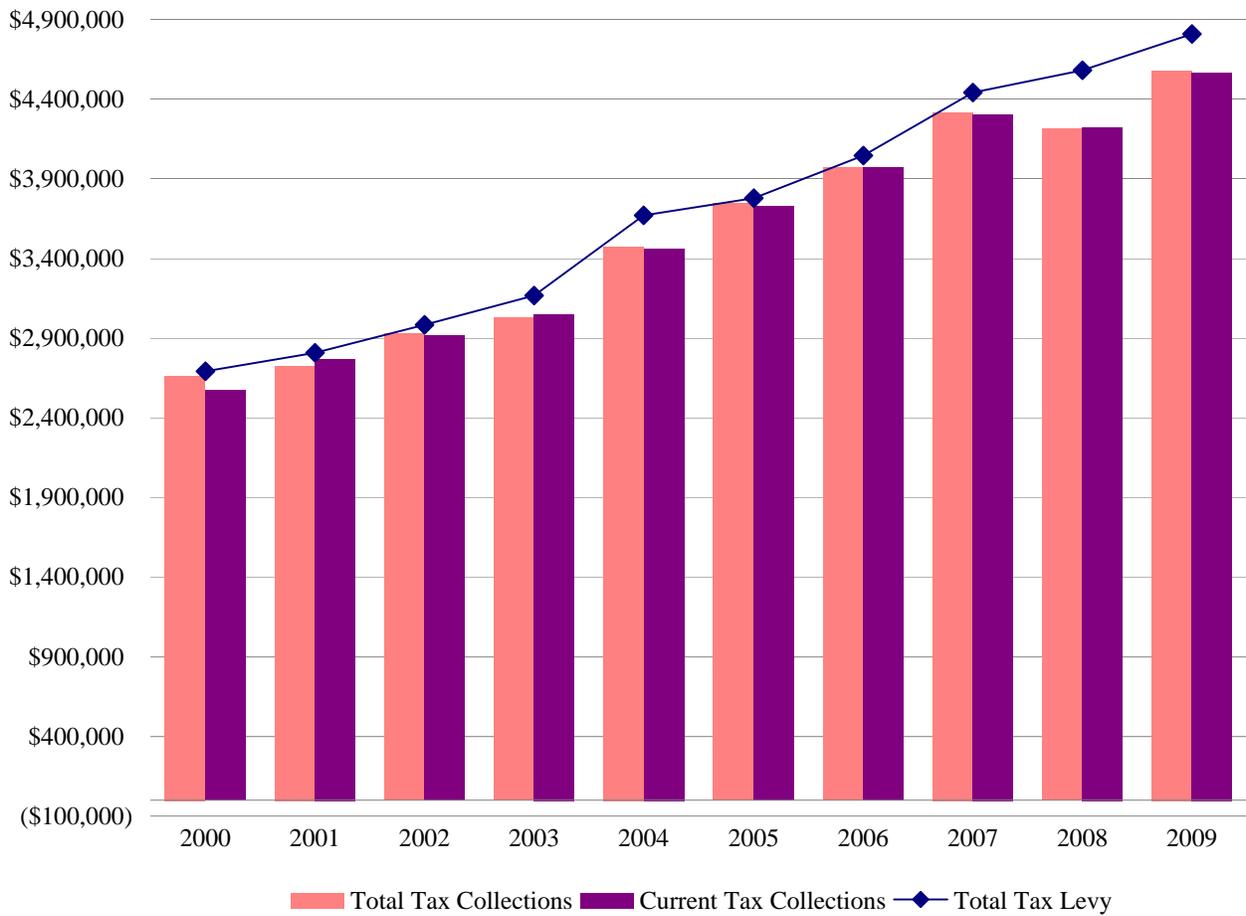


<sup>(1)</sup> Total assessed valuation of taxable property exclusive of exemptions

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Total Tax Levy <sup>(2)</sup>	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
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%
2009	4,808,286	4,566,246	95.0%	8,333	4,574,579	95.1%



<sup>(1)</sup> Includes only City general property taxes of the General Fund and Municipal Parking District Special Revenue Fund

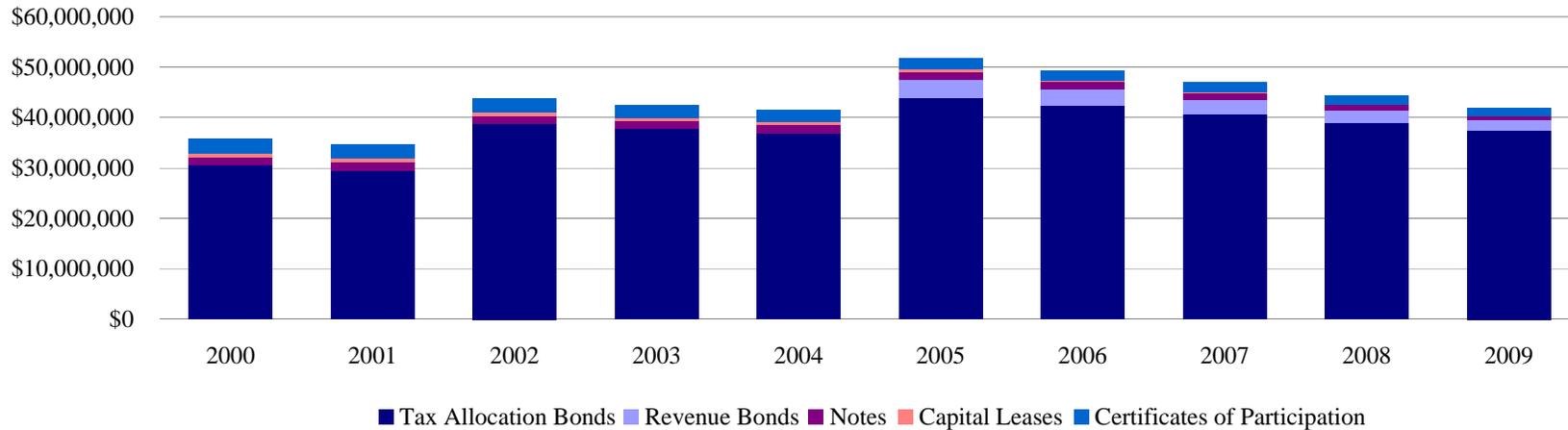
<sup>(2)</sup> Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

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 Personal Income	Personal Income <sup>(1)</sup>
	Tax Allocation Bonds	Revenue Bonds	Notes	Capital Leases	Certificates of Participation			
2000	\$ 30,380,000	\$ -	\$ 1,740,936	\$ 717,787	\$ 2,925,000	\$ 35,763,723	0.78%	\$ 279,050
2001	29,445,000	-	1,661,555	814,708	2,800,000	34,721,263	0.85%	294,508
2002	38,722,262	-	1,578,207	711,717	2,675,000	43,687,186	0.69%	301,003
2003	37,816,561	-	1,480,689	636,796	2,545,000	42,479,046	0.73%	309,827
2004	36,800,522	-	1,821,000	557,697	2,410,000	41,589,219	0.78%	326,403
2005	43,897,627	3,510,000	1,612,139	473,805	2,265,000	51,758,571	0.67%	346,053
2006	42,381,251	3,190,000	1,394,483	386,405	2,120,000	49,472,139	0.75%	373,322
2007	40,692,251	2,855,000	1,187,398	286,687	1,965,000	46,986,336	0.83%	390,296
2008	39,001,900	2,505,000	951,988	194,637	1,805,000	44,458,525	*	*
2009	37,309,792	2,135,000	761,693	81,974	1,640,000	41,928,459	*	*

**Outstanding Debt by Type-Last Ten Fiscal Years**



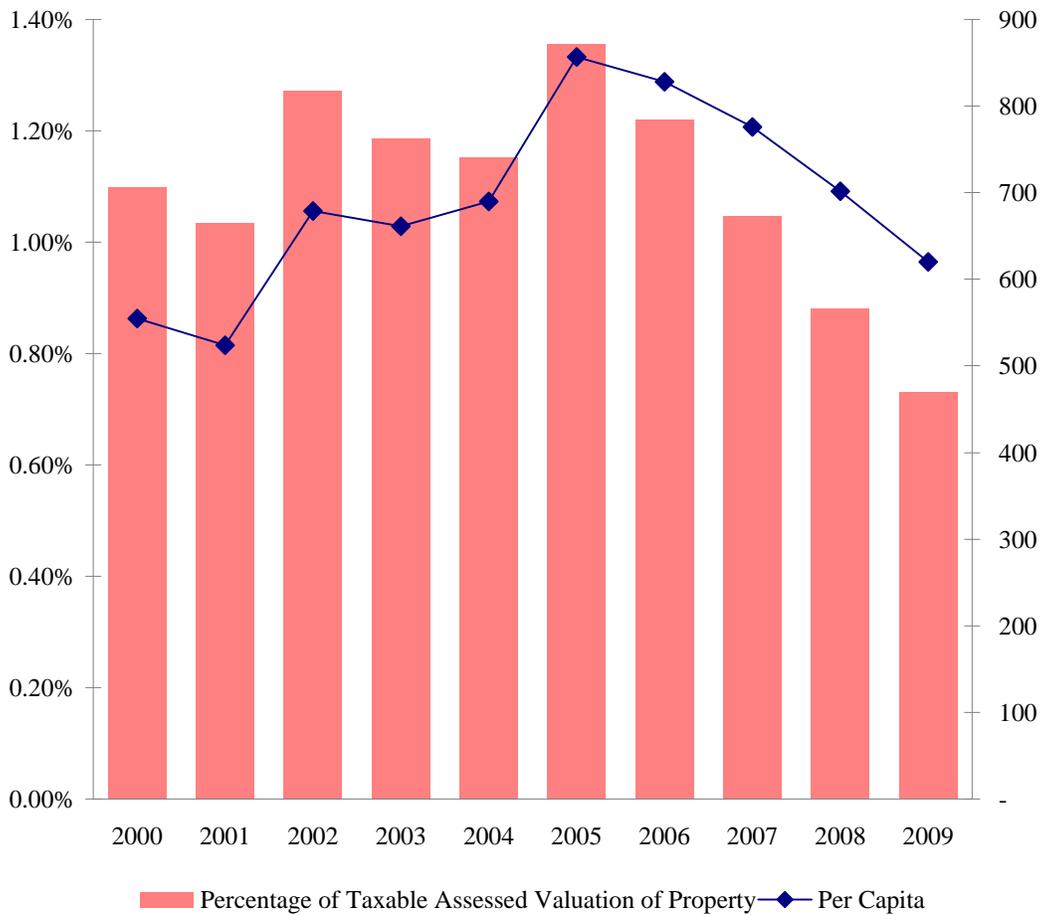
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

<sup>(1)</sup> See Demographic Statistics on page 122.

\* Information not available

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 <sup>(1)</sup> of Property	Per Capita <sup>(2)</sup>
			Service Fund			
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	
2009	37,309,792	6,584,875	30,724,917	0.73%	620	



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

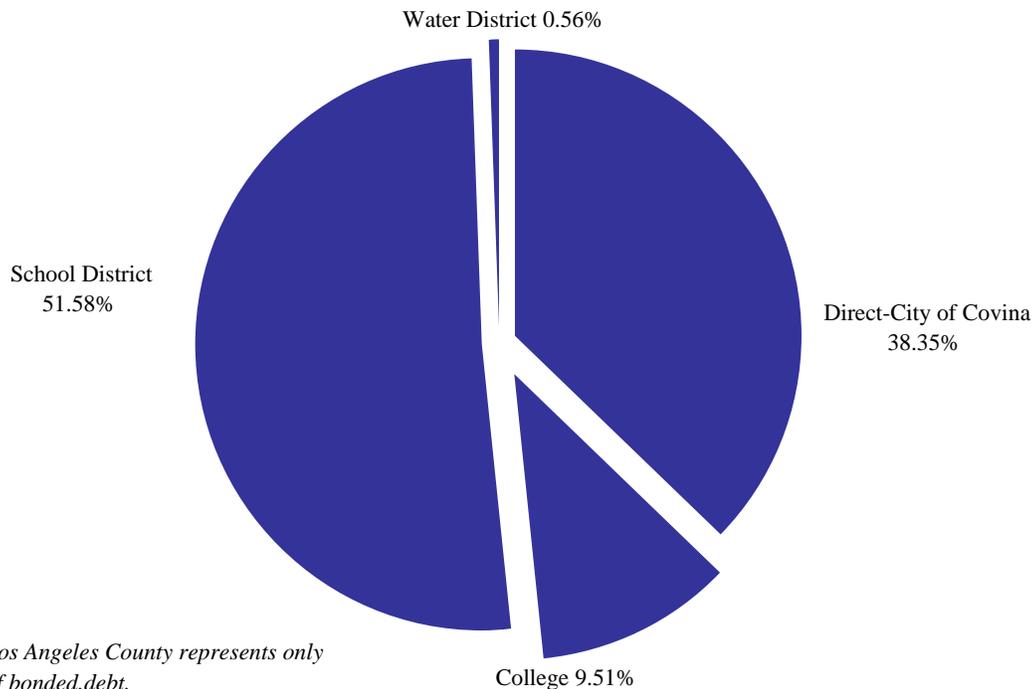
<sup>(1)</sup> See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 112

<sup>(2)</sup> See Demographic Statistics on page 122.

CITY OF COVINA, CALIFORNIA  
Direct and Overlapping Governmental Activities Bonded Debt  
As of June 30, 2009

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina	Amount Applicable to City of Covina
Direct-City of Covina <sup>(1)</sup>	\$ 39,444,792	100.000%	\$ 39,444,792
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	137,096,151	0.118%	161,773
Metropolitan Water District Area 1116001	137,096,151	0.269%	368,789
College:			
Citrus-2004 Series A Debt Service	16,170,000	0.410%	66,297
Citrus-2007 Series B Debt Service	67,860,302	0.410%	278,227
Mt. San Antonio-2001 Series A Debt Service	3,365,000	6.004%	202,035
Mt. San Antonio-2004 Series B Debt Service	11,610,000	6.004%	697,064
Mt. San Antonio-2005 Debt Service	66,810,843	6.004%	4,011,323
Mt. San Antonio-2006 Series C Debt Service	79,861,070	6.004%	4,794,859
Mt. San Antonio-2008 Series D Debt Service	26,003,609	6.004%	1,561,257
School District:			
Azusa Unified 2002 Series A Bonds Debt Service	25,738,763	1.608%	413,879
Charter Oak Unified 2000 Series A Debt Service	125,000	37.633%	47,041
Charter Oak Unified 2000 Series B Debt Service	1,250,000	37.633%	470,413
Charter Oak Unified 2005 Debt Service	8,855,000	37.633%	3,332,402
Charter Oak Unified 2006 Series D Debt Service	9,974,624	37.633%	3,753,750
Charter Oak Unified 2006 Series E Debt Service	6,410,483	37.633%	2,412,457
Covina Valley Unified 2001 Series A Debt Service	15,295,000	42.385%	6,482,786
Covina Valley Unified 2001 Series B Debt Service	23,908,330	42.385%	10,133,546
Covina Valley Unified 2006 Debt Service	45,290,000	42.385%	19,196,167
Covina Valley Unified 200 Series B Debt Service	18,999,949	42.385%	8,053,128
Total direct and overlapping debt			<u>\$ 105,881,985</u>

**Amount Applicable to City of Covina**

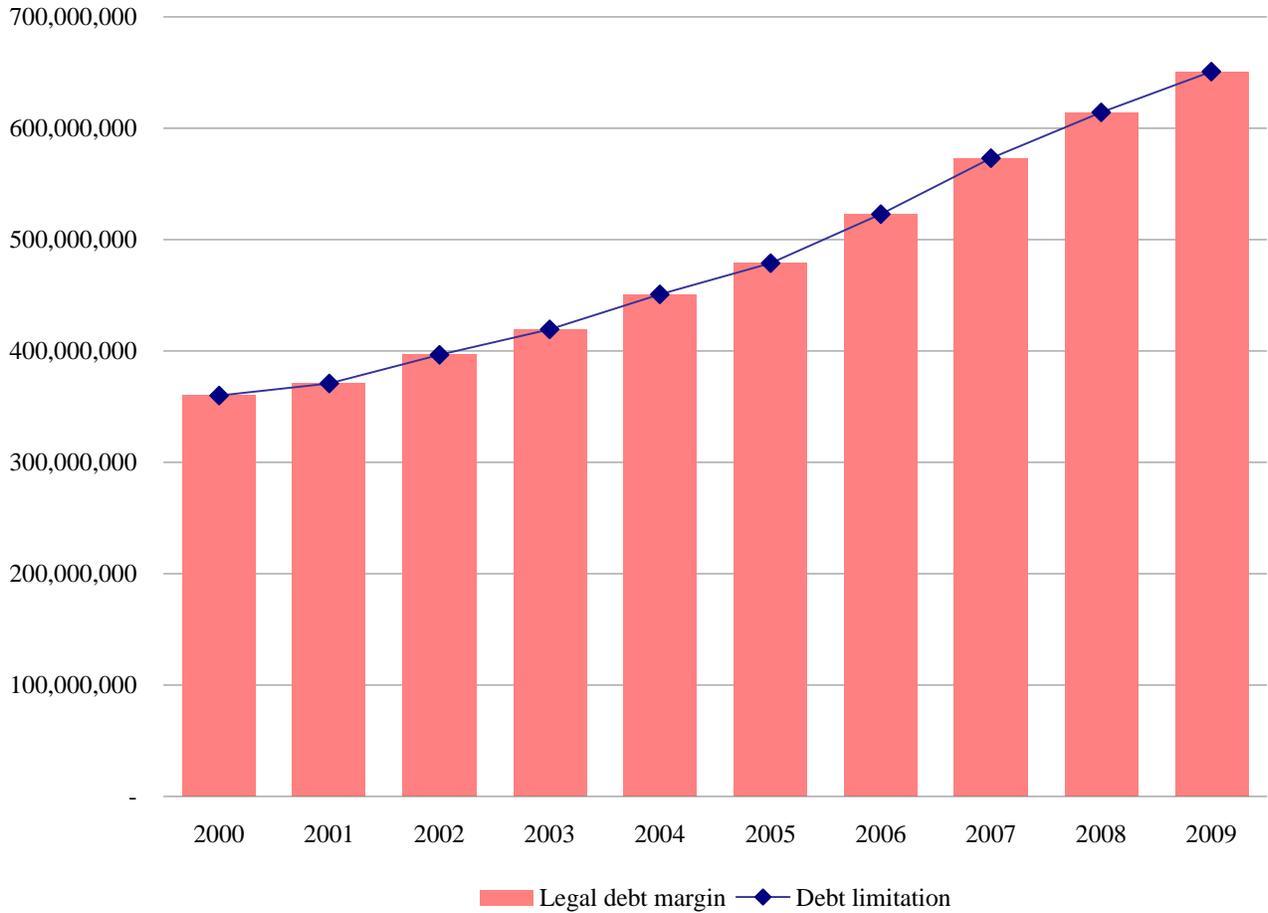


NOTE: Los Angeles County represents only 0.001% of bonded debt.

<sup>(1)</sup> Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 117.

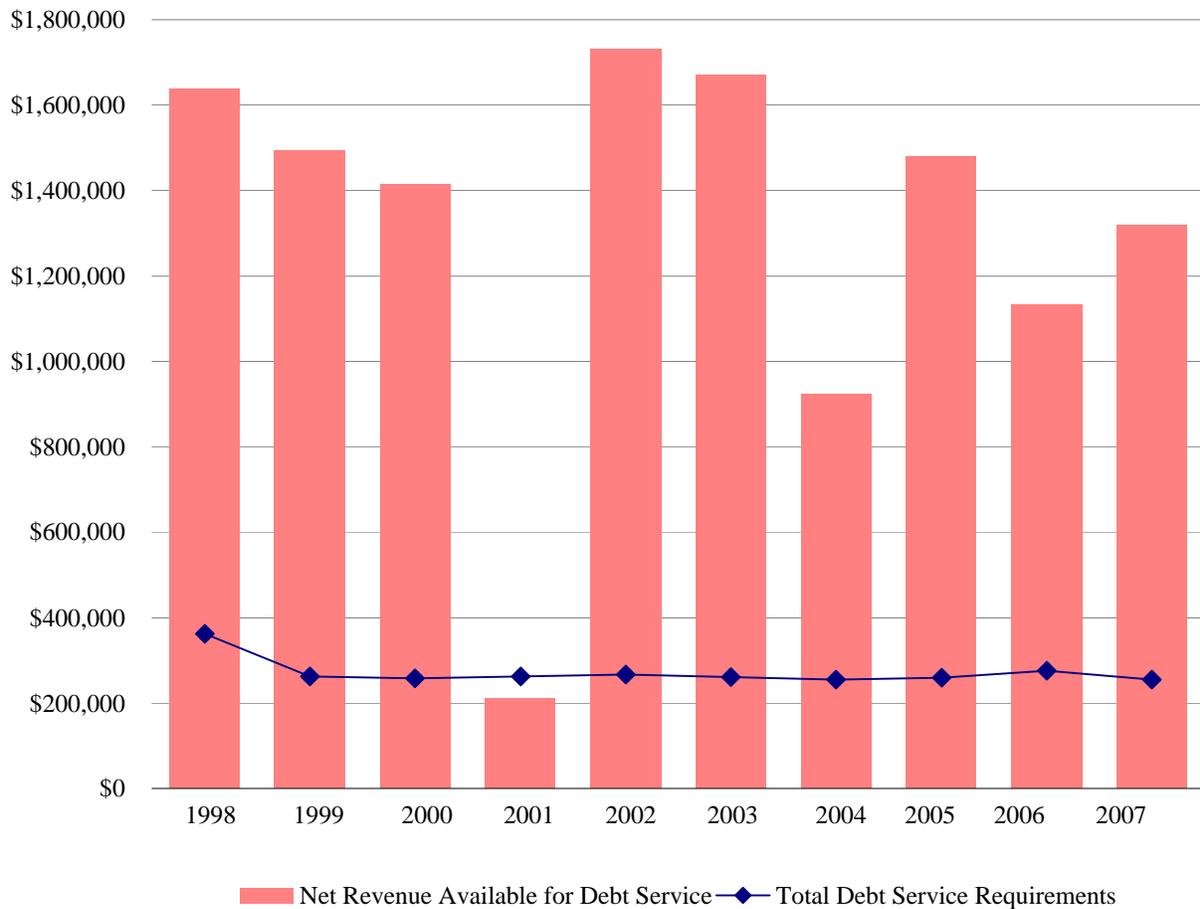
CITY OF COVINA, CALIFORNIA  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

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
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
2009	4,207,697,827	129,666,573	4,337,364,400	650,604,660	-	650,604,660



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

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	6,286,464	5,154,512	1,131,952	160,000	115,662	275,662	4.11
2009	5,544,739	4,225,309	1,319,430	165,000	89,148	254,148	5.19



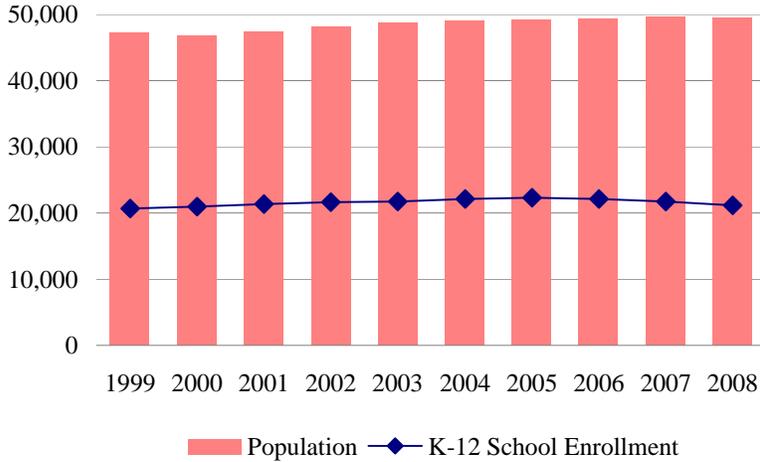
<sup>(1)</sup> Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.

<sup>(2)</sup> Total operating expenses exclusive of depreciation

CITY OF COVINA, CALIFORNIA  
Demographic and Economic Statistics

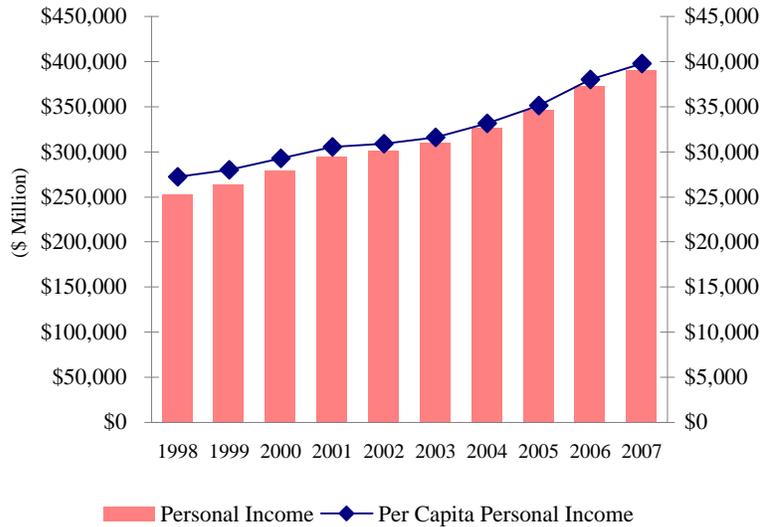
Last Ten Fiscal Years

Year	Population <sup>(1)</sup>	K-12 School Enrollment <sup>(2)</sup>
2000	46,837	20,966
2001	47,417	21,299
2002	48,075	21,670
2003	48,633	21,744
2004	48,988	22,145
2005	49,238	22,316
2006	49,225	22,144
2007	49,305	21,689
2008	49,271	21,147
2009	49,541	20,688



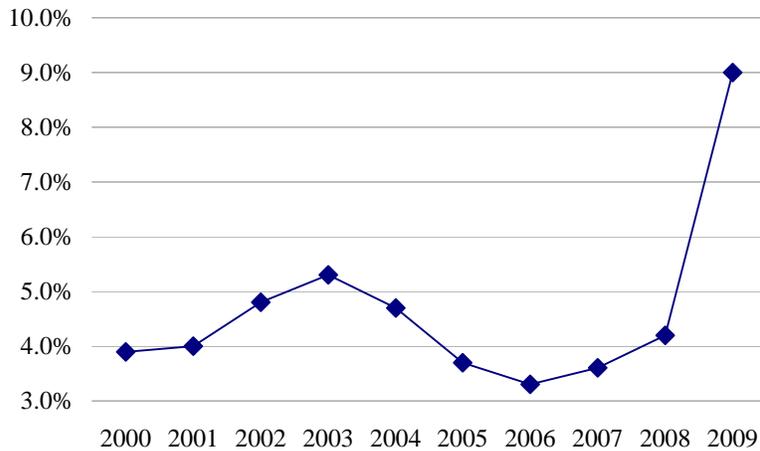
Fiscal Years 1998-2007

Year	Los Angeles County <sup>(3)</sup>	
	Personal Income (\$ Million)	Per Capita Personal Income
1998	253,516	27,220
1999	263,987	27,973
2000	279,050	29,238
2001	294,508	30,541
2002	301,003	30,924
2003	309,827	31,611
2004	326,403	33,167
2005	346,053	35,147
2006	373,322	37,991
2007	390,296	39,794



Last Ten Fiscal Years

Year	Unemployment Rate <sup>(4)</sup>
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%
2009	9.0%



<sup>(1)</sup> State Department of Finance.

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

<sup>(3)</sup> U.S. Department of Commerce-Bureau of Economic Analysis

<sup>(4)</sup> State Employment Development Department

CITY OF COVINA, CALIFORNIA

Principal Employers <sup>(1)</sup>

As of June 30, 2009

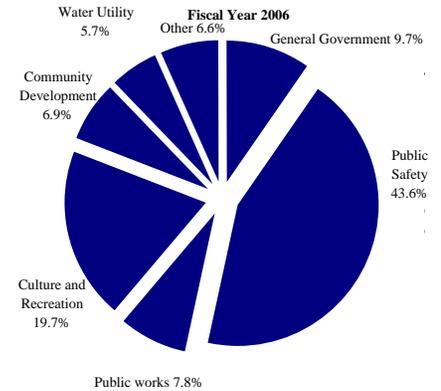
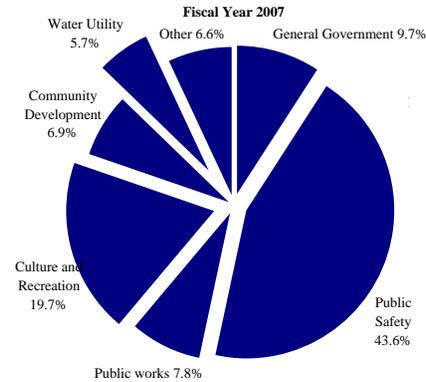
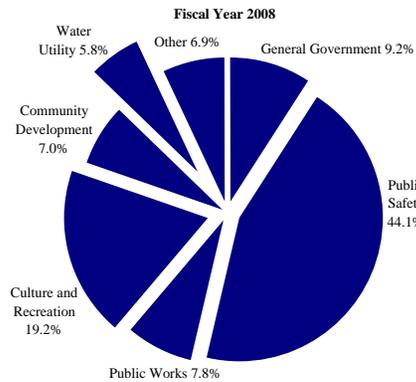
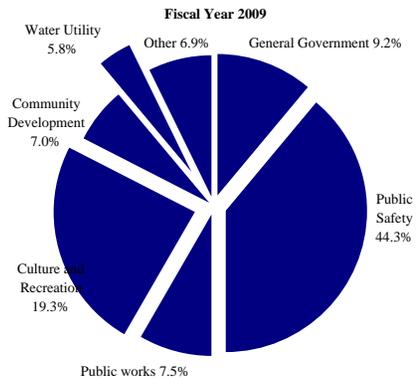
Employer	2009			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Covina Valley Unified School District	1,291	1	8.59%	2,494	1	15.91%
Citrus Valley Medical Center	1,135	2	7.55%	845	2	5.39%
Charter Oak Unified School District	584	3	3.88%	249	4	1.59%
Wal-Mart	286	4	1.90%	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%
Bert's Mega Mall	220	7	1.46%	249	6	1.59%
Pall Medical	202	8	1.34%	241	7	1.54%
Med Legal Inc	193	9	1.28%			
Ikea California LLC	186	10	1.24%			
Land America Tax & Flood Services				206	9	1.31%
Vitas Healthcare Corporation				218	8	1.39%
	<u>4,635</u>		<u>30.83%</u>	<u>5,291</u>		<u>33.76%</u>

<sup>(1)</sup> 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<sup>(1)</sup>  
Last Four Fiscal Years

	Full-Time Equivalent Positions											
	2009			2008			2007			2006		
	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total
General government	20.00	10.00	30.00	18.50	2.56	21.06	18.50	2.56	21.06	19.50	2.81	22.31
Public safety	88.00	16.00	104.00	91.00	10.00	101.00	91.00	10.00	101.00	90.00	10.50	100.50
Public works	17.00	5.00	22.00	15.00	2.00	17.00	16.00	2.00	18.00	16.00	2.00	18.00
Culture and recreation	22.00	43.00	65.00	22.00	21.88	43.88	22.00	21.88	43.88	22.00	23.54	45.54
Community development	11.00	6.00	17.00	15.00	0.95	15.95	15.00	0.95	15.95	15.00	0.95	15.95
Transit	1.00	1.00	2.00	1.00	0.50	1.50	1.00	0.50	1.50	1.00	0.35	1.35
Redevelopment and housing	6.00	1.00	7.00	3.00	0.50	3.50	3.00	0.50	3.50	3.00	0.50	3.50
Water utility	11.00	-	11.00	12.75	0.50	13.25	12.75	0.50	13.25	12.75	0.50	13.25
Environmental protection	3.00	-	3.00	3.75	-	3.75	3.75	-	3.75	3.75	-	3.75
Central equipment	3.00	-	3.00	4.00	-	4.00	4.00	-	4.00	3.00	0.50	3.50
Management information systems	2.00	2.00	4.00	3.00	-	3.00	3.00	-	3.00	3.00	-	3.00
<b>Total full-time equivalent positions</b>	<b>184.00</b>	<b>84.00</b>	<b>268.00</b>	<b>189.00</b>	<b>38.89</b>	<b>227.89</b>	<b>190.00</b>	<b>38.89</b>	<b>228.89</b>	<b>189.00</b>	<b>41.65</b>	<b>230.65</b>



<sup>(1)</sup> No full-time equivalent positions information available prior to 2006.

Source: Finance Department Budget

CITY OF COVINA, CALIFORNIA  
Operating Indicators by Function<sup>(1)</sup>  
Last Four Fiscal Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Public safety</b>				
Police:				
Physical arrests	3,157	3,265	4,231	3,455
Parking violations	16,096	13,458	19,893	21,775
Traffic violations	7,174	6,896	8,091	8,019
Fire:				
Number of calls answered	3,537	3,951	3,477	3,511
Inspections	1,512	2,287	2,521	2,630
<b>Culture and recreation</b>				
Parks and recreation:				
Leaders-in-Training participants	70	70	70	70
Youth sports participants	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	7,450	7,212	7,946	7,867
Cultural excursion program participants	380	347	436	390
Summer evening event attendees	23,650	10,005	6,013	10,500
Senior service participants	13,434	14,350	10,836	10,211
Senior nutrition program meals served	12,300	10,074	12,075	10,871
Special events	53,000	53,000	28,000	53,200
Aquatic participants	5,400	4,115	9,630	15,132
Library:				
Reference questions	31,708	24,999	29,017	30,270
Literacy hours tutored	15,611	2,448	4,000	3,792
Library materials added	4,345	4,771	4,183	6,242
Internet service hours	24,437	20,816	24,424	32,117
<b>Community development</b>				
Planning reviews	462	359	267	450
Inspections	3,115	4,249	7,378	3,788
Permits issued	707	790	1,075	946
<b>Transit</b>				
Average daily parking customers (station & structure paid)	760	823	757	550
Dial-A-Cab participants (monthly average)	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	87	143	119	125
Metrolink Shuttle participants (monthly average)	163	0	0	0
<b>Water utility</b>				
Average daily consumption (gallons)	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	50,039	50,509	50,509	50,509
Meter replacements	1,053	619	619	619
Consumer responses	2,889	5,888	5,888	5,888
Service line repairs	148	109	109	109
Main line repairs	53	72	72	72
<b>Street Maintenance</b>				
Traffic sign remove/replace/install	261	229	229	229
Potholes repaired	1,047	533	533	533
Curbs painted (lf)	20,681	32,704	32,704	32,704
Utility cuts repaired	156	116	116	116
Trees trimmed	565	294	294	294
<b>Equipment Maintenance</b>				
Preventative maintenance service	309	336	336	336
Safety inspections	423	445	445	445
Daily demand repairs	936	1,045	1,045	1,045
Tire repairs	262	234	234	234
<b>Environmental protection</b>				
Refuse collected (tons/month)	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	202	211	226	290
Green waste collected (tons/month)	550	567	579	620
Compressed natural gas sold (gallon equivalents)	18,542	16,496	19,521	22,318

<sup>(1)</sup> Information provided by various departments for last four fiscal years. No indicators for general government, public works and redevelopment and housing.

CITY OF COVINA, CALIFORNIA  
 Capital Asset Statistics by Function <sup>(1)</sup>  
 Last Four Fiscal Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General government</b>				
Buildings-civic center	1	1	1	1
<b>Public safety</b>				
Police:				
Stations	1	1	1	1
Patrol units	26	26	26	26
Fire stations	3	3	3	3
<b>Public works</b>				
Arterial streets (miles)	35	35	35	35
Residential streets (miles)	82	82	82	82
Curb and gutter (miles)	240	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,001,000	1,000,000
Traffic signals	60	58	58	56
Sanitary sewer (miles)	121	121	121	120
Storm water catch basins	71	72	65	65
Street trees	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	-	-
<b>Culture and recreation</b>				
Parks and recreation:				
Park acreage	57	57	57	57
Parks	9	9	9	9
Horse-walking trails	1	1	1	1
Nature trails	1	1	1	1
Playground areas	8	8	8	8
Swimming pools	2	2	2	2
Softball fields	3	3	4	4
Baseball fields	3	3	3	3
Basketball courts	10	10	5	5
Roller hockey rinks	2	2	2	2
Tennis courts	3	3	9	9
Buildings and centers	12	12	3	3
Library buildings	1	1	1	1
<b>Transit</b>				
Parking structure (vehicle spaces)	655	655	655	655
Parking lot (secured bicycle spaces)	36			
Transit vehicles	4			
<b>Redevelopment and housing</b>				
Transitional housing	1	1	1	1
<b>Water utility</b>				
Reservoirs	8	8	8	8
Pump stations	6	6	6	6
Water mains (miles)	102	102	102	102
Service meters	8,329	8,443	8,470	8,470
Fire hydrants	1,037	1,006	1,003	991

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