



City of Covina, California



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

CITY OF COVINA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

John King, Mayor

Kevin Stapleton
Mayor Pro Tem

Walter Allen III
Council Member

Robert Low
Council Member



Peggy Delach
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, 2011

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CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

February 15, 2012

Honorable Mayor and City Council
City of Covina
Covina, California

The Comprehensive Annual Financial Report of the City of Covina (City), California, as of June 30, 2011 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'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 & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2011. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report.

The City 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 internal controls, and compliance with applicable laws and regulations.

Profile of the City of Covina

The City 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 47,796 according to the State of California Department of Finance.

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

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

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

general municipal activities, the City provides water, sewer, and refuse and recycling collection services.

The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City’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.

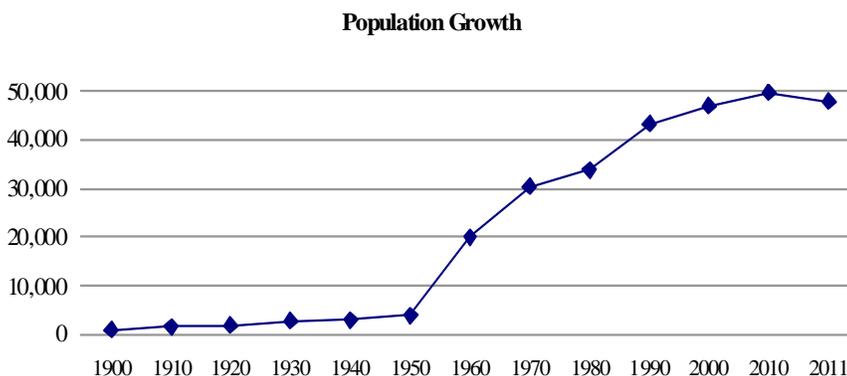
In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Covina Public Financing Authority, the Covina Redevelopment Agency, and the Covina Housing Authority in the financial report. The Covina Redevelopment Agency was created in 1969, 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 are good. The population has grown as follows:

Year	Population
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
2010	49,622
2011	47,796



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

Much of the local development of the City 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, the City was a major citrus producing area.

The character of the City 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. The City consistently ranks high in retail sales tax generation and sales tax per capita among San Gabriel Valley cities. This is primarily due to the mix of retail businesses located in the City. 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 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 for calendar years 2007 through October 2011:

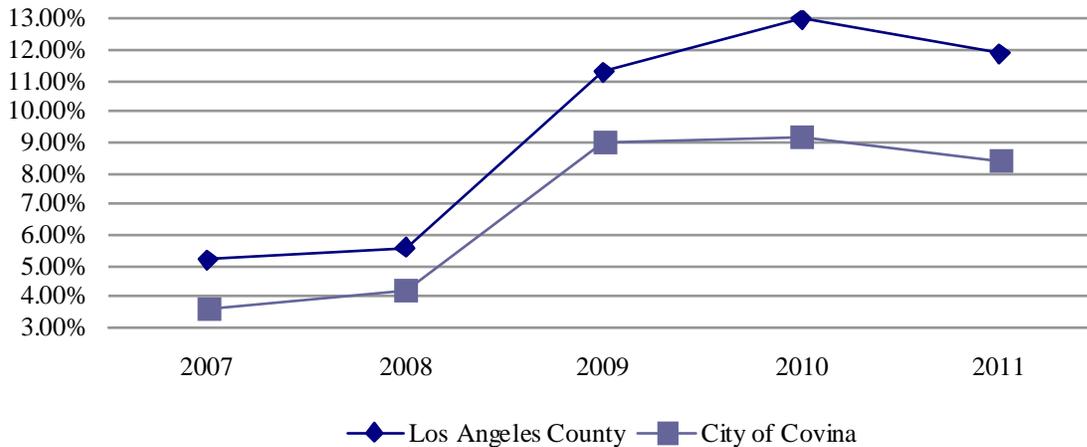
LOS ANGELES COUNTY AND CITY OF COVINA STATISTICAL AREA
Civilian Labor Force, Employment, Unemployment and Unemployment Rate
Annual Averages (000's) ⁽¹⁾

	2007		2008		2009		2010		2011	
	County	City								
Civilian labor force ⁽²⁾	4,975	26.7	4,995	26.3	4,971	25.7	4,909	25.7	4,899	25.7
Employment	4,717	25.7	4,717	25.2	4,410	23.4	4,272	23.3	4,316	23.5
Unemployment	258	1.0	435	0.1	560	0.2	637	2.4	583	2.2
Unemployment rate	5.2%	3.6%	8.7%	4.2%	11.3%	9.0%	13.0%	9.2%	11.9%	8.4%

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ 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
 - *Encumbrances and contractual commitments*
 - *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
 - o *Capital needs*
 - o *Offset economic hard times*
 - o *Stabilize fluctuations in cash flow requirements*
 - o *Emergency Situations*
- General Fund
 - o *Minimum of 20% of operating expenses-reserve exclusive of risk management requirements*
 - o *Excess reserves will be assigned for nonrecurring activities or capital improvements*
 - o *Maintain general liability and worker's compensation reserves based on actuarial recommendations*
- Restricted Funds
 - o *Reserves can be used for only restricted purposes*
 - o *Excess reserves can be restricted 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
 - o *Make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses*
 - o *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 \$50,000 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 have been implemented to date. City staff is in the process of developing a five-year financial plan. The challenge in developing such a plan has been the periodic impacts local governments have experienced as a result of the State fiscal crisis.

Major Initiatives

For the Year.

In January 2011, the City Council awarded a contract to Tyler Technologies for a new MUNIS software application to replace a ten-year old system that had outlived its useful life. The new software will cover Financials, Payroll and Human Resources, Risk Management, Business License and Permitting. This fully integrated system will enable these modules to communicate with each other and enable real-time reporting giving management a much needed tool to make decisions during these challenging economic times. The City has invested \$1.6 million over 7 years for this major enhancement. It should also be noted that the City chose to utilize an Application Service Provider (ASP) model due to our limitations in staffing in the Information Technology Division. This model enables the City to have the software housed by Tyler Technology remotely providing us the required disaster protection as well as a lower cost option. The Financial module was implemented and went live on October 1st 2011 with Payroll/HR/Risk Management going live January 2012 with the final phase consisting of Business License and Permitting scheduled to go live in the Spring of 2012.

In February 2011, the Finance Department transitioned the Solid Waste billing from in-house billing to being billed by Athens Services. This transition was per the new agreement between the City and Athens Services.

Funded by a combination of Federal Highway Administration formula funds and Wastewater and Water Enterprise System Revenue bond funds, the Public Works Department spent approximately \$1 million improving Puente Street from Barranca Avenue to Armel Drive; upgrading the underlying water distribution system and sanitary sewer system before resurfacing the entire roadway. The underlying infrastructure improvements were completed during this fiscal year; with the street improvements being initiated during the fiscal year with a completion date in the following fiscal year.

The fiscal year also saw major renovations and improvements of the Water Utility's billing and customer service operations with the replacement of all of the Water Utility system's 8,000+ service meters; the installation, integration and operational implementation of an Automated Meter Reading (AMR), billing and accounting system; transfer of primary customer service and billing operations to the Public Works Department to establish "one-stop" customer service capability for all customer related activities including turn-on, turn-off, billing inquiries, and payment; and the transition from bi-monthly service billing to monthly billing.

Finally, the fiscal year also entailed a significant level of engineering activity in preparation for the construction of a variety of sanitary sewer and water capital projects including the upgrading of approximately 7 linear miles of sanitary sewer mains, upgrading of a sanitary sewer lift station's pumps, construction of an auxiliary water utility pump station, the refurbishing of two water utility reservoirs, the construction of a new 3 million gallon water reservoir, and the construction of various water distribution system improvements. With the design work for these projects being completed this year, the stage will be set for their construction to be completed during the following fiscal year.

During the 2010-2011 fiscal year, the Human Resources Department was able to successfully negotiate multi-year MOUs with AFSCME, the Police Association of Covina, Police Management Association and the Unaffiliated group (comprised of mid-management employees). In addition, Human Resources negotiated a contract with Keenan and Associates, which is the new third party administrator for the city's workers' compensation program. Another achievement was recruiting for 36 positions throughout the city. The 2010-2011 fiscal year also saw the beginning of the new Human Resources/Payroll system. Human Resources staff was instrumental in getting this program off to a successful start that will come to fruition during the 2011-2012 fiscal year.

The Parks & Recreation Department continues to provide outstanding customer service to the residents of the City and our surrounding communities. The administrative staff handled more than 30,000 customer contacts, and more than 15,000 program registrations were processed this year. A \$5,000 grant was obtained from Home Depot for the Covina Valley Historical Society. A \$2,500 grant was obtained from Home Depot for the renovation of the inside of the Recreation Hall. The division oversees the Leisure Lifestyle Classes program, which facilitates over 130 different classes each season with 7,350 participants and gross revenues of \$230,000. Dance and Piano recitals are held twice per year with a total of 1,600 in attendance. The Cultural Excursion program offered 9 successful one-day trips with 530 participants.

The Community Relations Division secured over \$16,000 in sponsorships for the Summer Evening Entertainment program, which was attended by over 27,000 people. Staff assisted with the Covina Valley Historical Society's Centennial Celebration of the Firehouse Museum. Over 1,300 volunteer service hours were also coordinated by this division.

In the Recreation Services Division, the very successful Summer Day Camp program was attended by over 600 youth. In the Youth Sports area, more than 1,100 children between the ages of 3 and 11 learned new skills and had fun playing t-ball, softball, soccer, flag football, and basketball. The Leaders-in-Training program gave 67 teens the opportunity to learn valuable life skills and serve the community with over 5,700 volunteer hours. A successful Martin Luther King Jr Day event was held jointly with Northview High School, which included several service projects at Covina Park.

The Park Facilities Division continues to do an outstanding job maintaining 53 acres of parkland, including playgrounds, park buildings, park restrooms, turf and tree maintenance, irrigation repairs and much more. The Park staff also provided close to 400 hours of assistance to the department's recreation programs and special events. Through the Air Quality Management District (AQMD) grant, the division planted close to 100 new trees in City parks. Three Eagle Scout projects were facilitated and assistance was provided to the annual Church Community Service Project Day, which included the painting of the Heritage House in Covina Park.

The Senior Services Division provided older adults in the community with programs and services to enhance their lives. Over 15,000 meals were served as part of the daily Nutrition Program, and more than 19,000 seniors took part in or benefited from information and referral services, case management services, seminars, classes, excursions and special events.

In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served over 7,900 participants during the summer months.

The Parks & Recreation department coordinated several very successful community-wide events with combined attendance over 50,000, including Thunderfest Car Show and Music Festival, the annual Covina Christmas Parade, and the Halloween Carnival.

The Library had over 200,000 visitors during the year, with over 157,000 items checked out and nearly 21,000 computer uses. Library volunteers donated over 5,000 hours of service. The Children's Storytime program grew by nearly 35%. The first joint Summer Reading Program with Covina-Valley Unified School District was successful with an average of 70 students per day participating. The Homework Help program was significantly restructured and improved, and organizational improvements were made to several sections of the Library collection, as well as with the process for accepting donated materials.

Through a project with IKEA-Covina, Library patrons now enjoy a redesigned and beautified Community Room. A \$2,500 grant was obtained from Home Depot, and was used to renovate the public restrooms, lobby area, and display boxes. The work was completed by Home Depot staff volunteers and Park Division staff. Through an Eagle

Scout project, the Library now has 18 new bookcases, which has allowed for better organization of donated materials. The Library also replaced seven computers in the adult section and installed an AWE Station interactive computer in the children's section.

A "Banned Books Week" was celebrated, which included a display of titles which have been challenged or banned in the United States. The display received considerable attention and positive feedback from Library patrons. The Food for Fines program generated many donations of non-perishable food items which were given to Covina Area Emergency Aid. During Library Card Sign-up Month, a special incentive was offered and several hundred new members were entered into a drawing for a Los Angeles Zoo membership. Library staff also prepared a successful application for Dee Grammatikas to receive a YWCA Women of Achievement Award.

The Library received a \$10,000 training grant for the California's Family Place Library program. The training was attended by the Children's Senior Librarian and the Parks & Recreation and Library Services Director.

The Police Department has continued its tradition of providing exceptional law enforcement services to the citizens of the City. Dispatch processed 147,883 telephone calls which included 911 and 7 digit cell phone calls. The department took in 46,498 calls for service and responded to 44,837 of those calls. The average response time for Priority 1 calls for the year is 3:03 minutes. As far as criminal statistics, 2010 was a good year wherein violent crime was down 12% and property crime was down 3% from the previous year. The Police Department was awarded \$16,121 from the Justice Assistance Grant (JAG) program. This will fund the coordination of the Youth Accountability Board (YAB) which has been successful in youth outreach and lowering the recidivism rate amongst youth that participate. Additionally, \$100,000 in grant funding was received to fund two Community Services Officers and the traffic division received grant funding for DUI enforcement as well as 'Click it or Ticket' seatbelt enforcement. For the past year, the "Hybrid" shift deployment was in effect. This deployment method utilized a team policing philosophy and included 4/10 shift deployment during the week and 3/12 ½ shift deployment on the weekends which allowed for additional shift coverage, training coverage and a continued reduction in overtime costs.

The Covina Police Department is committed to using available technology to continually improve customer service. The Department has expanded on-line services to improve overall management of parking related matters. This includes the purchase of AutoCite Handheld Ticketing Devices to facilitate and automate parking enforcement. The Department also outsourced the parking citation processing and delinquent payment collections to enhance revenue sources. Furthermore, this enhancement included web based Administrative Review processing that allows violator to view a photograph of the actual citation. The Department now utilizes Sokkia diagramming software and hardware. This advanced technology enables investigators to efficiently diagram major crimes and collision scenes and accurately document evidence content during an investigation. The Department implemented more structured trainee training guidelines for both Communications and Records. This implementation paints a clearer picture to the trainee, the trainer and the supervisor on the progress of the trainee and identifies any concerns in the training program. The Department continued participation in the county wide public safety communications system called LARICS and sends a voting representative to the meetings for the development of this endeavor. The Department successfully passed all inspections by several authorities which include Presiding Judge of The Juvenile Court, Fire and Life Safety, LA County Environmental Health, LA County Nutritionist, and Civil Grand Jury. The Department utilized the talents of 22 active volunteers with a combined 3,800 of donated hours this year. Volunteers performed duties in the areas of patrol, office work, special events, etc. In the area of strategic planning and emergency response, the Covina Police Department in the past year has completed the City's Emergency Operations Plan which is the basis for any major disaster response in the City.

"It was the best of times, It was the worst of times" Dickens words provides a good description of the Covina Redevelopment Agency's (Agency) fiscal year 2010-2011. This year saw several major projects move forward including, Citrus Walk, Vintage Walk Phase II, Covina Gardens, Shoppers Lane Parking Lot, and Heritage Plaza Park. It also has seen the elimination of Redevelopment by the State that led to several Agency actions regarding long term contracts with the City to continue services, the formation of a Housing Authority, and the agreement to pay the "voluntary payment" to the State so that the Agency could continue, which became null and void due to the State court decision. Citrus Walk, a mixed-use transit oriented development, consists of 49 for sale condo units (eight of which have 45 year covenants requiring moderate income housing) and 8000 square feet of retail. For this project the Agency acquired blighted properties, relocated businesses, prepared the site through demolition of above ground structures, and sold the vacant property to the Developer, the Olson Company, for the mixed-use project to take place north of Italia Street. Vintage Walk Phase II consists of 30 for sale condo units (three of which have 45 year covenants requiring moderate income housing) at a transit oriented development site. Covina Gardens is the

substantial rehab of 89 apartment units and covenants assuring their affordability for the next 55 years. The Shoppers Lane Parking Lot project was a public project involving sustainability and decreased long term maintenance costs that have helped transform a formerly blighted and dark parking lot into a clean solar lighted lot. Heritage Plaza park is a public improvement of an underused public facility and incorporating the design into our transit oriented downtown Town Center Specific Plan. The new park will provide those who visit, shop, and live within the Downtown area a location for gathering and enjoyment.

In addition to the aforementioned projects the Agency worked on several other projects including but not limited to the following: The Agency entered into an agreement with the Covina Valley Unified School District to help fund a new industrial job training facility. The Agency worked with a multi-Agency task force to consider a joint project area to deal with regional issues along Arrow highway. The Agency donated a property purchased with low-to moderate income housing funds to Habitat for Humanity and they are finalizing construction of a single family home for a qualifying family. Agency staff worked with Lowes to assist them through the entitlement processes and in dealing with regulatory entities like Edison. The Agency maintained and updated leases on Agency property and conveyed public facilities to the City. The Agency continues to market properties in the project areas in order to eliminate blight including the property at the southwest corner of Citrus Street and Rowland, and has entered into an Exclusive Right to Negotiate with a possible end-user. The Agency marketing materials were updated to assist in our business outreach and retention efforts, and both web-based and print advertising were used to attract and retain businesses. The updated web sites may be viewed at www.covinaopportunity.com and www.shopcovina.org. In working to eliminate blight the Agency assisted in the coordination of downtown activities with the Covina Downtown Association for events such as Farmers Market, Sunday Car Shows, Wine Walks and annual charity fundraiser; Dare to Care Hair Cut-a-Thon/Pat Allen Day. The Agency continued the revitalization of downtown by partially funding the Annual Thunderfest/Music Festival.

For the Future.

In January 2011, the Governor announced his intent to eliminate redevelopment agencies as a way to help balance the State budget. The Legislature then enacted and the Governor signed Assembly Bill 1X 26 (“AB 1X 26”) and Assembly Bill 1X 27 (“AB 1X 27”). These bills took effect on June 20, 2011.

AB 1X 26 immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolves redevelopment agencies effective October 1, 2011. AB 1X 27 allowed a city or county that had a redevelopment agency to avoid dissolution by adopting an ordinance agreeing to make specified payments to reduce the State budget deficit.

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

The above action creates challenges for new projects to eliminate blight, create jobs, provide and maintain affordable housing and carry out State mandates regarding sustainability.

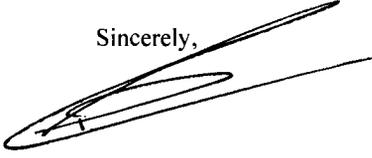
Awards and Acknowledgments

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, 2010. This was the ninth 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 with special recognition of Debbie Pacheco. 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 Parrish
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, 2010

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

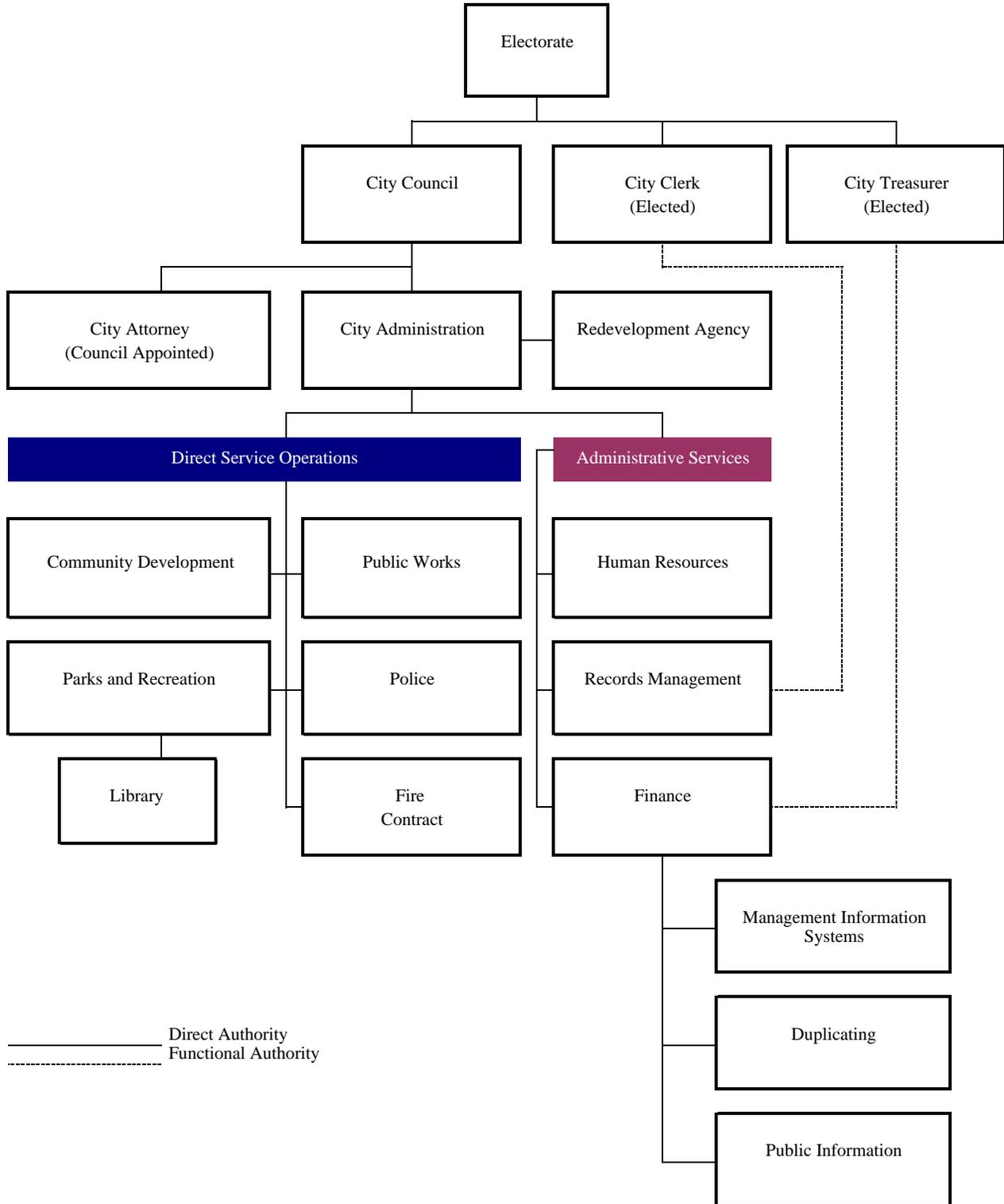


President

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart
June 30, 2011



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2010-2011

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: John C. King	March 2013
Mayor Pro Tem: Kevin Stapleton	March 2013
Council Members: Walter Allen III Robert Low Peggy A. Delach	March 2011 March 2013 March 2011
City Clerk: Catherine LaCroix	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: * Marco Martinez	June 2010
Finance Director: Dilu de Alwis	September 2009
Human Resources Director: Anthony Arroyo	September 2009
Police Chief: Kim Raney	December 1977
Fire Chief: ** P. Michael Freeman	April 2002
Public Works Director: Steve Henley	August 2006
Parks and Recreation Director: Amy Hall-McGrade	July 1983
Community Development Director: Robert Neiuber	July 1990

* Appointed by City Council

** Appointed by Los Angeles County Fire District

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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 City of Covina, California, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 as of June 30, 2011, 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 25 to the financial statements, on June 29, 2011, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill 1X 26) unless certain payments can be made to the State of California (Assembly Bill 1X 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies under Assembly Bill 1X 26. Furthermore, the Court invalidated Assembly Bill 1X 27. Accordingly, the Covina Redevelopment Agency (Agency) is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in the legislation. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2011. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison schedule for the General Fund and the Low-Moderate Income Housing Special Revenue Fund; and the schedules of funding progress listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor governmental, internal service and agency funds' financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental, internal service and agency funds' financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Los Angeles, California
February 15, 2012

Management's Discussion and Analysis

(Unaudited)

Our discussion and analysis of the City of Covina's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying transmittal letter and basic financial statements and notes.

FINANCIAL HIGHLIGHTS

- * The assets of the City exceeded its liabilities at the close of the fiscal year by \$136,654,618. The Governmental Activities have unrestricted net assets of \$9,671,194, which are available to meet the City's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net assets of \$5,644,744.
- * The City's net assets decreased by \$8,489,327 or 5.8% from the previous fiscal year from operations.
- * The total cost of all City activities was \$67,338,768 for the current fiscal year. Net cost of all activities was \$42,777,372.
- * During the current fiscal year, the City's expenses exceeded net revenues of the governmental activities by \$10,065,611.
- * In the City's business-type activities, revenues exceeded expenses by \$1,576,284.
- * The total fund balances of the City's governmental funds was \$58,826,171 at the close of the fiscal year. 86.1% of this amount or \$50,502,845, is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.
- * General Fund revenues exceeded expenditures and other financing sources (uses) by \$999,391 for the fiscal year.
- * The total fund balance of the General Fund was \$11,607,880 for the year. Of this amount, \$1,323,414 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion, and \$10,284,466 is unassigned (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'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 supplementary 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 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, environmental protection, and sewer utility.

The government-wide financial statements include not only the City itself (known as the *primary government*) but also the blending of the legally separate Covina Public Financing Authority, Covina Redevelopment Agency, and Covina Housing Authority 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, 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 three categories: governmental funds, proprietary funds, and agency 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 maintains twenty 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, environmental protection and sewer 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, central equipment, workers'

compensation and general liability 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, environmental protection and sewer operations. All proprietary funds are considered to be major funds of the City. Conversely, all central equipment, management information systems, workers' compensation and general liability 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's assets exceeded liabilities by \$136,654,618 at the close of the fiscal year.

The largest portion of the City's net assets (74.6%) 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 (56.7%) 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.

The City's net assets decreased by \$8,489,327 or 5.8% during the fiscal year as a result of ongoing revenues exceeding expenses. The total cost of all City activities was \$67,338,768 for the fiscal year. Net cost of all activities was \$42,777,372.

Governmental Activities

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

Governmental Activities Net Assets

	2011	2010 *
Current and other assets	\$ 71,684,599	\$ 79,565,436
Capital assets	89,894,794	92,866,788
Total assets	161,579,393	172,432,224
Long-term liabilities outstanding	44,029,341	45,936,711
Other liabilities	3,622,958	2,502,808
Total liabilities	47,652,299	48,439,519
Net assets:		
Invested in capital assets, net of related debt	87,695,682	90,056,952
Restricted	16,560,218	24,081,433
Unrestricted	9,671,194	9,854,320
Total net assets	\$ 113,927,094	\$ 123,992,705

* Certain balances or amounts in 2010 have been reclassified to conform with the current year's presentation.

The net assets of the governmental activities represent 83.4% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, redevelopment and housing and capital projects. Restricted net assets decreased by \$7,521,215 or 31.2%. This decrease was caused by the reduction of unspent bond proceeds remaining at the end of the current year versus the prior year.

	2011	2010 *
Revenues		
Program revenues:		
Charges for services	\$ 6,263,456	\$ 5,860,281
Operating grants and contributions	3,922,703	4,016,332
Capital grants and contributions	846,430	1,332,464
General revenues:		
Property taxes	18,602,045	18,689,985
Sales taxes - intergovernmental unrestricted	4,978,892	4,661,397
Utility users taxes	4,722,506	5,275,407
Other taxes	3,986,225	2,006,842
Motor vehicles - intergovernmental unrestricted	227,618	145,828
Investment earnings	1,035,569	1,236,562
Gain on sale of land held for resale	55,176	-
Total revenues	<u>44,640,620</u>	<u>43,225,098</u>
Expenses		
General government	3,262,195	2,500,818
Public safety	20,665,646	21,354,758
Public works	5,718,211	9,372,078
Culture and recreation	3,852,381	3,775,721
Community development	1,008,595	899,683
Transit	1,771,250	1,255,587
Redevelopment and housing	16,726,583	8,509,029
Interest on long-term debt	1,676,987	1,767,365
Total expenses	<u>54,681,848</u>	<u>49,435,039</u>
Decrease in net assets before transfers	(10,041,228)	(6,209,941)
Transfers out	(24,383)	(431,157)
Change in net assets	(10,065,611)	(6,641,098)
Beginning net assets	123,992,705	130,633,803
Ending net assets	<u>\$ 113,927,094</u>	<u>\$ 123,992,705</u>

* Certain balances or amounts in 2010 have been reclassified to conform with the current year's presentation. In the past, the pass through payments made as a result of receiving tax increment had been netted against property tax revenue. In the current year, the property tax revenue is reported as gross, and the pass through payments are recorded as expenditures. In addition, property tax paid in lieu of sales tax is reclassified from sales tax to property tax revenue.

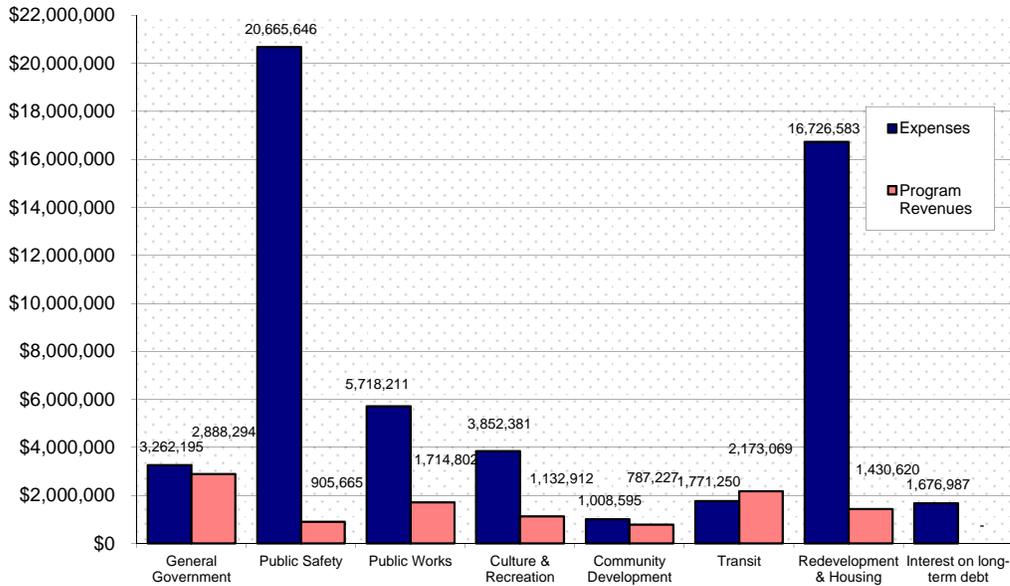
The City's expenses exceeded net revenues of the governmental activities by \$10,041,228. Revenues increased by \$1,415,522 or 3.3% from the previous fiscal year. The increase in general other taxes is attributed to increased franchise taxes during the year. Athens paid a one-time franchise tax payment during the year.

Expenses increased by \$5,246,809 or 10.6% from the previous fiscal year. The increase is primarily due to increased expenses in redevelopment and housing of \$8,217,554 offset by a decrease in expenses in public works of \$3,653,867. The redevelopment and housing expenses increase was caused by projects which began in the prior fiscal year and continued through the current fiscal year. Projects include the Olsen Citrus Walk mixed use project, Heritage Plaza park project, Shopper's Lane project, Habitat for Humanity project and YWCA Wings Shelter Transitional shelter housing component. Funding expended for these projects were bond fund proceeds, land proceeds and tax increment.

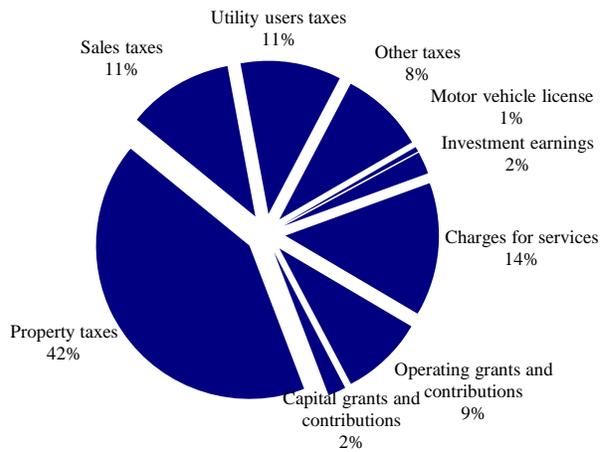
Net expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. The transit function recovered its expenses with program revenues. General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



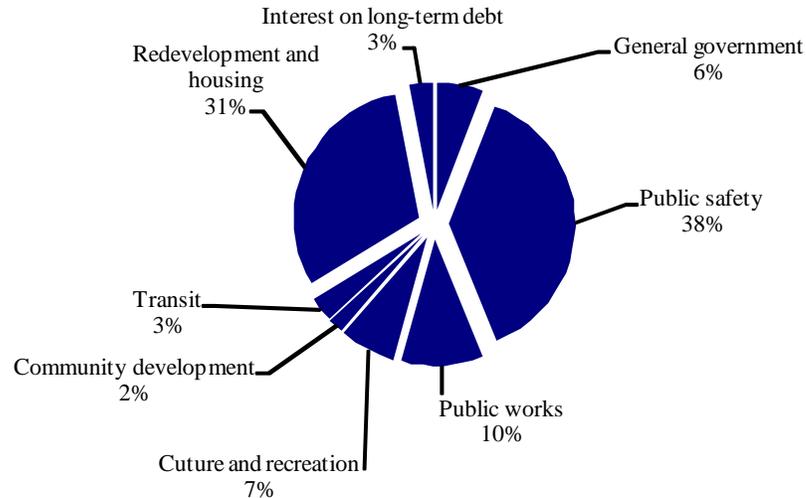
Revenue Sources-Governmental Activities



Taxes, operating grants and contributions, charges for services and capital grants and contributions provide 97% of the overall revenue sources of the governmental activities. Taxes include property, sales, utility users and other (transient occupancy, property transfer, business license and franchise). The City is aggressive in

the use of both operating and capital grants.

Functions/Programs-Governmental Activities



Public safety and public works represent 48% of the programs of the governmental activities. This is consistent with the City’s highest priority of citizen safety and well being. The City is aggressive in economic development which is reflected in the redevelopment and housing program (31%) and interest on long-term debt (3%). 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, environmental protection and sewer functions which are presented in the government-wide financial statements.

Business-type Activities Net Assets

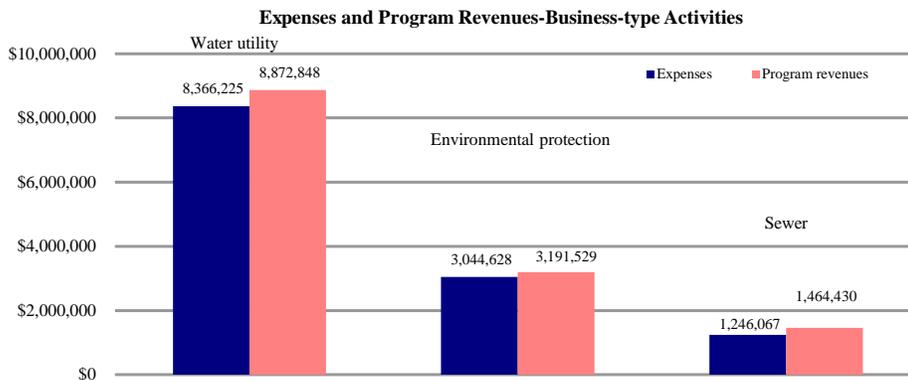
	2011	2010
Current assets and other assets	\$ 40,920,723	\$ 24,096,101
Capital assets, net	19,144,567	14,821,427
Total assets	<u>60,065,290</u>	<u>38,917,528</u>
Long-term liabilities outstanding	36,002,767	16,910,755
Other liabilities	1,334,999	855,533
Total liabilities	<u>37,337,766</u>	<u>17,766,288</u>
Net assets:		
Invested in capital assets, net of related debt	14,181,064	13,182,813
Restricted for capital projects	2,901,716	1,588,002
Unrestricted	5,644,744	6,380,425
Total net assets	<u><u>\$ 22,727,524</u></u>	<u><u>\$ 21,151,240</u></u>

The net assets of the business-type activities represent 16.6% of the City’s total net assets. Business-type net assets increased by \$1,576,284 from the previous year. The increase is primarily attributed to an increase in charges for services due to the restructuring of water rates during the 2011 fiscal year. The prior fiscal year

only reflected a partial year of the increase in rates, versus the current year reflects the entire year of increased rate revenue.

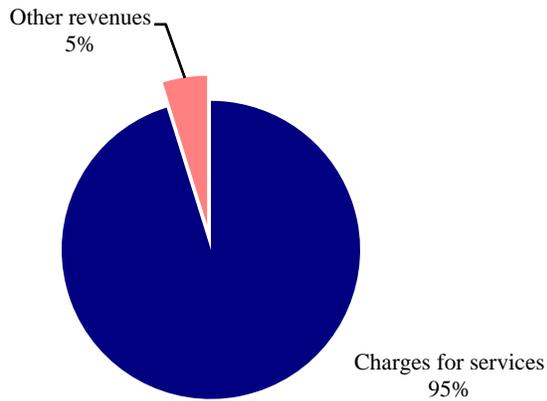
Business-type Activities Change in Net Assets

	2011	2010
Revenues		
Program revenues:		
Charges for services	\$ 13,528,807	\$ 11,331,928
General revenues-other revenues	680,014	60,764
Total revenues	<u>14,208,821</u>	<u>11,392,692</u>
Expenses		
Water utility	8,366,225	5,434,940
Environmental protection	3,044,628	3,590,706
Sewer	1,246,067	1,306,386
Total expenses	<u>12,656,920</u>	<u>10,332,032</u>
Change in net assets before transfers	<u>1,551,901</u>	<u>1,060,660</u>
Transfers in	<u>24,383</u>	<u>431,157</u>
Change in net assets	1,576,284	1,491,817
Beginning net assets	21,151,240	19,659,423
Ending net assets	<u><u>\$ 22,727,524</u></u>	<u><u>\$ 21,151,240</u></u>



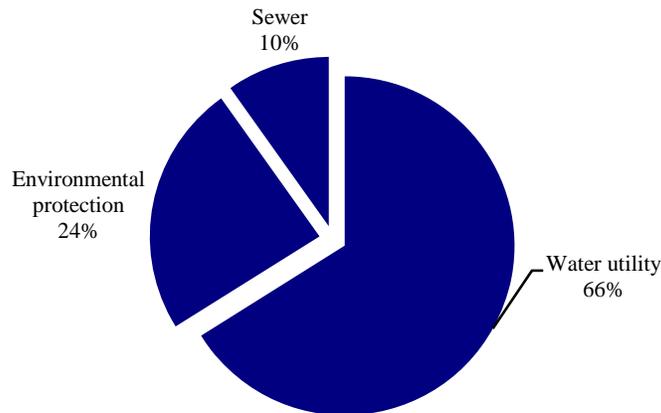
The City's business-type program revenues exceeded expenses by \$871,887. Water utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services also recovered all operating expenses. Sewer utility charges for services did also recover all operating expenses.

Revenues by Source-Business-type Activities



Total business-type revenues increased to \$14,208,821 from \$11,392,692 in the previous fiscal year. Charges for services are 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. Sewer charges include fees established to recover the cost of operating the sewer system throughout the City.

Functions/Programs - Business-type Activities



Total business-type expenses increased to \$12,656,920 from \$10,332,032 in the previous fiscal year. The increase in expenses is attributed to expenses for the water utility operation, services which include general and administrative, utility billing, customer service, sales promotion, source and supply, production and

storage, and transmission and distribution increased by \$2,931,285. The majority of the increase was caused by the upgrade to the water delivery system, as well as increased depreciation in the current year. Water utility expenses also includes interest expense. Environmental protection expenses includes general and administrative, utility billing, street sweeping, environmental services, refuse collection, industrial waste and waste management. Sewer expenses include general and administrative and interest expense.

FINANCIAL ANALYSIS OF THE CITY FUNDS

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

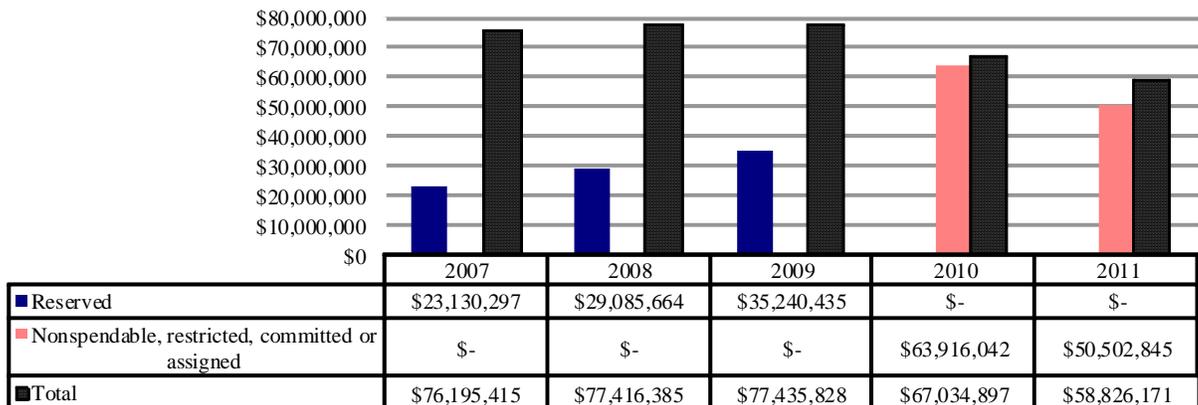
Governmental Funds

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. *Unassigned 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, 2011, the City's governmental funds reported combined fund balances of \$58,826,171, a decrease of \$8,208,726 from the prior year. *Unassigned fund balance* of \$8,323,326 is available for designation and/or future spending at the City's discretion. The remainder of fund balance of \$50,502,845 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.

The following is a summary of fund balances of the governmental funds for fiscal years 2007-2011:

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 \$11,607,880 of which \$10,284,466 was unassigned. Comparing both total and unassigned fund balances to total fund expenditures is a measure of the general fund's liquidity. Total fund balance represents 41.0% of total general fund expenditures and unassigned fund balance represents 36.3% of total general fund expenditures.

The fund balance of the general fund increased by \$999,391 during the fiscal year. The increase is attributed primarily to the following:

- Increase in tax revenue (property and franchise).

The low-moderate income housing, tax allocation debt and redevelopment agency funds are major funds of the City and the Agency. The total fund balances of these funds are \$40,622,963 of which \$42,457,840 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion. The total fund balances decreased by \$10,453,009 during the fiscal year. The decrease is attributed to an increase in the economic and redevelopment activity as well as capital outlay expenses. Redevelopment

projects include the Olsen Citrus Walk mixed use project, Heritage Plaza park project, Shopper's Lane project, Habitat for Humanity project and YWCA Wings Shelter Transitional shelter housing component

Proprietary Funds

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

Unrestricted net assets of the water utility fund decreased to \$4,775,699 in the fiscal year from \$7,242,700 in the prior year. Environmental fund unrestricted net assets increased to \$719,889 from \$523,483 in the prior year. The sewer enterprise fund has unrestricted net assets in the amount of \$114,814 versus the negative unrestricted net assets in the prior year of \$1,398,802. 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 \$463,996 which represents a 1.7% increase. The most significant budgetary appropriation variances are as follows:

- **General government.** \$273,526 appropriations were carried over to the civic center for costs associated with repairing city hall's aging structure. In October, 2009, a fire occurred at the Covina Park maintenance building. Repairs were begun but not completed by June, 2010, therefore, \$58,900 appropriations were carried over for the completion of the park office repairs.
- **Culture and Recreation.** Park facilities budget increased \$52,055 for water damage repair at Hollenbeck building, restroom repairs at Kahler Russel Park and building improvements at Covina Park. Library also had carryover budgets for the prior year of \$34,870 for purchase of books, periodicals and building maintenance. Senior Services budget was increased \$15,937 with a carryover appropriation for roof repairs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2011, is \$109,039,361 (net of accumulated depreciation). Capital assets include buildings and structures, improvements other than buildings, domain infrastructure, water system infrastructure, sanitary sewer infrastructure, and machinery and equipment. The net increase (deletions less additions) in capital assets for the fiscal year was \$1,351,146. The following is a summary of capital assets (net of depreciation) at June 30, 2011 and 2010:

**Capital Assets
(net of depreciation)**

	2011	2010
Governmental activities		
Land	\$ 8,844,408	\$ 8,300,620
Buildings and structures	22,270,908	22,757,331
Improvements other than buildings	1,282,279	1,195,196
Public domain infrastructure	51,510,063	55,384,343
Sanitary sewer infrastructure	2,524,128	2,617,206
Machinery and equipment	2,848,759	2,346,139
Construction in progress	614,249	265,953
Total governmental activities	89,894,794	92,866,788
Business-type activities		
Land	377,408	377,408
Buildings and structures	3,241,822	2,409,896
Improvements other than buildings	116,982	103,060
Water system infrastructure	14,359,634	10,115,632
Machinery and equipment	557,706	670,151
Construction in progress	491,015	1,145,280
Total business-type activities	19,144,567	14,821,427
Total capital assets	\$ 109,039,361	\$ 107,688,215

There was a net decrease in public domain infrastructure of \$3,874,280 during the current fiscal year. This decrease is primarily due to depreciation expense incurred. There was a net increase in water system infrastructure of \$4,244,002 due to improvements made to the water system. Please refer to Note 7 of the Notes to the Financial Statements for a more detailed description of the capital asset activity.

At June 30, 2011, \$17,074,884 is committed for capital expenditures related to the water system project. Also, \$13,194,826 is committed for capital expenditures related to the sewer system improvement project.

Debt Administration

At the end of the fiscal year, the City had total long-term debt outstanding of \$72,228,346. This included notes, capital lease, tax allocation bonds, and revenue bonds payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2011 and 2010:

(net of unamortized charges)

	<u>2011</u>	<u>2010</u>
Governmental activities		
Notes payable	\$ 543,360	\$ 656,516
Capital lease payable	310,752	403,320
Tax allocation bonds payable	34,112,825	36,012,009
Revenue bonds payable	<u>1,455,412</u>	<u>1,897,216</u>
Total governmental activities	<u>36,422,349</u>	<u>38,969,061</u>
Business-type activities		
Capital lease payable	4,963,503	196,331
Certificates of participation payable	-	1,442,283
Revenue bonds payable	<u>30,842,494</u>	<u>15,164,121</u>
Total business-type activities	<u>35,805,997</u>	<u>16,802,735</u>
Total outstanding debt	<u>\$ 72,228,346</u>	<u>\$ 55,771,796</u>

The increase in long-term debt from 2010 to 2011 was due primarily to the issuance of new debt in the water enterprise fund in the amount of \$15,000,000, as well as a capital lease in the water enterprise fund. Principal payments reduced outstanding debt in the amount of \$4,400,724 made during the fiscal year ended June 30, 2011.

The City 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 is \$632,898,818 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

Flat is good – this seems to be the new norm as the economy begins its crawl out of the doldrums experienced starting fiscal year 2009. Our major revenue sources have come out of the negative growth to either flat or minimal 1 ½% to 2% growth in 2011. This along with tight controls over expenditures have enabled the City to maintain a balanced budget.

The year-over-year comparison of sales tax shows an increase of \$317,495 or 6.8% for 2011 over the prior year. Property tax remained flat when compared to the previous year.

The City took into account in its revenue projections the addition of a major retail business moving in with the plan of beginning their operations in December 2011. The new Lowe’s Home Improvement store completed their construction began their operations the latter part of December 2011. This along with indicators that the 3rd and 4th quarter sales tax showed growth even though in the lower single digit range, gives us optimism that we are beginning to see continued growth.

We are proceeding with caution fully aware that this recovery seems to be a jobless recovery and the unemployment rate continues to remain in the 9% range. Conservative budget policies put in place by Council direction and emphasized by the City Manager and supported by staff have enabled the City of Covina to remain fiscally solvent. We continue to maintain a 20% emergency contingency reserve in addition to an undesignated fund balance of over \$3 million is proof of this discipline.

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. Questions concerning any of the information provided in this report should be addressed to City of Covina Finance Department, 125 East College Street, Covina, California, 91723.

Government-Wide Financial Statements

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

- Statement of Net Assets
- Statement of Activities

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

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

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

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

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

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

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

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

- General government
- Public safety
- Public works
- Culture and recreation
- Community development
- Transit
- Redevelopment and housing
- Interest on long-term debt

Business-type activities include direct expenses of the water utility, environmental and sewer 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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 51,865,257	\$ 5,683,484	\$ 57,548,741
Cash and investments-fiscal agent	1,690,751	28,249,781	29,940,532
Accrued interest receivable	4,360	-	4,360
Receivables (net of allowances for uncollectibles):			
Property taxes	585,227	-	585,227
Sales taxes	834,800	-	834,800
Utility user taxes	358,733	-	358,733
Other taxes	69,289	167,984	237,273
Accounts	897,513	1,444,720	2,342,233
Special assessments	9,770	-	9,770
Loans	479,905	-	479,905
Notes	2,710,269	-	2,710,269
Due from other governments	1,559,072	29,947	1,589,019
Internal balances	(34,342)	34,342	-
Inventories	96,821	61,038	157,859
Prepaid expenses	656,178	15,010	671,188
Deferred charges	1,153,615	807,633	1,961,248
Investment in Covina Irrigating Company	-	4,426,784	4,426,784
Land held for resale	8,747,381	-	8,747,381
Capital assets, not depreciated	9,458,657	868,423	10,327,080
Capital assets, depreciated, (net of accumulated depreciation)	80,436,137	18,276,144	98,712,281
Total assets	<u>\$ 161,579,393</u>	<u>\$ 60,065,290</u>	<u>\$ 221,644,683</u>
Liabilities			
Accounts payable	2,147,739	682,502	2,830,241
Deposits payable	101,151	153,686	254,837
Accrued liabilities	712,047	56,468	768,515
Due to other governments	436,949	-	436,949
Accrued interest payable	225,072	442,343	667,415
Long-term liabilities:			
Due within one year	3,719,824	987,611	4,707,435
Due in more than one year (net of unamortized discount and premium)	40,309,517	35,015,156	75,324,673
Total liabilities	<u>47,652,299</u>	<u>37,337,766</u>	<u>84,990,065</u>
Net assets			
Invested in capital assets, net of related debt	87,695,682	14,181,064	101,876,746
Restricted for:			
Public safety	847,254	-	847,254
Public works	2,923,169	-	2,923,169
Culture and recreation	542,019	-	542,019
Transit	1,885,471	-	1,885,471
Redevelopment and housing	10,362,305	-	10,362,305
Capital projects	-	2,901,716	2,901,716
Unrestricted	9,671,194	5,644,744	15,315,938
Total net assets	<u>\$ 113,927,094</u>	<u>\$ 22,727,524</u>	<u>\$ 136,654,618</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2011

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
Governmental activities:							
General government	\$ 3,262,195	\$ 2,171,397	\$ 716,897	\$ -	\$ (373,901)	\$ -	\$ (373,901)
Public safety	20,665,646	630,938	274,727	-	(19,759,981)	-	(19,759,981)
Public works	5,718,211	488,132	1,226,670	-	(4,003,409)	-	(4,003,409)
Culture and recreation	3,852,381	1,084,791	37,587	10,534	(2,719,469)	-	(2,719,469)
Community development	1,008,595	669,205	118,022	-	(221,368)	-	(221,368)
Transit	1,771,250	239,177	1,097,996	835,896	401,819	-	401,819
Redevelopment and housing	16,726,583	979,816	450,804	-	(15,295,963)	-	(15,295,963)
Interest on long-term debt	1,676,987	-	-	-	(1,676,987)	-	(1,676,987)
Total governmental activities	<u>54,681,848</u>	<u>6,263,456</u>	<u>3,922,703</u>	<u>846,430</u>	<u>(43,649,259)</u>	<u>-</u>	<u>(43,649,259)</u>
Business-type activities:							
Water utility	8,366,225	8,872,848	-	-	-	506,623	506,623
Environmental protection	3,044,628	3,191,529	-	-	-	146,901	146,901
Sewer utility	1,246,067	1,464,430	-	-	-	218,363	218,363
Total business-type activities	<u>12,656,920</u>	<u>13,528,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>871,887</u>	<u>871,887</u>
Total functions/programs	<u>\$ 67,338,768</u>	<u>\$ 19,792,263</u>	<u>\$ 3,922,703</u>	<u>\$ 846,430</u>	<u>(43,649,259)</u>	<u>871,887</u>	<u>(42,777,372)</u>
General revenues:							
Property taxes					18,602,045	-	18,602,045
Sales taxes - intergovernmental unrestricted					4,978,892	-	4,978,892
Transient occupancy taxes					317,594	-	317,594
Property transfer taxes					92,818	-	92,818
Business license taxes					337,613	-	337,613
Utility user taxes					4,722,506	-	4,722,506
Franchise taxes					3,238,200	-	3,238,200
Motor vehicle license-intergovernmental unrestricted					227,618	-	227,618
Investment earnings					1,035,569	173,150	1,208,719
Investment gain in Covina Irrigating Company					-	506,864	506,864
Gain on sale of land held for resale					55,176	-	55,176
Transfers					(24,383)	24,383	-
Total general revenues and transfers					<u>33,583,648</u>	<u>704,397</u>	<u>34,288,045</u>
Change in net assets					(10,065,611)	1,576,284	(8,489,327)
Net assets at beginning of year					<u>123,992,705</u>	<u>21,151,240</u>	<u>145,143,945</u>
Net assets at end of year					<u>\$ 113,927,094</u>	<u>\$ 22,727,524</u>	<u>\$ 136,654,618</u>

See accompanying notes to the financial statements.

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 9,737,142	\$ 3,327,111	\$ 2,522,402	\$ 22,337,176	\$ 6,445,338	\$ 44,369,169
Cash and investments-fiscal agent	-	-	1,418,394	-	272,357	1,690,751
Accrued interest receivable	896	-	-	3,464	-	4,360
Receivables (net of allowances for uncollectibles):						
Property taxes	137,988	59,542	359,403	-	28,294	585,227
Sales taxes	834,800	-	-	-	-	834,800
Utility user taxes	358,733	-	-	-	-	358,733
Other taxes	69,289	-	-	-	-	69,289
Accounts	35,483	3,755	187,186	430,145	239,896	896,465
Special assessments	-	-	-	-	9,770	9,770
Loans	-	55,501	-	-	424,404	479,905
Notes	-	-	-	2,710,269	-	2,710,269
Due from other governments	1,049,894	-	-	-	495,760	1,545,654
Due from other funds	1,513,092	2,240	34,322	442,134	1,175	1,992,963
Prepaid expenses	633,802	-	-	-	-	633,802
Advances to other funds	15,000	3,390,509	-	-	-	3,405,509
Land held for resale	-	-	-	8,747,381	-	8,747,381
Total assets	<u>\$ 14,386,119</u>	<u>\$ 6,838,658</u>	<u>\$ 4,521,707</u>	<u>\$ 34,670,569</u>	<u>\$ 7,916,994</u>	<u>\$ 68,334,047</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 1,238,366	\$ 15,138	\$ 70,025	\$ 278,143	\$ 217,631	\$ 1,819,303
Deposits payable	67,351	900	-	32,900	-	101,151
Accrued liabilities	618,100	8,628	-	27,014	26,117	679,859
Due to other governments	2,559	-	-	-	434,390	436,949
Due to other funds	476,999	-	1,297,430	-	219,124	1,993,553
Advances from other funds	-	-	3,390,509	-	-	3,390,509
Deferred revenue	374,864	55,501	180,226	51,557	424,404	1,086,552
Total liabilities	<u>2,778,239</u>	<u>80,167</u>	<u>4,938,190</u>	<u>389,614</u>	<u>1,321,666</u>	<u>9,507,876</u>
Fund balances (deficit):						
Nonspendable:						
Prepaid items	633,802	-	-	-	-	633,802
Advances to other funds	15,000	-	-	-	-	15,000
Restricted for:						
Housing projects	-	6,758,491	-	-	-	6,758,491
Debt service reserve	-	-	1,418,394	-	-	1,418,394
Redevelopment projects	-	-	-	34,280,955	-	34,280,955
Community development	-	-	-	-	118,995	118,995
Law enforcement	-	-	-	-	847,254	847,254
Street projects	-	-	-	-	925,052	925,052
Transportation projects	-	-	-	-	2,157,828	2,157,828
Air Quality projects	-	-	-	-	263,812	263,812
Assessment districts	-	-	-	-	521,536	521,536
Library	-	-	-	-	404	404
Committed to:						
Community improvement	172,777	-	-	-	-	172,777
Assigned to:						
Inmate communication	19,218	-	-	-	-	19,218
Cultural arts commission	1,853	-	-	-	-	1,853
Library equipment reserve	14,392	-	-	-	-	14,392
Police evidence money reserve	56,364	-	-	-	-	56,364
Building equipment reserve	28,664	-	-	-	-	28,664
Public safety donation	26,655	-	-	-	-	26,655
Public works donation	334	-	-	-	-	334
Library donation	212,876	-	-	-	-	212,876
Other donation	1,139	-	-	-	-	1,139
Other capital projects	-	-	-	-	541,615	541,615
Parks & recreation	140,340	-	-	-	496,036	636,376
Street resurfacing	-	-	-	-	849,059	849,059
Unassigned (deficit)	10,284,466	-	(1,834,877)	-	(126,263)	8,323,326
Total fund balances (deficit)	<u>11,607,880</u>	<u>6,758,491</u>	<u>(416,483)</u>	<u>34,280,955</u>	<u>6,595,328</u>	<u>58,826,171</u>
Total liabilities and fund balances	<u>\$ 14,386,119</u>	<u>\$ 6,838,658</u>	<u>\$ 4,521,707</u>	<u>\$ 34,670,569</u>	<u>\$ 7,916,994</u>	<u>\$ 68,334,047</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, 2011

Amounts reported for governmental activities in the statement of net assets are different because:		
Fund balances-total governmental funds	\$	58,826,171
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.		88,089,605
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.		768,338
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.		1,153,615
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.		(225,072)
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.		(32,139)
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.		(43,866,892)
Property taxes receivable collectible after 60 days of year-end are not available to pay for current period expenditures and are shown as deferred revenue in governmental funds.		318,214
Internal service funds are used by management to charge the costs of central equipment and management information systems activities to individual funds. The internal service funds assets and liabilities are included in governmental activities in the statement of net assets.		<u>8,895,254</u>
Net assets of governmental activities	\$	<u>113,927,094</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2011

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 10,269,105	\$ 1,665,981	\$ 6,663,923	\$ -	\$ 18,601	\$ 18,617,610
Sales taxes	4,978,892	-	-	-	-	4,978,892
Transient occupancy taxes	317,594	-	-	-	-	317,594
Property transfer taxes	92,818	-	-	-	-	92,818
Business license taxes	335,936	-	-	-	1,677	337,613
Utility user taxes	4,722,506	-	-	-	-	4,722,506
Franchise taxes	3,238,200	-	-	-	-	3,238,200
Licenses and permits	538,623	-	-	-	-	538,623
Intergovernmental	944,515	-	-	-	4,052,236	4,996,751
Charges for services	2,214,971	-	-	679,829	801,606	3,696,406
Fines and forfeits	717,102	-	-	-	-	717,102
Special assessments	-	-	-	-	768,407	768,407
Investment earnings	208,127	46,032	16,903	277,209	458,331	1,006,602
Gain on sale of land held for resale	-	-	-	55,176	-	55,176
Miscellaneous	307,490	20,360	-	67,949	30,883	426,682
Total revenues	<u>28,885,879</u>	<u>1,732,373</u>	<u>6,680,826</u>	<u>1,080,163</u>	<u>6,131,741</u>	<u>44,510,982</u>
Expenditures:						
Current:						
General government	3,562,834	-	-	-	-	3,562,834
Public safety	19,893,957	-	-	-	467,042	20,360,999
Public works	216,249	-	-	-	1,523,933	1,740,182
Culture and recreation	3,478,490	-	-	-	68,066	3,546,556
Community development	993,778	-	-	-	-	993,778
Transit	-	-	-	-	1,535,572	1,535,572
Redevelopment and housing	-	2,699,241	1,727,354	10,612,637	527,779	15,567,011
Capital outlay	71,579	-	-	345,840	154,886	572,305
Debt service:						
Principal retirement	92,568	200,000	2,233,156	-	405,000	2,930,724
Interest and fiscal charges	20,172	196,228	1,339,339	-	88,625	1,644,364
Total expenditures	<u>28,329,627</u>	<u>3,095,469</u>	<u>5,299,849</u>	<u>10,958,477</u>	<u>4,770,903</u>	<u>52,454,325</u>
Excess (deficiency) of revenues over expenditures	<u>556,252</u>	<u>(1,363,096)</u>	<u>1,380,977</u>	<u>(9,878,314)</u>	<u>1,360,838</u>	<u>(7,943,343)</u>
Other financing sources (uses):						
Transfers in	886,522	-	-	2,490,000	243,495	3,620,017
Transfers out	(443,383)	-	(2,490,000)	(592,576)	(359,441)	(3,885,400)
Total other financing sources (uses)	<u>443,139</u>	<u>-</u>	<u>(2,490,000)</u>	<u>1,897,424</u>	<u>(115,946)</u>	<u>(265,383)</u>
Net change in fund balances	999,391	(1,363,096)	(1,109,023)	(7,980,890)	1,244,892	(8,208,726)
Fund balances at beginning of year	10,608,489	8,121,587	692,540	42,261,845	5,350,436	67,034,897
Fund balances (deficit) at end of year	<u>\$ 11,607,880</u>	<u>\$ 6,758,491</u>	<u>\$ (416,483)</u>	<u>\$ 34,280,955</u>	<u>\$ 6,595,328</u>	<u>\$ 58,826,171</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the fiscal year ended June 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds	\$ (8,208,726)
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year.	(3,246,852)
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.	(395,854)
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.	(108,306)
Change in postemployment benefits on a pay as you go basis.	5,163
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.	1,876,084
Incremental property tax not collected within 60 days after year-end is deferred in the funds but is recognized in the statement of activities on the accrual basis of accounting.	(15,565)
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.	28,445
Change in net assets of governmental activities	<u>\$ (10,065,611)</u>

See accompanying notes to the financial statements.

Proprietary Fund Financial Statements

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

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

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

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

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

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

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

Sewer accounts for the operation and maintenance of the wastewater system within the City's boundaries. The intent of the fund is to recover costs of operation.

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

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds			Total	Internal Service Funds
	Water Utility	Environmental	Sewer		
Assets					
Current assets:					
Cash and investments	\$ 4,284,654	\$ 379,090	\$ 1,019,740	\$ 5,683,484	\$ 7,496,088
Cash and investments-fiscal agent	13,738,701	-	14,511,080	28,249,781	-
Other taxes receivable	-	167,984	-	167,984	-
Accounts receivable (net of allowances for uncollectibles)	1,157,784	286,936	-	1,444,720	1,048
Due from other funds	-	-	-	-	590
Due from other governments	-	990	28,957	29,947	13,418
Prepaid expenses	15,010	-	-	15,010	22,376
Inventories	61,038	-	-	61,038	96,821
Total current assets	<u>19,257,187</u>	<u>835,000</u>	<u>15,559,777</u>	<u>35,651,964</u>	<u>7,630,341</u>
Noncurrent assets:					
Investment in Covina Irrigating Company	4,426,784	-	-	4,426,784	-
Deferred charges	381,215	-	426,418	807,633	-
Subtotal noncurrent assets	<u>4,807,999</u>	<u>-</u>	<u>426,418</u>	<u>5,234,417</u>	<u>-</u>
Capital assets, not being depreciated	702,045	-	166,378	868,423	-
Capital assets, depreciated (net of accumulated depreciation)	17,617,846	198,929	459,369	18,276,144	1,805,189
Total capital assets, net	<u>18,319,891</u>	<u>198,929</u>	<u>625,747</u>	<u>19,144,567</u>	<u>1,805,189</u>
Total noncurrent assets	<u>23,127,890</u>	<u>198,929</u>	<u>1,052,165</u>	<u>24,378,984</u>	<u>1,805,189</u>
Total assets	<u>42,385,077</u>	<u>1,033,929</u>	<u>16,611,942</u>	<u>60,030,948</u>	<u>9,435,530</u>
Liabilities					
Current liabilities:					
Accounts payable	530,567	64,899	87,036	682,502	328,436
Deposits payable	131,003	22,683	-	153,686	-
Current portion of compensated absences payable	10,150	4,150	-	14,300	13,590
Accrued liabilities	45,749	10,719	-	56,468	32,188
Accrued interest payable	270,860	-	171,483	442,343	-
Current portion of capital lease payable	232,867	-	65,444	298,311	-
Current portion of revenue bonds payable	425,000	-	250,000	675,000	-
Total current liabilities	<u>1,646,196</u>	<u>102,451</u>	<u>573,963</u>	<u>2,322,610</u>	<u>374,214</u>
Noncurrent liabilities:					
Compensated absences payable	169,810	12,660	-	182,470	116,720
Advances from other funds	-	-	-	-	15,000
Capital lease payable	4,534,305	-	130,887	4,665,192	-
Revenue bonds payable (net of unamortized discount or premium)	14,804,632	-	15,362,862	30,167,494	-
Total noncurrent liabilities	<u>19,508,747</u>	<u>12,660</u>	<u>15,493,749</u>	<u>35,015,156</u>	<u>131,720</u>
Total liabilities	<u>21,154,943</u>	<u>115,111</u>	<u>16,067,712</u>	<u>37,337,766</u>	<u>505,934</u>
Net assets					
Invested in capital assets, net of related debt	13,552,719	198,929	429,416	14,181,064	1,805,189
Restricted for capital projects	2,901,716	-	-	2,901,716	-
Unrestricted	4,775,699	719,889	114,814	5,610,402	7,124,407
Total net assets	<u>\$ 21,230,134</u>	<u>\$ 918,818</u>	<u>\$ 544,230</u>	<u>22,693,182</u>	<u>\$ 8,929,596</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>34,342</u>	
Net assets of business-type activities				<u>\$ 22,727,524</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, 2011

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Operating Revenues:					
Water sales	\$ 8,681,412	\$ -	\$ -	\$ 8,681,412	\$ -
Environmental fees	-	3,191,529	-	3,191,529	-
Sewer fees	-	-	1,464,430	1,464,430	-
Information technology charges	-	-	-	-	1,088,490
Motor pool charges	-	-	-	-	1,379,042
Fire line fees	135,606	-	-	135,606	-
Meter installation fees	18,464	-	-	18,464	-
Late fees	25	-	-	25	-
Antenna rentals and other	37,341	-	-	37,341	-
Total operating revenues	<u>8,872,848</u>	<u>3,191,529</u>	<u>1,464,430</u>	<u>13,528,807</u>	<u>2,467,532</u>
Operating expenses:					
General and administrative	1,026,874	305,813	435,948	1,768,635	-
Management information systems	-	-	-	-	1,273,528
Utility billing	445,766	63,383	-	509,149	-
Customer service	176,188	-	-	176,188	-
Sales promotion	18,459	-	-	18,459	-
Source and supply	3,194,055	-	-	3,194,055	-
Production and storage	511,794	-	-	511,794	-
Transmission and distribution	1,207,591	-	-	1,207,591	-
Street sweeping	-	130,638	-	130,638	-
Environmental services	-	201,482	-	201,482	-
Refuse collection	-	1,438,558	-	1,438,558	-
Industrial waste	-	71,907	-	71,907	-
Waste management	-	827,023	-	827,023	-
Central equipment	-	-	-	-	1,104,298
Depreciation	1,056,167	5,824	25,461	1,087,452	337,647
Total operating expenses	<u>7,636,894</u>	<u>3,044,628</u>	<u>461,409</u>	<u>11,142,931</u>	<u>2,715,473</u>
Operating income (loss)	<u>1,235,954</u>	<u>146,901</u>	<u>1,003,021</u>	<u>2,385,876</u>	<u>(247,941)</u>
Nonoperating revenues (expenses):					
Investment gain-CIC	506,864	-	-	506,864	-
Investment earnings	33,001	19,298	120,851	173,150	28,967
Interest expense	(722,912)	-	(784,658)	(1,507,570)	-
Total nonoperating revenues (expenses)	<u>(183,047)</u>	<u>19,298</u>	<u>(663,807)</u>	<u>(827,556)</u>	<u>28,967</u>
Income (loss) before transfers	1,052,907	166,199	339,214	1,558,320	(218,974)
Transfers in	-	24,383	-	24,383	419,000
Transfers out	-	-	-	-	(178,000)
Change in net assets	1,052,907	190,582	339,214	1,582,703	22,026
Net assets at beginning of year	<u>20,177,227</u>	<u>728,236</u>	<u>205,016</u>	<u>8,907,570</u>	<u>8,907,570</u>
Net assets at end of year	<u>\$ 21,230,134</u>	<u>\$ 918,818</u>	<u>\$ 544,230</u>	<u>\$ 8,929,596</u>	<u>\$ 8,929,596</u>

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

Change in net assets of business-type activities

(6,419)
\$ 1,576,284

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2011

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Cash flows from operating activities:					
Cash received from customers, users and grants	\$ 8,964,456	\$ 3,310,499	\$ 1,471,077	\$ 13,746,032	\$ 2,460,273
Cash paid to suppliers for goods and services	(3,923,700)	(2,641,467)	25,538	(6,539,629)	(1,108,924)
Cash paid to employees for services	(1,146,427)	(275,896)	(580)	(1,422,903)	(703,850)
Cash paid for interfund services-net	(983,015)	(318,085)	(391,850)	(1,692,950)	(269,904)
Net cash provided by operating activities	<u>2,911,314</u>	<u>75,051</u>	<u>1,104,185</u>	<u>4,090,550</u>	<u>377,595</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(849,558)	-	(176,410)	(1,025,968)	(612,351)
Principal and premium paid on certificates of participation	(1,502,981)	-	-	(1,502,981)	-
Proceeds from sale of revenue bond	15,433,494	-	-	15,433,494	-
Revenue bonds issuance costs	(381,215)	-	-	(381,215)	-
Interest paid on revenue bonds	(233,853)	-	(760,426)	(994,279)	-
Net cash provided by (used for) capital and related financing activities	<u>12,465,887</u>	<u>-</u>	<u>(936,836)</u>	<u>11,529,051</u>	<u>(612,351)</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	24,383	-	24,383	419,000
Transfers to other funds	-	-	-	-	(178,000)
Net cash provided by non-capital financing activities	<u>-</u>	<u>24,383</u>	<u>-</u>	<u>24,383</u>	<u>241,000</u>
Cash flows from investing activities:					
Interest received on investments	33,001	19,298	120,851	173,150	28,967
Net increase in cash and cash equivalents	15,410,202	118,732	288,200	15,817,134	35,211
Cash and cash equivalents beginning of year	2,613,153	260,358	15,242,620	18,116,131	7,460,877
Cash and cash equivalents end of year	<u>\$ 18,023,355</u>	<u>\$ 379,090</u>	<u>\$ 15,530,820</u>	<u>\$ 33,933,265</u>	<u>\$ 7,496,088</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 1,235,954	\$ 146,901	\$ 1,003,021	\$ 2,385,876	\$ (247,941)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,056,167	5,824	25,461	1,087,452	337,647
Change in operating assets and liabilities:					
Decrease (increase) in other taxes receivable	-	(167,984)	35,604	(132,380)	-
Decrease (increase) in accounts receivable	55,012	287,491	-	342,503	(1,048)
Decrease (increase) in due from other governments	-	(990)	(28,957)	(29,947)	6,211
Increase in prepaid expenses	(15,010)	-	-	(15,010)	(22,376)
Decrease (increase) in inventories	135,601	-	-	135,601	(25,860)
Increase (decrease) in accounts payable	308,563	(202,797)	69,056	174,822	285,423
Increase (decrease) in deposits payable	45,038	(537)	-	44,501	-
Increase in compensated absences payable	82,760	5,990	-	88,750	34,130
Increase in accrued liabilities	7,229	1,331	-	8,560	11,409
Decrease in due to other funds	-	(178)	-	(178)	-
Total adjustments	<u>1,675,360</u>	<u>(71,850)</u>	<u>101,164</u>	<u>1,704,674</u>	<u>625,536</u>
Net cash provided by operating activities	<u>\$ 2,911,314</u>	<u>\$ 75,051</u>	<u>\$ 1,104,185</u>	<u>\$ 4,090,550</u>	<u>\$ 377,595</u>
Noncash capital and related financing activities					
Investment gain-Covina Irrigating Company	\$ 506,864	\$ -	\$ -	\$ 506,864	\$ -
Amortization of discount	-	-	22,323	22,323	-
Capital lease proceeds	4,767,172	-	-	4,767,172	-
Retirement of capital assets	(15,956)	-	-	(15,956)	(305,975)
Retirement of accumulated depreciation on capital assets	15,394	-	-	15,394	305,975
Net effect on noncash activities	<u>\$ 5,273,474</u>	<u>\$ -</u>	<u>\$ 22,323</u>	<u>\$ 5,295,797</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

Assets

Cash and investments	\$ 2,750
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Liabilities

Due to association	\$ 2,750
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See accompanying notes to financial statements.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2011

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

Since the City Council acts as the Board of Directors and is able to impose its will on the Covina Redevelopment Agency, Covina Public Financing Authority and the Covina Housing Authority, the City is considered to be the primary government and the other three entities are component units. Additionally, since the governing boards of the City and the three other component units are the same, the financial statements of the City and the three component units are blended. The financial statements of the Covina Redevelopment Agency 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 (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 (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 Covina Housing Authority (Housing Authority) was formed January 25, 2011, in order to continue to achieve the goals established by the Housing Element of the general plan. A housing authority collaborates with public, private and non-profit entities agencies for the purpose of providing sanitary and safe housing for people of very low, low or moderate income within a city or county's territorial jurisdiction. The core activities of many housing authorities are primarily to build, acquire, own, manage and maintain residential rental units and to provide financial assistance for rentals or ownership in the private real estate market. A housing authority is governed by the state Housing Authority Law, and for purposes of major federal funding, if any is received, regulations of the U.S. Department of Housing and Urban Development (HUD). Further, a housing authority is not required under the Housing Authority Law to seek HUD or any other type of outside funding.

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

B. Government-wide and Fund Financial Statements

The accompanying financial statements are presented on the basis prescribed in Government Accounting Standards Board Statement No. 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.

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, proprietary, and agency funds, even though the agency funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; i.e., when they become measurable and available to finance expenditures of the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues excluding property taxes to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the current fiscal period. Certain grant revenues are considered to be available if they are collected within 9

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

months of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized only when due and payable at year-end. General capital asset acquisitions and debt service principal payments are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The special revenue fund accounts for the revenues and expenditures associated with the Agency low-moderate income housing program. The revenue recorded in this fund is the twenty percent (20%) required amount to be set aside from tax increment revenue received in the Agency.

Tax Allocation Fund

The debt service fund accounts for revenues and expenditures that are restricted for the payment of principal, interest and fiscal charges on general long-term indebtedness of the Authority and the Agency.

Redevelopment Agency Fund

The capital projects fund accounts for the financial resources that are restricted for economic development activities in the 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.

Sewer Fund

This enterprise fund accounts for the operation and maintenance of the wastewater system within the City's boundaries.

Additionally, the City reports the following fund types:

Internal Service Funds

These funds account for the central equipment, management information systems, workers' compensation and general liability services provided to other departments of the City.

Agency Funds

These funds are used to account for funds in which the City is acting as an agent for another agency. The agency funds are reported using the accrual basis of accounting.

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, environmental and sewer services and indirect general government expenses to other functions and funds of the City. Elimination of the water utility and environmental service charges would distort the direct costs and program revenues reported for the various functions concerned. Expenses reported in various funds include allocated indirect general government expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses from operations generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Environmental and Sewer 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 restricted, committed or assigned fund equity since they do not constitute expenditures or liabilities. At year end, encumbrances outstanding are shown as restricted, committed or assigned 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 statement of revenues, expenses, and changes in net assets.

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).

J. Capital Assets

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

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Major capital outlays and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed in the 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 carried at the lower of cost or estimated realizable value. Fund balances are restricted in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

L. Leased Property

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

<u>Lessor/Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term Beginning/Ending</u>	<u>Monthly Rent</u>
<i>City of Covina</i>				
Comcast	Public right of way	Easements	Month to month	5% franchise
Bank of America	212 E. Badillo St.	ATM site	12/04/08 – 12/03/13	\$ 3,500
Nextel	2001 Edmund Halley	Communication	Month to month	\$ 1,267
Giovanni's	114 E. Italia	Commercial	4/01/11-12/01/13	\$ 1,125
Verizon Wireless	P.O. Box 2167	Communication	Month to month	\$ 1,276
T-Mobile	6100 Atlantic Blvd	Communication	Month to month	\$ 568
Sprint	P.O. Box 7977	Communication	Month to month	\$ 1,005
<i>Covina Redevelopment Agency</i>				
Pry Properties	528 S. Citrus Ave.	Commercial	2/03/86-10/31/17	\$ 4,119
Bozzani Volvo	626 S. Citrus Ave.	Commercial	6/01/01-10/31/16	\$ 5,766
Enterprise Car Sales	635 S. Citrus Ave.	Commercial	Month to month	\$ 900
RJS/Seidner	1151 N. Azusa	Commercial	9/02/99 – 6/30/17	\$41,507

Operating Leases

The City and the Agency receive some of its operating revenues in the form of rent payments from lessees of the parcels of land. The period of these leases could range from 3-18 years. The rent paid by each lessee is a set monthly amount determined by the lease agreement. All leases are cancellable.

M. Capitalization of Leases

Leases have been capitalized, where appropriate, in accordance with the Governmental Accounting Standards Board Statement No. 13, "Accounting for Leases."

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

N. 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, 2011, 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).

O. Net Assets

The statement of net assets is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or judgment. At June 30, 2011, the restricted net assets are \$77,507,069, of which, \$493,894 is restricted by enabling legislation.

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

“Total fund balances” of the City’s governmental funds is \$58,826,171 which differs from “net assets” of \$113,927,094 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 as a whole.

Cost of capital assets	\$ 160,767,056
Accumulated depreciation	<u>(72,677,451)</u>
	<u>\$ 88,089,605</u>

Long-term Receivables and Deferred Revenue

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (long-term loans and notes receivable) 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>\$ 768,338</u>
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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Deferred Charges

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

Deferred charges \$1,153,615

Accrued Interest Payable

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

Accrued interest payable \$ (225,072)

Other Postemployment Benefits

Postemployment benefit obligation (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.

\$ (32,139)

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	\$ (2,474,543)
Claims and judgments payable	(4,970,000)
Notes payable	(543,360)
Capital lease payable	(310,752)
Tax allocation bonds payable (net of unamortized premium)	(34,112,825)
Revenue bonds payable (net of unamortized premium)	<u>(1,455,412)</u>
	<u><u>\$ (43,866,892)</u></u>

Property Taxes Receivable and Deferred Revenue

Property taxes receivable collectible after 60 days of year-end are not available to pay for current period expenditures and are shown as deferred revenue in governmental funds.

Adjustment of deferred revenue \$318,214

Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment, management information systems, worker's compensation and general liability 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 \$8,895,254

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

The "net change in fund balances" decrease of \$8,208,725 for governmental funds differs from the "change in net assets" decrease of \$10,065,611 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Capital Assets

Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year.

Capital outlay	\$ 506,628
Adjustment to reconcile to ending capital asset	305,719
Transfer from land held for resale to land	730,200
Depreciation expense	(4,789,399)
	\$ (3,246,852)

Long-term Receivables

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

Change in operating expense	\$ 395,854
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Property Taxes Revenue

Incremental property tax not collected within 60 days after year-end is deferred in the funds but is recognized in the statement of activities on the accrual basis of accounting.

Property taxes revenue	\$ 15,565
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Interest on Long-term Debt

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

Change in interest on long-term debt	\$ 108,306
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Other Postemployment Benefit

Change in postemployment benefits other than pension on a pay as you go basis	\$ 5,163
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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. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities.

Principal retirement	\$ 2,930,724
Amortization of bond premium	75,683
Amortization of deferred charges	(97,555)
Change in claims and judgments	(222,000)
Change in compensated absences	(351,073)
Current year interest accretion	(459,695)
	\$ 1,876,084

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Internal Service Funds

Internal service funds are used by management to charge the costs of the central equipment, management information systems, workers' compensation and general liability 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	\$ 28,445

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 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 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.

B. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2011, some expenditures exceeded appropriations.

Fund	Final Budget	Actual	Variance
General Fund	\$ 28,465,187	\$ 28,773,010	\$ 307,823

C. Deficit Fund Equity

The Tax Allocation Fund had a deficit fund balance of \$416,483 as of June 30, 2011. The amount of the deficit will be transferred from the Redevelopment Agency fund. Lighting Assessment District special

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

revenue fund had a deficit fund balance of \$101,062 as of June 30, 2011. This fund incurs more expenses than it collects for services rendered. The City is evaluating the expansion to a City-wide Lighting District to address this deficit in fiscal year 2011-12. Community Facilities District (CFD) special revenue fund had a deficit fund balance of \$25,201 as of June 30, 2011. The fund incurred initial costs for the creation of the CFD. Future collection of assessments from the CFD will pay for the initial costs.

4. CASH AND INVESTMENTS

The City is following the requirements associated with the Governmental Accounting and Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. More commonly referred to as GASB 40, this statement is effective beginning with fiscal years ending June 30, 2011, and adds to and changes financial statement disclosure requirements for cash and investments of local governments. GASB 40, amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values with a high sensitivity to interest rate changes.

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments		\$ 57,548,741
Restricted cash and investments - fiscal agent		29,940,532
Total cash and investments		<u>\$ 87,489,273</u>
Cash and investments as of June 30, 2011, consist of the following:		
Cash on hand		\$ 9,985
Deposits with financial institutions		15,364,065
Investments		72,115,223
Total cash and investments		<u>\$ 87,489,273</u>

Authorized Investments

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

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment in One Issuer		Minimum Credit Rating	
	CGC	Covina Policy	CGC	Covina Policy	CGC	Covina Policy	CGC	Covina Policy
	Mutual funds (money market funds)	N/A	N/A	20%	10%	10%	None	AAA
Bankers acceptance	180 days	180 days	40%	20%	30%	None	None	"Prime"
Commercial paper	270 days	180 days	25%	15%	10%	None	A	"Prime"
Certificates and time deposits	5 years	2 years	30%	10%	None	None	None	None
Corporate notes	5 years	2 years	30%	10%	None	None	A	AA-
U.S. Agency Securities	5 years	5 years	None	30%	None	10%	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None	None	None	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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Interest Rate Risk

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

Investment type	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State investment pool	\$ 3,813,651	0.67
Federal Agency Securities	8,968,302	2.21
U.S. Treasury Notes	25,882,725	1.47
Money market funds	9,645,052	0.32
Corporate Notes	771,072	0.93
Held by bond trustee-money market funds	23,034,421	0.13
Total	<u>\$ 72,115,223</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's investment policy, or debt agreements and the actual rating as of year end for each investment type:

	Minimum Credit Rating	Rating as of June 30, 2011		Total
		AAA	Not Rated	
State investment pool	N/A	\$ -	\$ 3,813,651	\$ 3,813,651
Federal Agency Securities	N/A	8,968,302	-	8,968,302
U.S. Treasury Notes	N/A	25,882,725	-	25,882,725
Money market funds	AAA	9,645,052	-	9,645,052
Corporate Notes	AA-/Aa-	771,072	-	771,072
Held by bond trustee-money market funds	N/A	-	23,034,421	23,034,421
		<u>\$ 45,267,151</u>	<u>\$ 26,848,072</u>	<u>\$ 72,115,223</u>

On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the U.S. government from AAA to AA+. That action affected Standard & Poor's view of U.S public finance debt instruments that are directly or indirectly backed by the U.S. As a result, on August 8, 2011, Standard & Poor's lowered its long-term credit ratings of U.S. government-sponsored enterprise and public debt issues that have credit enhancement guarantees by those government-sponsored enterprises to AA+. These credit downgrades relate to the credit risk associated with the City's investments in U.S. Treasury obligations and federal agency securities.

Concentration of Credit Risk

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City'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, 2011, \$15,186,833 of the City of Covina's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon 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, 2011, \$24.4 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011, had a balance of \$66.4 billion. Of that amount, 5.01% was invested in structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

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, 2011:

Receivable Fund	Payable Fund	Amount
General	Tax Allocation	\$ 1,297,430
	Non-major governmental funds	215,662
Low-Moderate Income Housing	Non-major governmental funds	335
	General	1,905
Tax Allocation	General	34,322
Redevelopment Agency	General	440,772
	Non-major governmental funds	1,362
Internal Service funds	Non-major governmental funds	590
Non-major governmental funds	Non-major governmental funds	1,175
Total		<u>\$ 1,993,553</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

B. Interfund Transfers

Transfers between funds are generally subsidies from one fund to another fund. The General Fund is the major fund that provides ongoing support to other funds. The following are the interfund transfers for fiscal year ended June 30, 2011:

Transfers In Fund	Transfers Out Fund	Amount
General	Redevelopment Agency	\$ 592,576
	Non-major governmental funds	115,946
	Internal Service funds	178,000
Redevelopment Agency	Tax Allocation	2,490,000
Environmental	General	24,383
Non-major governmental funds	Non-major governmental funds	243,495
Internal Service funds	General	419,000
Total		<u>\$ 4,063,400</u>

C. Advances To/Advances From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a restricted fund balance indication in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. A portion of the advance, \$327,458, 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 are SERAF loans and have a 0% interest rate and \$2,540,091 is payable by 5/10/15 and \$522,960 is payable by 5/11/16. Both of these loans are for the repayment of the SERAF payment to the State for the last two (2) years. The following are advances to/from other funds as of June 30, 2011:

Receivable Fund	Payable Fund	Amount
General	Internal Service funds	\$ 15,000
Low-Moderate Income Housing	Tax Allocation	<u>3,390,509</u>
Total		<u>\$ 3,405,509</u>

D. Internal Balances

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

6. PROPERTY TAXES

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

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Adjustment	Balance June 30, 2011
Governmental activities					
Capital assets, not depreciated:					
Land	\$ 8,300,620	\$ 730,200	\$ -	\$ (186,412)	\$ 8,844,408
Construction in progress	265,953	479,750	(131,454)	-	614,249
Total capital assets, not depreciated	<u>8,566,573</u>	<u>1,209,950</u>	<u>(131,454)</u>	<u>(186,412)</u>	<u>9,458,657</u>
Capital assets, depreciated:					
Buildings and structures	30,085,581	178,283	-	(7,900)	30,255,964
Improvements other than buildings	3,938,149	-	-	227,003	4,165,152
Public domain infrastructure	107,849,406	-	-	(208,427)	107,640,979
Sanitary sewer infrastructure	6,331,126	-	-	1	6,331,127
Machinery and equipment	9,264,475	592,554	(305,976)	476,113	10,027,166
Total capital assets, depreciated	<u>157,468,737</u>	<u>770,837</u>	<u>(305,976)</u>	<u>486,790</u>	<u>158,420,388</u>
Less accumulated depreciation for:					
Buildings and structures	(7,328,250)	(657,991)	-	1,185	(7,985,056)
Improvements other than buildings	(2,742,953)	(122,895)	-	(17,025)	(2,882,873)
Public domain infrastructure	(52,465,063)	(3,676,439)	-	10,586	(56,130,916)
Sanitary sewer infrastructure	(3,713,920)	(93,081)	-	2	(3,806,999)
Machinery and equipment	(6,918,336)	(576,640)	305,976	10,593	(7,178,407)
Total accumulated depreciation	<u>(73,168,522)</u>	<u>(5,127,046)</u>	<u>305,976</u>	<u>5,341</u>	<u>(77,984,251)</u>
Total capital assets, depreciated, net	<u>84,300,215</u>	<u>(4,356,209)</u>	<u>-</u>	<u>492,131</u>	<u>80,436,137</u>
Total capital assets, net	<u>\$ 92,866,788</u>	<u>\$ (3,146,259)</u>	<u>\$ (131,454)</u>	<u>\$ 305,719</u>	<u>\$ 89,894,794</u>
Business-type activities					
Capital assets, not depreciated:					
Land	\$ 377,408	\$ -	\$ -	\$ -	\$ 377,408
Construction in progress	1,145,280	525,181	(1,179,446)	-	491,015
Total capital assets, not depreciated	<u>1,522,688</u>	<u>525,181</u>	<u>(1,179,446)</u>	<u>-</u>	<u>868,423</u>
Capital assets, depreciated:					
Buildings and structures	3,997,788	913,618	-	-	4,911,406
Improvements other than buildings	132,916	19,992	-	-	152,908
Water system infrastructure	15,183,231	5,115,255	(15,956)	-	20,282,530
Machinery and equipment	1,570,121	15,009	-	-	1,585,130
Total capital assets, depreciated	<u>20,884,056</u>	<u>6,063,874</u>	<u>(15,956)</u>	<u>-</u>	<u>26,931,974</u>
Less accumulated depreciation for:					
Buildings and structures	(1,587,892)	(83,237)	-	1,545	(1,669,584)
Improvements other than buildings	(29,856)	(6,070)	-	-	(35,926)
Water system infrastructure	(5,067,599)	(870,693)	15,956	(560)	(5,922,896)
Machinery and equipment	(899,970)	(127,452)	-	(2)	(1,027,424)
Total accumulated depreciation	<u>(7,585,317)</u>	<u>(1,087,452)</u>	<u>15,956</u>	<u>983</u>	<u>(8,655,830)</u>
Total capital assets, depreciated, net	<u>13,298,739</u>	<u>4,976,422</u>	<u>-</u>	<u>983</u>	<u>18,276,144</u>
Total capital assets, net	<u>\$ 14,821,427</u>	<u>\$ 5,501,603</u>	<u>\$ (1,179,446)</u>	<u>\$ 983</u>	<u>\$ 19,144,567</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Depreciation expense was charged to the following activities:

Governmental activities:	
General government	\$ 25,046
Public safety	243,175
Public works	3,841,824
Culture and recreation	239,855
Transit	230,275
Redevelopment and housing	209,224
Internal service funds charged to general government function	<u>337,647</u>
Total governmental activities	<u>\$ 5,127,046</u>
Business-type activities	
Water utility	\$ 1,056,167
Environmental protection	5,824
Sewer	<u>25,461</u>
Total business-type activities	<u>\$ 1,087,452</u>

At June 30, 2011, \$17,074,884 is committed for capital projects related to the water system project. Also, \$13,194,826 is committed for capital projects related to the sewer system improvement project.

During the year, the City disposed of land held for resale which resulted in a net gain of \$55,176 which was recorded as general revenue in the Statement of Activities. Land held for resale in the amount of \$730,200 was transferred to the City from the Agency and reported as an addition to land.

8. RETIREMENT PLANS

A. Defined Benefit Pension Plan

Plan Description: The City 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.

Funding policy: Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City contributes 5% of the 8% required of City employees on their behalf and for their account for all non-safety employees except for executive staff who have the 8% deducted from their payroll. The City is required to contribute at an actuarially determined rate: the current rate is 9.003% for non-safety employees and 10.462% for safety employees, of annual covered payroll. The Los Angeles County Fire District has provided contractual fire protection and emergency medical services to the City 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, 2010, actuarial valuation is as follows:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

<u>Entry</u> <u>Age Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Asset</u> <u>Value</u>	<u>Underfunded/</u> <u>(Overfunded)</u> <u>Actuarial Accrued</u> <u>Liability</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Underfunded</u> <u>(Overfunded)</u> <u>Actuarial</u> <u>Liability</u> <u>As a Percentage</u> <u>of Covered</u> <u>Payroll</u>
<u>Miscellaneous Plan</u>					
\$ 62,471,428	\$ 54,162,858	\$ 8,308,570	86.7%	\$ 7,459,714	111.4%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the 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 2010-2011, the City's annual pension cost of \$1,400,272 for miscellaneous and \$1,012,486 for safety for PERS was equal to the City's required and actual contributions. The principle assumptions and methods used to determine the annual required contribution, which is based on the June 30, 2008 valuation, and the funded status, which was based on the June 30, 2010 valuation. The assumptions are as follows:

Actuarial cost method	Entry age normal cost method.
Amortization method	Level percent of payroll.
Average remaining period	25 years as of the valuation date for June 30, 2010 and 32 years as of the valuation date for the June 30, 2008. (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	3.55% 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 growth of 3.00% and an annual production growth of 0.25%.

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			
Annual			
<u>Fiscal</u> <u>Year</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/09	\$1,124	100%	-
6/30/10	1,243	100%	-
6/30/11	1,400	100%	-

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 833	100%	-
6/30/10	982	100%	-
6/30/11	1,012	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 began participating in PARS during fiscal year 2004-05. As of June 30, 2011, there were 121 plan participants and \$56,599 contributed for the year.

9. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2011, was \$2,474,543. The short-term portion of \$433,143 and long-term portion of \$2,041,400 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 \$130,310, of which \$13,590 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 \$196,770, of which \$14,300 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 and General Liability:

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 are no claims that exceed insurance coverage over the last three years.

The City established general liability and workers' compensation internal service funds. The funds have a net assets of \$3,542,000 and \$2,092,000, respectively, which have been internally restricted for payment of outstanding workers' compensation and general liability claims. The balances represent a 70% 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 under claims and judgments. At June 30, 2011, total actual and estimated claims and judgments payable were as follows:

	<u>Amount</u>
General liability	\$ 1,819,000
Workers' compensation	<u>3,151,000</u>
Total	<u>\$ 4,970,000</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

The current portion of \$173,000 and long-term portion of \$4,797,000 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 2011 and 2010:

	<u>Fiscal Year Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Claims and judgments, beginning of fiscal year	\$ 4,748,000	\$ 4,770,000
Claims incurred (including IBNRs)	706,415	741,601
Claims paid	<u>(484,415)</u>	<u>(763,601)</u>
Claims and judgments, end of fiscal year	<u>\$ 4,970,000</u>	<u>\$ 4,748,000</u>

11. CAPITALIZED LEASE OBLIGATION

The City entered into capital leases with Verizon for telephone equipment, Haaker Equipment Company for sewer equipment and Global Water Management, LLC for water equipment. 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, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 649,464
2013	649,464
2014	649,464
2015	462,228
2016	462,228
2017-2021	2,311,138
2022-2026	<u>2,080,024</u>
Total minimum lease payments	7,264,010
Less amount representing interest	<u>(1,989,755)</u>
Present value of minimum lease payment	<u>\$ 5,274,255</u>

The value of the assets acquired by the capital lease was \$5,378,157, net of accumulated depreciation of \$177,180.

12. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2011:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

	Balance			Balance	
	June 30, 2010	Additions	Deletions	June 30, 2011	Current Portion
Governmental activities					
Compensated absences (see note 9)	\$ 2,219,650	\$ 644,123	\$ (258,920)	\$ 2,604,853	\$ 446,733
Claims and judgments (see note 10)	4,748,000	706,415	(484,415)	4,970,000	173,000
Postemployment benefit obligation	37,302	455,651	(460,814)	32,139	32,139
Notes payable	656,516	-	(113,156)	543,360	120,081
Capital lease payable (see note 11)	403,320	-	(92,568)	310,752	97,871
Tax allocation bonds payable	32,492,262	-	(2,320,000)	30,172,262	2,425,000
Accreted interest	2,975,989	459,695	-	3,435,684	-
Unamortized premium on tax allocation bonds	<u>543,758</u>	<u>-</u>	<u>(38,879)</u>	<u>504,879</u>	<u>-</u>
Subtotal tax allocation bonds	<u>36,012,009</u>	<u>459,695</u>	<u>(2,358,879)</u>	<u>34,112,825</u>	<u>2,425,000</u>
Revenue bonds payable	1,750,000	-	(405,000)	1,345,000	425,000
Unamortized premium on revenue bonds	<u>147,216</u>	<u>-</u>	<u>(36,804)</u>	<u>110,412</u>	<u>-</u>
Subtotal revenue bonds	<u>1,897,216</u>	<u>-</u>	<u>(441,804)</u>	<u>1,455,412</u>	<u>425,000</u>
Total long-term liabilities, net	<u>\$ 45,974,013</u>	<u>\$ 2,265,884</u>	<u>\$ (4,210,556)</u>	<u>\$ 44,029,341</u>	<u>\$ 3,719,824</u>

	Balance			Balance	
	June 30, 2010	Additions	Deletions	June 30, 2011	Current Portion
Business-type activities					
Compensated absences (see note 9)	\$ 108,020	\$ 108,380	\$ (19,630)	\$ 196,770	\$ 14,300
Capital lease payable	196,331	4,767,172	-	4,963,503	298,311
Certificates of participation payable	1,470,000	-	(1,470,000)	-	-
Unamortized discount on certificates of participation	<u>(27,717)</u>	<u>-</u>	<u>27,717</u>	<u>-</u>	<u>-</u>
Subtotal certificates of participation	<u>1,442,283</u>	<u>-</u>	<u>(1,442,283)</u>	<u>-</u>	<u>-</u>
Revenue bonds payable	15,750,000	15,000,000	-	30,750,000	675,000
Unamortized premium on revenue bonds	-	168,934	-	168,934	-
Unamortized deferred loss on refunding	-	60,698	-	60,698	-
Unamortized discount on revenue bonds	<u>(585,879)</u>	<u>-</u>	<u>448,741</u>	<u>(137,138)</u>	<u>-</u>
Subtotal revenue bonds	<u>15,164,121</u>	<u>15,229,632</u>	<u>448,741</u>	<u>30,842,494</u>	<u>675,000</u>
Total long-term liabilities, net	<u>\$ 16,910,755</u>	<u>\$ 20,105,184</u>	<u>\$ (1,013,172)</u>	<u>\$ 36,002,767</u>	<u>\$ 987,611</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 located at 626 S. Citrus Avenue for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052. The Agency took over the leases of three current tenants and entered into a lease with Chick's Sporting Goods for their retail outlet. Interest on the unpaid principal shall

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

accrue at a variable rate which was 5.404% per annum at June 30, 2011. Monthly payments were \$12,160 at June 30, 2011, and will be \$12,090 beginning August, 2011.

Total notes payable \$ 543,360

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

June 30,	Principal	Interest	Total
2012	\$ 120,081	\$ 24,905	\$ 144,986
2013	126,361	18,725	145,086
2014	132,970	12,116	145,086
2015	139,925	5,161	145,086
2016	24,023	157	24,180
	<u>\$ 543,360</u>	<u>\$ 61,064</u>	<u>\$ 604,424</u>

Tax Allocation Revenue Bonds of 1997, Series A

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

\$ 1,260,000

Tax Allocation Revenue Bonds of 1997, Series B

On November 1, 1997, the Authority issued \$6,350,000 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.

3,180,000

Tax Allocation Revenue Bonds of 2002, Series A

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 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, 2011, balance is \$3,435,684 of the accreted interest on the capital appreciation bonds.

11,232,946

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

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.

13,500,000

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 2023.

4,435,000

Total tax allocation bonds payable

\$33,607,946

The annual requirements to amortize the tax allocation bonds payable included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
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	2,770,000	762,694	3,532,694
2016	2,915,000	633,710	3,548,710
2017-2021	12,639,113	5,115,133	17,754,246
2022-2024	<u>4,228,149</u>	<u>6,368,247</u>	<u>10,596,396</u>
Total debt service payments	30,172,262	15,895,882	46,068,144
Accretion to date	<u>3,435,684</u>	-	<u>3,435,684</u>
Total principal, June 30, 2011	<u>\$ 33,607,946</u>	<u>\$ 15,895,882</u>	<u>\$ 49,503,828</u>

Pledged Revenues – Tax Increment

The Agency has pledged a portion of future property tax increment revenues to repay \$33,607,946 of 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 \$49,503,828 payable through December 2023. For the current year, principal and interest paid and total incremental property tax revenues were \$3,544,660 and \$6,663,923.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

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.

\$ 1,345,000

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

Years Ending June 30,	Principal	Interest	Total
2012	\$ 425,000	\$ 68,375	\$ 493,375
2013	450,000	47,125	497,125
2014	470,000	23,500	493,500
	<u>\$ 1,345,000</u>	<u>\$ 139,000</u>	<u>\$ 1,484,000</u>

Revenue Bonds Payable, Sewer Enterprise Fund

In July 2009, \$15,750,000 of revenue bonds were issued to provide funds for the acquisition and construction of improvements to improve and increase capacity to the City's wastewater enterprise. The Authority executed and delivered the certificates. The Authority, pursuant to a trust agreement, assigned all of its rights to the trustee for the benefit of the owners of the certificates. Each certificate represents a proportionate interest in an installment sale agreement of the improvement project financed with the original certificates between the City and the Authority as a seller. Under the agreement, the City has covenanted that it will prescribe, revise, and collect such charges for the services and facilities of its wastewater system which will produce gross revenues that will generate net revenues in an amount sufficient to permit payment of all scheduled debt service on the bonds when due.

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 Sewer Enterprise Fund, the certificates are recorded as long-term debt in the Sewer Enterprise Fund.

The bonds are secured by a pledge of the net revenues received by the City for the sewer fees. Total principal and interest remaining to be paid on the bonds is \$24,095,490. Principal and interest paid for the current year and total customer net revenues were \$784,658 and \$1,149,333, respectively.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

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 on the bonds begins on October 1, 2011, and is due on October 1 each year until 2029.

\$ 15,750,000

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

June 30,	Principal	Interest	Total
2012	\$ 250,000	\$ 682,806	\$ 932,806
2013	625,000	671,689	1,296,689
2014	640,000	656,056	1,296,056
2015	660,000	638,981	1,298,981
2016	675,000	619,781	1,294,781
2017-2021	3,735,000	2,725,790	6,460,790
2022-2026	4,575,000	1,840,837	6,415,837
2027-2030	4,590,000	509,550	5,099,550
	<u>\$ 15,750,000</u>	<u>\$ 8,345,490</u>	<u>\$ 24,095,490</u>

Revenue Bonds Payable, Water Enterprise Fund

On December 10, 2010, the City issued \$15,000,000 of Revenue Bonds with an interest rate of 2.0% - 5.0% to refund \$1,290,000 outstanding 1999 Certificate of Participation bonds and to finance various capital projects amounting to \$12,715,285. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the proprietary fund statement of net assets. The remaining portion of net proceeds \$14,110,512 were deposited to escrow agent as follows: \$12,715,285 to finance various capital projects, \$995,925 to reserve fund, and \$399,302 represents the unspent allocation for cost of issuance.

The refunding resulted in a difference between the reacquisition price and the net carrying amounts of the old debt of \$60,698. This difference, reported in the accompanying financial statements as an addition to bonds payable, is being charged to operations through the year 2016 using the straight line method.

The Authority executed and delivered the certificates. The Authority, pursuant to a trust agreement, assigned all of its rights to the trustee for the benefit of the owners of the certificates. Each certificate represents a proportionate interest in an installment sale agreement of the improvement project financed with the original certificates between the City and the Authority as a seller. Under the agreement, the City has covenanted that it will prescribe, revise, and collect such charges for the services and facilities of its municipal water system which will produce gross revenues that will generate net revenues equal to 1.25 times the installment payments in each fiscal year.

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

certificates are recorded as long-term debt in the Water Utility Enterprise Fund.

The bonds are secured by a pledge of the net revenues received by the City for water sales. Total principal and interest remaining to be paid on the bonds is \$29,608,977. Principal and interest paid for the current year and total customer net revenues were \$902,912 and \$2,325,122, respectively.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 2.0% to 5.0%. Payment of principal on the bonds begins on October 1, 2011, and is due on October 1 each year until 2040.

\$ 15,000,000

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
2012	\$ 425,000	\$ 748,262	\$ 1,173,262
2013	250,000	740,262	990,262
2014	255,000	731,412	986,412
2015	265,000	721,012	986,012
2016	280,000	710,112	990,112
2017-2021	1,575,000	3,359,762	4,934,762
2022-2026	1,955,000	2,965,912	4,920,912
2027-2031	2,510,000	2,392,781	4,902,781
2032-2036	3,245,000	1,631,437	4,876,437
2037-2040	4,240,000	608,025	4,848,025
	\$ 15,000,000	\$ 14,608,977	\$ 29,608,977

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 interest bearing notes, which are long-term and have been recorded as notes receivable in the capital projects funds. The interest rate range is from 5.0% to 8.5% and notes receivable are due within 15-25 years. There is no allowance for notes receivable because management believes that they are fully collectible.

\$2,710,269

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. Due to the long-term nature of the deferred loans, the City and Agency have deferred recognition of revenues until receipt and these amounts have been recorded as loans receivable and deferred revenue in the special revenue fund. The loan is interest-free and does not require monthly repayment. The first-time home buyer loan is forgiven after 30 consecutive years of occupying the home purchased. The housing rehabilitation program loan is secured by a deed of trust on the property, and is due upon sale or transfer of the title of the property. There is no allowance for notes receivable because management believes that they are fully collectible.

\$ 479,905

15. FUND BALANCES

Effective July 1, 2009, the City adopted the provisions of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. The City has evaluated the use of its Special Revenue, Debt Service and Capital Project Funds under the criteria set forth in GASB Statement No. 54 and has determined that the City Donation fund did not meet the definition of a special revenue fund under GASB 54 and has been reclassified to the General Fund.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (for example: resolution and ordinance). Ordinance is the highest level of the City Council’s approval.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted or committed.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City Council adopted a Reserves Policy. The policy aims to help reduce the negative impact on the City in times of economic uncertainty and potential losses of funding from other governmental agencies. County reserves are restricted for one-time purposes. The policy establishes minimum requirements for General Fund nondepartmental reserves, and provides guidelines for the use of these funds.

General Fund non-departmental reserve requirements - Appropriation for contingencies is maintained at twenty percent of total General Fund net appropriations for one-time emergencies and economic uncertainties. Excess fund balance at year-end must first be used to replenish the reserve amount at the 20% level.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

16. CONTINGENCIES

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

17. MORTGAGE REVENUE AND CONSTRUCTION BONDS

The 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, 2011</u>
1994 Refunding Mortgage Revenue Bonds (Shadowhills)	\$13,980,000	\$10,307,212

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 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. JOINT VENTURE

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 joint venture" 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 42.18 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, 2011 is as follows:

Operating revenues	\$ 4,191,073
Operating expenses	<u>2,481,348</u>
Operating income	<u>\$ 1,709,725</u>
Net income	<u>\$ 1,201,668</u>
Total assets	<u>\$15,306,610</u>
Total liabilities	<u>\$ 5,657,655</u>
Total fund equity	<u>\$ 9,648,955</u>
Total liabilities and fund equity	<u>\$15,306,610</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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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. This plan is a single-employer defined benefit plan and does not issue separate financial statements. 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 178 eligible active employees and 148 enrolled eligible retirees at June 30, 2011. 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 the 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, 2011, the City contributed \$460,814 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, 2011, the most recent actuarial valuation, was \$5,398,198. The Annual Required Contribution (ARC) as of June 30, 2011, was \$455,684. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

		June 30, 2011
Annual required contribution (ARC)	\$	455,684
Interest cost		1,399
ARC adjustment		(1,432)
Annual OPEB expense		455,651
Contributions made		(460,814)
Decrease in net OPEB obligation		(5,163)
Net OPEB Obligation, Beginning of Year		37,302
Net OPEB Obligation, End of Year	\$	32,139

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/09	\$362,689	104%	\$ (14,250)
6/30/10	453,870	89%	37,302
6/30/11	455,684	101%	32,139

Funding Status and Progress:

Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded (Overfunded) Actuarial Liability As a Percentage of Covered Payroll
\$ -	\$ 5,398,198	\$ 5,398,198	0.0%	\$ 11,997,862	45.0%

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, presents 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 assumptions are as follows:

Actuarial cost method	Entry age normal cost method.
Average remaining period	20 years as of the valuation date.
Investment rate of return	3.75%.
Annual healthcare cost trend rate	1.0% - 5.0%.
Payroll growth	2.5%.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

20. BOND DEFEASANCE

Water Certificates of Participation

In October 1999, the 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, 2011 was \$1,195,000.

21. REBATABLE ARBITRAGE

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

22. RELATED PARTY TRANSACTIONS

The City entered into an agreement with Covina Irrigating Company (CIC) for the pumping, treating and delivering the water to City reservoirs. During the year, the City paid \$2,266,242 to the Covina Irrigating Company for the services of pumping, treating and delivery of water.

23. ENCUMBRANCES

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted, committed, or assigned governmental fund balance. As of June 30, 2011, total governmental fund encumbrance balances for the City are as follows (dollars in thousands):

General Fund	\$ 223,091
Redevelopment Agency	4,474,830
Low-Moderate Income Housing	130,000
Nonmajor governmental funds	<u>1,168,000</u>
Total governmental funds	<u>\$ 5,995,921</u>

24. RECLASSIFICATION OF BEGINNING FUND BALANCE

During the year it was determined that certain Low-Moderate Income Housing funds should be reclassified as Redevelopment Agency funds. Due to this reclassification, the beginning fund balance in each of these funds has changed.

	Low-Moderate Income Housing	Redevelopment Agency
Fund balance July 1, 2010	\$ 14,494,868	\$ 35,888,564
Adjustments due to reclassification	<u>(6,373,281)</u>	<u>6,373,281</u>
Fund balance at July 1, 2010, as reclassified	<u>\$ 8,121,587</u>	<u>\$ 42,261,845</u>

25. SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND (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 was 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 was \$522,960 which was paid on May 5, 2011. In response to AB 26 4x, the Agency borrowed from the Low-Moderate Income Housing Funds as permitted by the State.

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.

25. SUBSEQUENT EVENT

AB 1X 26 and 27

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State’s budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1X 26 indicates that the city “may use any available funds not otherwise obligated for other uses” to make this payment. The City of Covina intended to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State legislature.

Assembly Bill 1X 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1X 26. The Agency transferred land held for resale and land to the Covina Housing Authority during fiscal year 2011.

The interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the Agency to the City for shared administrative services are reduced or eliminated.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011, indicated that certain provisions of Assembly Bills 1X 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011. Subsequently, the Agency adopted EOPS on August 25, 2011 and drafted ROPS on September 28, 2011. Both of these schedules were amended and adopted by the Agency on November 1, 2011.

Because the stay provided by Assembly Bill 1X 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB 1X 26.

On December 29, 2011, the California Supreme Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the California Supreme Court. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in Assembly Bill 1X 26. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

The following is a summary of the significant provisions of Assembly Bill 1X 26:

Assembly Bill 1X 26

Suspends Redevelopment Activity - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

Dissolves Redevelopment Agencies - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

Creates Successor Agencies - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency (i.e. the City). The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community if the sponsoring community chooses to take on those

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
June 30, 2011

functions, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

Transfer of Housing Functions--The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority.

Creation of Oversight Boards --The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the Mayor--one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency, which is eligible to receive property tax revenues pursuant to Section 34188.

On January 11, 2012, the City Council made a decision to become the successor agency for the dissolution of the Agency. Further, on January 30, 2012, the City Council made a decision to retain the housing assets and functions previously performed by the Agency.

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 10,608,489	\$ 10,608,489	\$ 10,608,489	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	4,694,600	4,694,600	4,650,819	(43,781)
Unsecured personal	75,000	75,000	155,667	80,667
Prior year secured and unsecured	-	-	59,487	59,487
Supplemental roll	200,000	200,000	63,971	(136,029)
Property tax in-lieu motor vehicle license	3,622,220	3,622,220	3,636,261	14,041
Property tax in-lieu sales tax	-	-	1,580,719	1,580,719
Interest and penalties	65,000	65,000	55,816	(9,184)
Pass through	150,000	150,000	66,365	(83,635)
Sales taxes	6,974,000	6,974,000	4,978,892	(1,995,108)
Transient occupancy taxes	370,000	370,000	317,594	(52,406)
Property transfer taxes	150,000	150,000	92,818	(57,182)
Business license taxes	415,150	415,150	335,936	(79,214)
Utility users taxes	5,698,000	5,698,000	4,722,506	(975,494)
Franchise taxes:				
Cable TV	160,000	160,000	499,704	339,704
Electric utility	250,000	250,000	122,977	(127,023)
Gas utility	125,000	125,000	104,204	(20,796)
Towing	240,000	240,000	57,634	(182,366)
Refuse service	360,000	360,000	2,377,134	2,017,134
Other	35,000	35,000	76,547	41,547
Licenses and permits	390,650	276,150	538,623	262,473
Intergovernmental:				
State:				
Homeowner exemption	40,000	40,000	41,342	1,342
Mandated cost reimbursement	93,560	93,560	142,918	49,358
Public safety augmentation	325,000	325,000	324,610	(390)
POST subvention	25,000	25,000	14,279	(10,721)
Standards & training - corrections	5,720	5,720	5,885	165
Motor vehicle in-lieu tax	160,000	160,000	227,618	67,618
Library services grant	750	750	655	(95)
County:				
Prop A discretionary	71,000	71,000	-	(71,000)
School district	181,200	181,200	186,940	5,740
Other grants	-	-	268	268
Other governmental units	25,000	25,000	-	(25,000)
Charges for services:				
General government	641,050	641,050	491,949	(149,101)
Public safety	222,370	221,370	219,230	(2,140)
Public works	16,800	16,800	45,956	29,156
Culture and recreation	662,620	662,620	788,631	126,011
Community development	154,350	144,350	669,205	524,855
Fines and forfeits	720,500	720,500	717,102	(3,398)
Investment earnings	490,000	490,000	208,127	(281,873)
Miscellaneous	100,030	100,030	307,490	207,460

(Continued)

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2011

(Continued)

	Budget Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Transfers In - Redevelopment Agency	\$ -	\$ -	\$ 592,576	\$ 592,576
Transfers In - Community Development Block Grant	-	-	7,230	7,230
Transfers In - Law Enforcement	100,000	114,000	106,621	(7,379)
Transfers In - Transportation	-	-	2,095	2,095
Transfers In - Workers Compensation	-	-	178,000	178,000
Amounts available for appropriation	<u>38,618,059</u>	<u>38,506,559</u>	<u>40,380,890</u>	<u>1,874,331</u>
Charges to appropriations (outflows):				
General government:				
City council	\$ 60,030	\$ 60,030	\$ 57,532	\$ 2,498
City clerk	2,700	2,700	2,387	313
City treasurer	3,350	3,350	3,339	11
City manager	524,480	521,680	462,821	58,859
City attorney	226,680	226,680	290,665	(63,985)
Finance	1,407,110	1,407,110	1,434,567	(27,457)
Elections	69,450	69,450	2,160	67,290
Records management	137,990	137,990	165,009	(27,019)
Human resources	552,390	565,190	581,968	(16,778)
Employee development	8,000	8,000	2,218	5,782
Workers compensation	626,800	626,800	732,899	(106,099)
Public liability	431,000	489,900	229,976	259,924
General insurance	617,000	617,000	562,401	54,599
Duplicating services	129,450	129,450	118,132	11,318
Public information	127,380	152,380	158,772	(6,392)
Civic center	189,830	463,356	153,097	310,259
Intergovernmental	24,900	24,900	9,725	15,175
Contingency	35,000	-	-	-
Indirect cost allocation	<u>(2,169,230)</u>	<u>(2,169,230)</u>	<u>(1,404,834)</u>	<u>(764,396)</u>
Total general government	<u>3,004,310</u>	<u>3,336,736</u>	<u>3,562,834</u>	<u>(226,098)</u>
Public safety:				
Police administration	1,063,490	1,063,490	941,467	122,023
Crime prevention	279,320	279,320	263,625	15,695
Police investigation	1,889,350	1,889,350	1,834,718	54,632
Police patrol	6,018,950	6,018,950	6,010,331	8,619
Police records	505,030	505,030	490,417	14,613
Police jail	415,780	415,780	364,625	51,155
Traffic safety	364,190	364,190	412,996	(48,806)
Parking control	274,130	276,430	262,494	13,936
Communication services	1,204,020	1,204,020	1,086,482	117,538
Police training	344,580	344,580	329,242	15,338
Police computer services	386,850	386,850	384,523	2,327
Fire suppression	7,647,440	7,647,440	7,394,787	252,653
Disaster preparedness	16,350	20,950	21,165	(215)
Animal control	125,600	125,600	97,085	28,515
Indirect cost allocation	<u>(29,100)</u>	<u>(29,100)</u>	<u>33</u>	<u>(29,133)</u>
Total public safety	<u>20,505,980</u>	<u>20,512,880</u>	<u>19,893,990</u>	<u>618,890</u>
Public works:				
Public works administration	132,880	132,880	161,766	(28,886)
Graffiti removal	76,220	76,220	-	76,220
Engineering	248,040	288,370	290,267	(1,897)
Streets	57,380	57,380	(44,075)	101,455
Street lighting	199,500	199,500	195,708	3,792
Traffic control	144,500	144,500	140,071	4,429
Yard center	47,410	47,410	17,237	30,173
Indirect cost allocation	<u>(433,540)</u>	<u>(433,540)</u>	<u>(485,034)</u>	<u>51,494</u>
Total public works	<u>472,390</u>	<u>512,720</u>	<u>275,940</u>	<u>236,780</u>

(Continued)

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Statement
 General Fund
 For the fiscal year ended June 30, 2011

(Continued)

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks-recreation administration	\$ 430,620	\$ 430,620	\$ 454,161	\$ (23,541)
Community relations	122,400	122,400	125,242	(2,842)
Recreation services	508,210	508,210	550,364	(42,154)
Park facilities	554,010	606,065	551,740	54,325
Senior services	246,060	261,997	397,875	(135,878)
Community events	100,970	100,970	192,528	(91,558)
Aquatics	311,260	311,260	283,097	28,163
Cultural arts	-	679	679	-
Library services	889,670	924,540	930,740	(6,200)
Library equipment reserve	9,860	10,965	5,965	5,000
Donation	24,120	38,009	(2,046)	40,055
Total culture and recreation	<u>3,197,180</u>	<u>3,315,715</u>	<u>3,490,345</u>	<u>(174,630)</u>
Community development:				
Development administration	153,580	153,580	19,103	134,477
Planning	215,770	239,970	202,497	37,473
Building inspection	326,690	340,690	632,864	(292,174)
Code enforcement	97,550	97,550	187,758	(90,208)
Community improvement	87,951	1,556	1,556	-
Indirect cost allocation	(418,110)	(418,110)	(50,000)	(368,110)
Total community development	<u>463,431</u>	<u>415,236</u>	<u>993,778</u>	<u>(578,542)</u>
Debt service:				
Principal retirement	44,670	44,670	92,568	(47,898)
Interest	21,720	21,720	20,172	1,548
Total debt service	<u>66,390</u>	<u>66,390</u>	<u>112,740</u>	<u>(46,350)</u>
Transfers out:				
Public Liability Internal Service Fund	291,510	305,510	419,000	(113,490)
Environmental Enterprise Fund	-	-	24,383	(24,383)
Total transfers out	<u>291,510</u>	<u>305,510</u>	<u>443,383</u>	<u>(137,873)</u>
Total charges to appropriations	<u>28,001,191</u>	<u>28,465,187</u>	<u>28,773,010</u>	<u>(307,823)</u>
Budgetary fund balance, June 30	<u>\$ 10,616,868</u>	<u>\$ 10,041,372</u>	<u>\$ 11,607,880</u>	<u>\$ 1,566,508</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, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 8,121,587	\$ 8,121,587	\$ 8,121,587	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	1,738,000	1,738,000	1,573,305	(164,695)
Unsecured personal	-	-	110,337	110,337
Prior year secured and unsecured	-	-	(6,856)	(6,856)
Supplemental roll	-	-	(10,805)	(10,805)
Investment earnings	66,800	66,800	46,032	(20,768)
Miscellaneous	44,000	44,000	20,360	(23,640)
Amounts available for appropriation	<u>9,970,387</u>	<u>9,970,387</u>	<u>9,853,960</u>	<u>(116,427)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Housing	604,550	5,364,982	2,520,057	2,844,925
Neighborhood preservation	137,240	169,137	179,184	(10,047)
Total redevelopment and housing	<u>741,790</u>	<u>5,534,119</u>	<u>2,699,241</u>	<u>2,834,878</u>
Debt service:				
Principal retirement	200,000	200,000	200,000	-
Interest and fiscal charges	206,275	206,275	196,228	10,047
Total debt service	406,275	406,275	396,228	10,047
Transfers out - Tax Allocation Fund	522,450	522,450	-	522,450
Total charges to appropriations	<u>1,670,515</u>	<u>6,462,844</u>	<u>3,095,469</u>	<u>3,367,375</u>
Budgetary fund balance, June 30	<u>\$ 8,299,872</u>	<u>\$ 3,507,543</u>	<u>\$ 6,758,491</u>	<u>\$ 3,250,948</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
 Note to Required Supplementary Information
 June 30, 2011

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 30th 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 proceeds 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, 2011, charges exceeded appropriations as follows:

Fund	Final Budget	Actual	Variance
General Fund	\$ 28,465,187	\$ 28,773,010	\$ 307,823

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 June 30, 2011

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)}
06/30/07 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%
06/30/10 Miscellaneous	\$ 62,471	\$ 54,163	\$ 8,308	86.7%	\$ 7,460	111.4%

2. Other Postemployment Benefit (OPEB):

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)}
6/30/2009	5,014	-	5,014	0.00%	7,677	65.31%
6/30/2011	5,398	-	5,398	0.00%	11,998	44.99%

See accompanying note to the required supplementary information.

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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.

Other Grants 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, 2011

	Special Revenue Funds						
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	Municipal Parking District
Assets							
Cash and investments	\$ -	\$ 627,140	\$ 212,819	\$ 777,839	\$ 1,976,391	\$ 252,682	\$ 493,859
Cash and investments - fiscal agent	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Property taxes	-	12,706	-	-	-	-	1,730
Accounts	390	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Loans	424,404	-	-	-	-	-	-
Due from other governments	104,056	59,361	-	147,213	-	11,729	135
Due from other funds	25	-	-	-	-	-	-
Total assets	<u>\$ 528,875</u>	<u>\$ 699,207</u>	<u>\$ 212,819</u>	<u>\$ 925,052</u>	<u>\$ 1,976,391</u>	<u>\$ 264,411</u>	<u>\$ 495,724</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 22,725	\$ 51,061	\$ -	\$ -	\$ 78,426	\$ 599	\$ 1,830
Accrued liabilities	2,574	13,711	-	-	6,164	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	424,404	-	-	-	-	-	-
Due to other funds	79,172	-	-	-	6,330	-	-
Total liabilities	<u>528,875</u>	<u>64,772</u>	<u>-</u>	<u>-</u>	<u>90,920</u>	<u>599</u>	<u>1,830</u>
Fund balances (deficit):							
Restricted for:							
Community development	-	-	-	-	-	-	-
Law enforcement	-	634,435	212,819	-	-	-	-
Street projects	-	-	-	925,052	-	-	-
Transportation projects	-	-	-	-	1,885,471	-	-
Air quality projects	-	-	-	-	-	263,812	-
Assessment districts	-	-	-	-	-	-	493,894
Library	-	-	-	-	-	-	-
Assigned to:							
Other capital projects	-	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-
Street resurfacing	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>634,435</u>	<u>212,819</u>	<u>925,052</u>	<u>1,885,471</u>	<u>263,812</u>	<u>493,894</u>
Total liabilities and fund balances	<u>\$ 528,875</u>	<u>\$ 699,207</u>	<u>\$ 212,819</u>	<u>\$ 925,052</u>	<u>\$ 1,976,391</u>	<u>\$ 264,411</u>	<u>\$ 495,724</u>

Special Revenue Funds						
Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ -	\$ 23,755	\$ -	\$ 577	\$ -	\$ 80,452	\$ 4,445,514
-	-	-	-	-	-	-
-	-	-	-	-	13,858	28,294
-	-	-	-	23,337	-	23,727
4,543	5,227	-	-	-	-	9,770
-	-	-	-	-	-	424,404
541	80	-	-	10,000	46,402	379,517
-	-	-	-	-	1,150	1,175
<u>\$ 5,084</u>	<u>\$ 29,062</u>	<u>\$ -</u>	<u>\$ 577</u>	<u>\$ 33,337</u>	<u>\$ 141,862</u>	<u>\$ 5,312,401</u>
\$ 24,839	\$ 1,997	\$ 3,525	\$ -	\$ -	\$ 21,917	\$ 206,919
-	-	-	-	3,244	-	25,693
-	-	-	-	-	-	-
-	-	-	-	-	-	424,404
81,307	-	21,676	-	29,689	950	219,124
<u>106,146</u>	<u>1,997</u>	<u>25,201</u>	<u>-</u>	<u>32,933</u>	<u>22,867</u>	<u>876,140</u>
-	-	-	-	-	118,995	118,995
-	-	-	-	-	-	847,254
-	-	-	-	-	-	925,052
-	-	-	-	-	-	1,885,471
-	-	-	-	-	-	263,812
-	27,065	-	577	-	-	521,536
-	-	-	-	404	-	404
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(101,062)	-	(25,201)	-	-	-	(126,263)
<u>(101,062)</u>	<u>27,065</u>	<u>(25,201)</u>	<u>577</u>	<u>404</u>	<u>118,995</u>	<u>4,436,261</u>
<u>\$ 5,084</u>	<u>\$ 29,062</u>	<u>\$ -</u>	<u>\$ 577</u>	<u>\$ 33,337</u>	<u>\$ 141,862</u>	<u>\$ 5,312,401</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Assets					
Cash and investments	\$ 337,663	\$ 484,243	\$ 1,177,918	\$ 1,999,824	\$ 6,445,338
Cash and investments - fiscal agent	-	-	272,357	272,357	272,357
Receivables (net of allowances for uncollectibles):					
Property taxes	-	-	-	-	28,294
Accounts	203,952	12,217	-	216,169	239,896
Special assessments	-	-	-	-	9,770
Loans	-	-	-	-	424,404
Due from other governments	-	-	116,243	116,243	495,760
Due from other funds	-	-	-	-	1,175
Total assets	<u>\$ 541,615</u>	<u>\$ 496,460</u>	<u>\$ 1,566,518</u>	<u>\$ 2,604,593</u>	<u>\$ 7,916,994</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 10,712	\$ 10,712	\$ 217,631
Accrued liabilities	-	424	-	424	26,117
Due to other governments	-	-	434,390	434,390	434,390
Deferred Revenue	-	-	-	-	424,404
Due to other funds	-	-	-	-	219,124
Total liabilities	<u>-</u>	<u>424</u>	<u>445,102</u>	<u>445,526</u>	<u>1,321,666</u>
Fund balances:					
Restricted for:					
Community development	-	-	-	-	118,995
Law enforcement	-	-	-	-	847,254
Street projects	-	-	-	-	925,052
Transportation projects	-	-	272,357	272,357	2,157,828
Air quality projects	-	-	-	-	263,812
Assessment districts	-	-	-	-	521,536
Library	-	-	-	-	404
Assigned to:					
Other capital projects	541,615	-	-	541,615	541,615
Parks & recreation	-	496,036	-	496,036	496,036
Street resurfacing	-	-	849,059	849,059	849,059
Unassigned (deficit)	-	-	-	-	(126,263)
Total fund balances	<u>541,615</u>	<u>496,036</u>	<u>1,121,416</u>	<u>2,159,067</u>	<u>6,595,328</u>
Total liabilities and fund balances	<u>\$ 541,615</u>	<u>\$ 496,460</u>	<u>\$ 1,566,518</u>	<u>\$ 2,604,593</u>	<u>\$ 7,916,994</u>

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CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2011

	Special Revenue Funds						Municipal Parking District
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality	
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,601
Business license taxes	-	-	-	-	-	-	-
Intergovernmental	450,804	219,570	849	1,226,661	1,097,996	54,308	9
Charges for services	-	15,559	-	-	239,177	-	69,918
Special assessments	-	396,149	-	-	-	-	-
Investment earnings	-	7,976	1,627	4,474	26,638	3,200	387,977
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>450,804</u>	<u>639,254</u>	<u>2,476</u>	<u>1,231,135</u>	<u>1,363,811</u>	<u>57,508</u>	<u>476,505</u>
Expenditures:							
Current:							
Public safety	-	462,001	5,041	-	-	-	-
Public works	-	-	-	813,190	-	28,285	201,868
Culture and recreation	-	-	-	-	-	-	-
Transit	-	-	-	-	1,413,825	-	-
Redevelopment and housing	443,564	-	-	-	-	-	-
Capital outlay	-	11,068	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>443,564</u>	<u>473,069</u>	<u>5,041</u>	<u>813,190</u>	<u>1,413,825</u>	<u>28,285</u>	<u>201,868</u>
Excess (deficiency) of revenues over expenditures	<u>7,240</u>	<u>166,185</u>	<u>(2,565)</u>	<u>417,945</u>	<u>(50,014)</u>	<u>29,223</u>	<u>274,637</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	6,445	-	-
Transfers out	(7,230)	(106,621)	-	-	-	-	-
Total other financing sources (uses)	<u>(7,230)</u>	<u>(106,621)</u>	<u>-</u>	<u>-</u>	<u>6,445</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>10</u>	<u>59,564</u>	<u>(2,565)</u>	<u>417,945</u>	<u>(43,569)</u>	<u>29,223</u>	<u>274,637</u>
Fund balances (deficit) at beginning of year	(10)	574,871	215,384	507,107	1,929,040	234,589	219,257
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>\$ 634,435</u>	<u>\$ 212,819</u>	<u>\$ 925,052</u>	<u>\$ 1,885,471</u>	<u>\$ 263,812</u>	<u>\$ 493,894</u>

Special Revenue Funds						
Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,601
-	-	-	1,677	-	-	1,677
-	-	-	-	37,587	118,022	3,205,806
-	-	-	-	-	-	324,654
126,017	171,713	6,782	-	-	67,746	768,407
-	94	-	-	-	1,077	433,063
-	-	-	-	30,883	-	30,883
<u>126,017</u>	<u>171,807</u>	<u>6,782</u>	<u>1,677</u>	<u>68,470</u>	<u>186,845</u>	<u>4,783,091</u>
-	-	-	-	-	-	467,042
208,827	143,616	-	1,100	-	23,117	1,420,003
-	-	-	-	68,066	-	68,066
-	-	-	-	-	-	1,413,825
-	-	4,875	-	-	79,340	527,779
-	-	-	-	-	33,636	44,704
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>208,827</u>	<u>143,616</u>	<u>4,875</u>	<u>1,100</u>	<u>68,066</u>	<u>136,093</u>	<u>3,941,419</u>
<u>(82,810)</u>	<u>28,191</u>	<u>1,907</u>	<u>577</u>	<u>404</u>	<u>50,752</u>	<u>841,672</u>
-	-	-	-	-	-	6,445
-	-	-	-	-	-	(113,851)
-	-	-	-	-	-	(107,406)
(82,810)	28,191	1,907	577	404	50,752	734,266
(18,252)	(1,126)	(27,108)	-	-	68,243	3,701,995
<u>\$ (101,062)</u>	<u>\$ 27,065</u>	<u>\$ (25,201)</u>	<u>\$ 577</u>	<u>\$ 404</u>	<u>\$ 118,995</u>	<u>\$ 4,436,261</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, 2011

	Capital Projects Funds			Total Non-Major Governmental Funds	
	General Projects	Park Development	Transportation		Total
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,601
Business license taxes	-	-	-	-	1,677
Intergovernmental	-	10,534	835,896	846,430	4,052,236
Charges for services	211,675	265,277	-	476,952	801,606
Special assessments	-	-	-	-	768,407
Investment earnings	4,697	4,120	16,451	25,268	458,331
Miscellaneous	-	-	-	-	30,883
Total revenues	<u>216,372</u>	<u>279,931</u>	<u>852,347</u>	<u>1,348,650</u>	<u>6,131,741</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	467,042
Public works	-	-	103,930	103,930	1,523,933
Culture and recreation	-	-	-	-	68,066
Transit	-	-	121,747	121,747	1,535,572
Redevelopment and housing	-	-	-	-	527,779
Capital outlay	-	10,533	99,649	110,182	154,886
Debt service:					
Principal retirement	-	-	405,000	405,000	405,000
Interest and fiscal charges	-	-	88,625	88,625	88,625
Total expenditures	<u>-</u>	<u>10,533</u>	<u>818,951</u>	<u>829,484</u>	<u>4,770,903</u>
Excess (deficiency) of revenues over expenditures	<u>216,372</u>	<u>269,398</u>	<u>33,396</u>	<u>519,166</u>	<u>1,360,838</u>
Other financing sources (uses):					
Transfers in	-	-	237,050	237,050	243,495
Transfers out	-	-	(245,590)	(245,590)	(359,441)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,540)</u>	<u>(8,540)</u>	<u>(115,946)</u>
Net change in fund balances	<u>216,372</u>	<u>269,398</u>	<u>24,856</u>	<u>510,626</u>	<u>1,244,892</u>
Fund balances (deficit) at beginning of year	<u>325,243</u>	<u>226,638</u>	<u>1,096,560</u>	<u>1,648,441</u>	<u>5,350,436</u>
Fund balances (deficit) at end of year	<u>\$ 541,615</u>	<u>\$ 496,036</u>	<u>\$ 1,121,416</u>	<u>\$ 2,159,067</u>	<u>\$ 6,595,328</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Tax Allocation Debt Service Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ 692,540	\$ 692,540	\$ 692,540	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	6,949,000	6,949,000	6,312,594	(636,406)
Unsecured personal	-	-	421,975	421,975
Prior year secured and unsecured	-	-	(83,750)	(83,750)
Supplemental roll	-	-	13,104	13,104
Investment earnings	49,200	49,200	16,903	(32,297)
Transfers in - Low-Moderate Income Housing	522,454	1,819,884	-	(1,819,884)
Amounts available for appropriation	<u>8,213,194</u>	<u>9,510,624</u>	<u>7,373,366</u>	<u>(2,137,258)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Administration	348,370	348,370	144,301	204,069
County and other pass-through	1,684,454	1,684,454	1,583,053	(101,401)
Debt service:				
Principal retirement	4,341,325	4,768,145	2,233,156	2,534,989
Interest and fiscal charges	1,458,224	1,458,224	1,339,339	118,885
Total debt service	<u>7,832,373</u>	<u>8,259,193</u>	<u>5,299,849</u>	<u>2,756,542</u>
Transfers out - Redevelopment Agency Fund	-	-	2,490,000	(2,490,000)
Total charges to appropriations	<u>7,832,373</u>	<u>8,259,193</u>	<u>7,789,849</u>	<u>266,542</u>
Budgetary fund balance, June 30	<u>\$ 380,821</u>	<u>\$ 1,251,431</u>	<u>\$ (416,483)</u>	<u>\$ (1,870,716)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Redevelopment Agency Capital Projects Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ 42,261,845	\$ 42,261,845	\$ 42,261,845	\$ -
Resources (inflows):				
Charges for services-redevelopment and housing	847,220	847,220	679,829	(167,391)
Investment earnings	337,360	337,360	277,209	(60,151)
Miscellaneous	93,750	93,750	67,949	(25,801)
Transfers in - Tax Allocation Fund	-	160,000	2,490,000	2,330,000
Loan proceeds	2,490,000	2,490,000	-	(2,490,000)
Gain on sale of land held for resale	-	-	55,176	55,176
Amounts available for appropriation	46,030,175	46,190,175	45,832,008	(358,167)
Charges to appropriations (outflows):				
Redevelopment and housing:				
Redevelopment-housing administration	1,535,210	3,089,419	1,873,803	1,215,616
Marketing	497,520	4,363,639	340,899	4,022,740
Redevelopment	1,094,160	6,384,379	7,712,917	(1,328,538)
Housing	-	3,185,021	685,018	2,500,003
Capital outlay	-	-	345,840	(345,840)
Total redevelopment and housing	3,126,890	17,022,458	10,958,477	6,063,981
Transfers out	-	1,940,006	592,576	1,347,430
Total charges to appropriations	3,126,890	18,962,464	11,551,053	7,411,411
Budgetary fund balance, June 30	\$ 42,903,285	\$ 27,227,711	\$ 34,280,955	\$ 7,053,244

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Development Block Grant Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ (10)	\$ (10)	\$ (10)	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-Community Development Block Grant	464,990	487,830	450,804	(37,026)
Transfers in-General Fund	<u>54,630</u>	<u>54,630</u>	<u>-</u>	<u>(54,630)</u>
Amounts available for appropriation	<u>519,610</u>	<u>542,450</u>	<u>450,794</u>	<u>(91,656)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
CDBG administration	101,130	105,385	46,251	59,134
Business assistance	235,000	349,029	298,930	50,099
Public service	69,750	69,750	62,703	7,047
Residential rehabilitation	113,630	113,630	12,202	101,428
Public improvements	-	-	23,478	(23,478)
Transfers out - general fund	<u>-</u>	<u>-</u>	<u>7,230</u>	<u>(7,230)</u>
Total charges to appropriations	<u>519,510</u>	<u>637,794</u>	<u>450,794</u>	<u>187,000</u>
Budgetary fund balance, June 30	<u>\$ 100</u>	<u>\$ (95,344)</u>	<u>\$ -</u>	<u>\$ 95,344</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Law Enforcement Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 574,871	\$ 574,871	\$ 574,871	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
Local Law Enforcement Block Grant	36,010	36,010	-	(36,010)
COPS in School	-	-	14,608	14,608
Justice Assistance Grant	-	41,974	47,071	5,097
State:				
Supplemental Law Enforcement Grant	100,000	183,948	100,000	(83,948)
Other Grant	-	28,550	-	(28,550)
Other governmental units	-	-	57,891	57,891
Charges for services-police fee	36,000	36,000	15,559	(20,441)
Fines & Forfeits	194,220	-	396,149	396,149
Investment earnings	-	-	7,976	7,976
Transfers in:				
General Fund	100,000	111,735	-	(111,735)
Amounts available for appropriation	<u>1,041,101</u>	<u>1,013,088</u>	<u>1,214,125</u>	<u>201,037</u>
Charges to appropriations (outflows):				
Public safety:				
Police administration	132,310	187,864	27,927	159,937
Crime prevention	24,800	31,907	31,907	-
Police investigation	-	19,424	13,463	5,961
Police patrol	269,420	379,735	388,032	(8,297)
Traffic safety	-	7,882	-	7,882
Police computer services	-	672	672	-
Capital outlay	-	-	11,068	(11,068)
Transfers out	100,000	111,735	106,621	5,114
Total charges to appropriations	<u>526,530</u>	<u>739,219</u>	<u>579,690</u>	<u>159,529</u>
Budgetary fund balance, June 30	<u>\$ 514,571</u>	<u>\$ 273,869</u>	<u>\$ 634,435</u>	<u>\$ 360,566</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Narcotic Seizure Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 215,384	\$ 215,384	\$ 215,384	\$ -
Resources (inflows):				
Intergovernmental:				
State-Narcotic Seizure Program Grant	-	-	849	849
Investment earnings	-	-	1,627	1,627
Amounts available for appropriation	215,384	215,384	217,860	2,476
Charges to appropriations (outflows):				
Public safety-special detail services	-	5,042	5,041	1
Budgetary fund balance, June 30	<u>\$ 215,384</u>	<u>\$ 210,342</u>	<u>\$ 212,819</u>	<u>\$ 2,477</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 State Gas Tax Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 507,107	\$ 507,107	\$ 507,107	\$ -
Resources (inflows):				
Intergovernmental:				
State-gas tax	776,000	776,000	1,226,661	450,661
Investment earnings	9,900	9,900	4,474	(5,426)
Amounts available for appropriation	<u>1,293,007</u>	<u>1,293,007</u>	<u>1,738,242</u>	<u>445,235</u>
Charges to appropriations (outflows):				
Public works:				
Streets	643,190	643,190	643,190	-
Street lighting	100,000	100,000	100,000	-
Traffic control	70,000	70,000	70,000	-
Total charges to appropriations	<u>813,190</u>	<u>813,190</u>	<u>813,190</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 479,817</u>	<u>\$ 479,817</u>	<u>\$ 925,052</u>	<u>\$ 445,235</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Air Quality Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 234,589	\$ 234,589	\$ 234,589	\$ -
Resources (inflows):				
Intergovernmental:				
Other government units-motor vehicle environmental fee	58,000	58,000	54,308	(3,692)
Investment earnings	<u>4,500</u>	<u>4,500</u>	<u>3,200</u>	<u>(1,300)</u>
Amounts available for appropriation	297,089	297,089	292,097	(4,992)
Charges to appropriations (outflows):				
Public works-air quality	<u>143,300</u>	<u>143,300</u>	<u>28,285</u>	<u>115,015</u>
Budgetary fund balance, June 30	<u>\$ 153,789</u>	<u>\$ 153,789</u>	<u>\$ 263,812</u>	<u>\$ 110,023</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Municipal Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 219,257	\$ 219,257	\$ 219,257	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	26,800	26,800	15,732	(11,068)
Unsecured personal	700	700	2,758	2,058
Prior year secured and unsecured	500	500	209	(291)
Supplemental roll	20	20	(98)	(118)
Intergovernmental:				
State-homeowner exemption	20	20	9	(11)
Charges for services-public works	73,000	73,000	69,918	(3,082)
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>387,977</u>	<u>382,977</u>
Amounts available for appropriation	325,297	325,297	695,762	370,465
Charges to appropriations (outflows):				
Public works-public parking	<u>147,390</u>	<u>206,302</u>	<u>201,868</u>	<u>4,434</u>
Budgetary fund balance, June 30	<u>\$ 177,907</u>	<u>\$ 118,995</u>	<u>\$ 493,894</u>	<u>\$ 374,899</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Lighting Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (18,252)	\$ (18,252)	\$ (18,252)	\$ -
Resources (inflows):				
Special assessments	122,500	122,500	126,017	3,517
Transfers in-General Fund	73,500	73,500	-	(73,500)
Amounts available for appropriation	177,748	177,748	107,765	(69,983)
Charges to appropriations (outflows):				
Public works-street lighting	214,660	214,660	208,827	5,833
Budgetary fund balance, June 30	<u>\$ (36,912)</u>	<u>\$ (36,912)</u>	<u>\$ (101,062)</u>	<u>\$ (64,150)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Landscaping Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (1,126)	\$ (1,126)	\$ (1,126)	\$ -
Resources (inflows):				
Special assessments	113,900	113,900	171,713	57,813
Investment earnings	1,200	1,200	94	(1,106)
Amounts available for appropriation	113,974	113,974	170,681	56,707
Charges to appropriations (outflows):				
Public works-street landscaping	147,940	147,940	143,616	4,324
Budgetary fund balance, June 30	<u>\$ (33,966)</u>	<u>\$ (33,966)</u>	<u>\$ 27,065</u>	<u>\$ 61,031</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Facilities District Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	Final	
Budgetary fund balance, July 1	\$ (27,108)	\$ (27,108)	\$ (27,108)	\$ -
Resources (inflows):				
Special assessments	113,900	113,900	6,782	(107,118)
Investment earnings	1,200	1,200	-	(1,200)
Amounts available for appropriation	87,992	87,992	(20,326)	(108,318)
Charges to appropriations (outflows):				
Redevelopment and housing	-	4,875	4,875	-
Budgetary fund balance, June 30	<u>\$ 87,992</u>	<u>\$ 83,117</u>	<u>\$ (25,201)</u>	<u>\$ (108,318)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Shoppers Lane Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Business license taxes	1,100	1,100	1,677	577
Amounts available for appropriation	1,100	1,100	1,677	577
Charges to appropriations (outflows):				
Public works-public parking	5,350	5,350	1,100	4,250
Budgetary fund balance, June 30	<u>\$ (4,250)</u>	<u>\$ (4,250)</u>	<u>\$ 577</u>	<u>\$ 4,827</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Library Grant Special Revenue Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental-State:				
Literacy Grant	47,145	47,145	37,587	(9,558)
Miscellaneous-donations	23,165	23,165	30,883	7,718
Transfers in-General Fund	44,170	44,170	-	(44,170)
Amounts available for appropriation	<u>114,480</u>	<u>114,480</u>	<u>68,470</u>	<u>(46,010)</u>
Charges to appropriations (outflows):				
Culture and recreation-library services	<u>112,672</u>	<u>118,172</u>	<u>68,066</u>	<u>50,106</u>
Total charges to appropriations	<u>112,672</u>	<u>118,172</u>	<u>68,066</u>	<u>50,106</u>
Budgetary fund balance, June 30	<u>\$ 1,808</u>	<u>\$ (3,692)</u>	<u>\$ 404</u>	<u>\$ 4,096</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Other Grants Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 68,243	\$ 68,243	\$ 68,243	\$ -
Resources (inflows):				
Intergovernmental-State:				
Governmental	262,580	262,580	118,022	(144,558)
Special assessments	-	-	67,746	67,746
Investment earnings	-	-	1,077	1,077
Amounts available for appropriation	<u>330,823</u>	<u>330,823</u>	<u>255,088</u>	<u>(75,735)</u>
Charges to appropriations (outflows):				
Public works	221,580	231,007	23,117	207,890
Redevelopment and housing	-	79,340	79,340	-
Capital outlay	18,000	33,636	33,636	-
Total charges to appropriations	<u>239,580</u>	<u>343,983</u>	<u>136,093</u>	<u>207,890</u>
Budgetary fund balance, June 30	<u>\$ 91,243</u>	<u>\$ (13,160)</u>	<u>\$ 118,995</u>	<u>\$ 132,155</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 General Projects Capital Projects Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 325,243	\$ 325,243	\$ 325,243	\$ -
Resources (inflows):				
Charges for services-developer impact fees streets	-	-	211,675	211,675
Investment earnings	-	-	4,697	4,697
Transfers in	-	13,000,000	-	(13,000,000)
Amounts available for appropriations	<u>325,243</u>	<u>13,325,243</u>	<u>541,615</u>	<u>(12,783,628)</u>
Budgetary fund balance, June 30	<u>\$ 325,243</u>	<u>\$ 13,325,243</u>	<u>\$ 541,615</u>	<u>\$ (12,783,628)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Park Development Capital Projects Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 226,638	\$ 226,638	\$ 226,638	\$ -
Resources (inflows):				
Intergovernmental:				
County Park Grant	-	-	10,534	10,534
Charges for services	-	-	265,277	265,277
Investment earnings	1,200	1,200	4,120	2,920
Amounts available for appropriation	227,838	227,838	506,569	278,731
Charges to appropriations (outflows):				
Capital outlay - culture and recreation-park facilities	-	10,533	10,533	-
Budgetary fund balance, June 30	<u>\$ 227,838</u>	<u>\$ 217,305</u>	<u>\$ 496,036</u>	<u>\$ 278,731</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transportation Capital Projects Fund
 For the fiscal year ended June 30, 2011

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,096,560	\$ 1,096,560	\$ 1,096,560	\$ -
Resources (inflows):				
Intergovernmental:				
State:				
Safe Route to School	-	84,000	84,000	-
County:				
Proposition C	550,000	550,000	577,215	27,215
MTA Grant	-	-	19,930	19,930
Surface Transportation Grant	990,000	990,000	-	(990,000)
Bicycle and Pedestrian	154,782	154,782	154,751	(31)
Investment earnings	1,000	1,000	16,451	15,451
Transfers in-General Fund	-	-	237,050	237,050
Amounts available for appropriation	<u>2,792,342</u>	<u>2,876,342</u>	<u>2,185,957</u>	<u>(690,385)</u>
Charges to appropriations (outflows):				
Public works-streets	1,018,110	1,122,040	103,930	1,018,110
Transit-transit operation	442,342	442,342	221,396	220,946
Debt service:				
Principal retirement	350,000	350,000	405,000	(55,000)
Interest and fiscal charges	143,880	143,880	88,625	55,255
Total debt service	493,880	493,880	493,625	255
Transfers out	-	245,591	245,590	1
Total charges to appropriations	<u>1,954,332</u>	<u>2,303,853</u>	<u>1,064,541</u>	<u>1,239,312</u>
Budgetary fund balance, June 30	<u>\$ 838,010</u>	<u>\$ 572,489</u>	<u>\$ 1,121,416</u>	<u>\$ 548,927</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.

Workers' Compensation accounts for the cost of worker's compensation costs to other departments.

General Liability accounts for the general liability charges to other departments and related costs.

CITY OF COVINA, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Assets					
Current assets:					
Cash and investments	\$ 1,037,971	\$ 809,117	\$ 3,557,000	\$ 2,092,000	\$ 7,496,088
Accounts receivable	458	590	-	-	1,048
Due from other funds	-	590	-	-	590
Due from other governments	-	13,418	-	-	13,418
Prepaid expenses	22,376	-	-	-	22,376
Inventories	-	96,821	-	-	96,821
Total current assets	<u>1,060,805</u>	<u>920,536</u>	<u>3,557,000</u>	<u>2,092,000</u>	<u>7,630,341</u>
Capital assets:					
Machinery and equipment	2,696,338	4,415,653	-	-	7,111,991
Less accumulated depreciation	(2,123,309)	(3,183,493)	-	-	(5,306,802)
Total capital assets (net of accumulated depreciation)	<u>573,029</u>	<u>1,232,160</u>	<u>-</u>	<u>-</u>	<u>1,805,189</u>
Total assets	<u>1,633,834</u>	<u>2,152,696</u>	<u>3,557,000</u>	<u>2,092,000</u>	<u>9,435,530</u>
Liabilities					
Current liabilities:					
Accounts payable	230,686	97,750	-	-	328,436
Current portion of compensated absences payable	6,970	6,620	-	-	13,590
Accrued liabilities	16,685	15,503	-	-	32,188
Total current liabilities	<u>254,341</u>	<u>119,873</u>	<u>-</u>	<u>-</u>	<u>374,214</u>
Noncurrent liabilities:					
Compensated absences payable	46,030	70,690	-	-	116,720
Advances from other funds	-	-	15,000	-	15,000
Total noncurrent liabilities	<u>46,030</u>	<u>70,690</u>	<u>15,000</u>	<u>-</u>	<u>131,720</u>
Total liabilities	<u>300,371</u>	<u>190,563</u>	<u>15,000</u>	<u>-</u>	<u>505,934</u>
Net Assets					
Invested in capital assets	573,029	1,232,160	-	-	1,805,189
Unrestricted	760,434	729,973	3,542,000	2,092,000	7,124,407
Total net assets	<u>\$ 1,333,463</u>	<u>\$ 1,962,133</u>	<u>\$ 3,542,000</u>	<u>\$ 2,092,000</u>	<u>\$ 8,929,596</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, 2011

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Operating revenues:					
Information technology charges	\$ 1,088,490	\$ -	\$ -	\$ -	\$ 1,088,490
Motor pool charges	-	1,379,042	-	-	1,379,042
Total operating revenues	<u>1,088,490</u>	<u>1,379,042</u>	<u>-</u>	<u>-</u>	<u>2,467,532</u>
Operating expenses:					
Management information systems:					
Administration	358,673	-	-	-	358,673
General systems	593,929	-	-	-	593,929
Citywide network	119,070	-	-	-	119,070
Financial systems	201,856	-	-	-	201,856
Central equipment:					
Administration	-	262,906	-	-	262,906
Vehicle and equipment operation	-	841,392	-	-	841,392
Depreciation	178,309	159,338	-	-	337,647
Total operating expenses	<u>1,451,837</u>	<u>1,263,636</u>	<u>-</u>	<u>-</u>	<u>2,715,473</u>
Operating income (loss)	<u>(363,347)</u>	<u>115,406</u>	<u>-</u>	<u>-</u>	<u>(247,941)</u>
Nonoperating revenues:					
Interest revenue	17,098	11,869	-	-	28,967
Income (loss) before transfers	(346,249)	127,275	-	-	(218,974)
Transfer in	-	-	-	419,000	419,000
Transfer out	-	-	(178,000)	-	(178,000)
Change in net assets	(346,249)	127,275	(178,000)	419,000	22,026
Net assets at beginning of year	<u>1,679,712</u>	<u>1,834,858</u>	<u>3,720,000</u>	<u>1,673,000</u>	<u>8,907,570</u>
Net assets at end of year	<u>\$ 1,333,463</u>	<u>\$ 1,962,133</u>	<u>\$ 3,542,000</u>	<u>\$ 2,092,000</u>	<u>\$ 8,929,596</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2011

	Management Information Systems	Central Equipment	Worker's Compensation	General Liability	Total
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,088,032	\$ 1,372,241	\$ -	\$ -	\$ 2,460,273
Cash paid to suppliers for goods and services	(622,191)	(486,733)	-	-	(1,108,924)
Cash paid to employees for services	(360,908)	(342,942)	-	-	(703,850)
Cash paid for interfund services	(80,642)	(189,262)	-	-	(269,904)
Net cash provided by operating activities	<u>24,291</u>	<u>353,304</u>	<u>-</u>	<u>-</u>	<u>377,595</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(293,102)	(319,249)	-	-	(612,351)
Net cash used for capital and related financing activities	<u>(293,102)</u>	<u>(319,249)</u>	<u>-</u>	<u>-</u>	<u>(612,351)</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	-	419,000	419,000
Transfers to other funds	-	-	(178,000)	-	(178,000)
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>(178,000)</u>	<u>419,000</u>	<u>241,000</u>
Cash flows from investing activities - interest received on investments					
	17,098	11,869	-	-	28,967
Net increase (decrease) in cash and cash equivalents	(251,713)	45,924	(178,000)	419,000	35,211
Cash and investments at beginning of year	1,289,684	763,193	3,735,000	1,673,000	7,460,877
Cash and investments at end of year	<u>\$ 1,037,971</u>	<u>\$ 809,117</u>	<u>\$ 3,557,000</u>	<u>\$ 2,092,000</u>	<u>\$ 7,496,088</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (363,347)	\$ 115,406	\$ -	\$ -	\$ (247,941)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	178,309	159,338	-	-	337,647
Change in operating assets and liabilities:					
Increase in accounts receivable	(458)	(590)	-	-	(1,048)
Decrease in due from other governments	-	6,211	-	-	6,211
Increase in prepaid expenses	(22,376)	-	-	-	(22,376)
Increase in inventories	-	(25,860)	-	-	(25,860)
Increase in accounts payable	212,577	72,846	-	-	285,423
Increase in compensated absences payable	13,010	21,120	-	-	34,130
Increase in accrued liabilities	6,576	4,833	-	-	11,409
Total adjustments	<u>387,638</u>	<u>237,898</u>	<u>-</u>	<u>-</u>	<u>625,536</u>
Net cash provided by operating activities	<u>\$ 24,291</u>	<u>\$ 353,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,595</u>
Noncash capital and related financing activities					
Retirement of capital assets	\$ (2,638)	\$ (303,337)	\$ -	\$ -	\$ (305,975)
Retirement of accumulated depreciation on capital assets	2,638	303,337	-	-	305,975
Net effect of noncash activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Agency Funds

Agency funds are used to account for assets held by the City as trustee or agent for individuals, private organizations, or other governmental units or funds.

Downtown District accounts for funds collected and disbursed by the City on behalf of the Downtown District Association members.

Prospero Park District accounts for funds collected and disbursed by the City on behalf of the Prospero Park District Association members.

CITY OF COVINA, CALIFORNIA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2011

	<u>Downtown District</u>	<u>Prospero Park District</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 1,500	\$ 1,250	\$ 2,750
Liabilities			
Due to association	\$ 1,500	\$ 1,250	\$ 2,750

See accompanying notes to financial statements.

CITY OF COVINA, CALIFORNIA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the fiscal year ended June 30, 2011

<u>Downtown District</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash and investments	\$ 250	\$ 7,375	\$ (6,125)	\$ 1,500
Liabilities				
Due to association	\$ 250	\$ 7,375	\$ (6,125)	\$ 1,500
<u>Prospero Park District</u>				
Assets				
Cash and investments	\$ -	\$ 8,647	\$ (7,397)	\$ 1,250
Liabilities				
Due to association	\$ -	\$ 8,647	\$ (7,397)	\$ 1,250
<u>Total Agency Funds</u>				
Assets				
Cash and investments	\$ 250	\$ 16,022	\$ (13,522)	\$ 2,750
Liabilities				
Due to association	\$ 250	\$ 16,022	\$ (13,522)	\$ 2,750

See accompanying notes to financial statements.

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Statistical Section

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

Financial Trends

Page No.

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

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Revenue Capacity

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

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Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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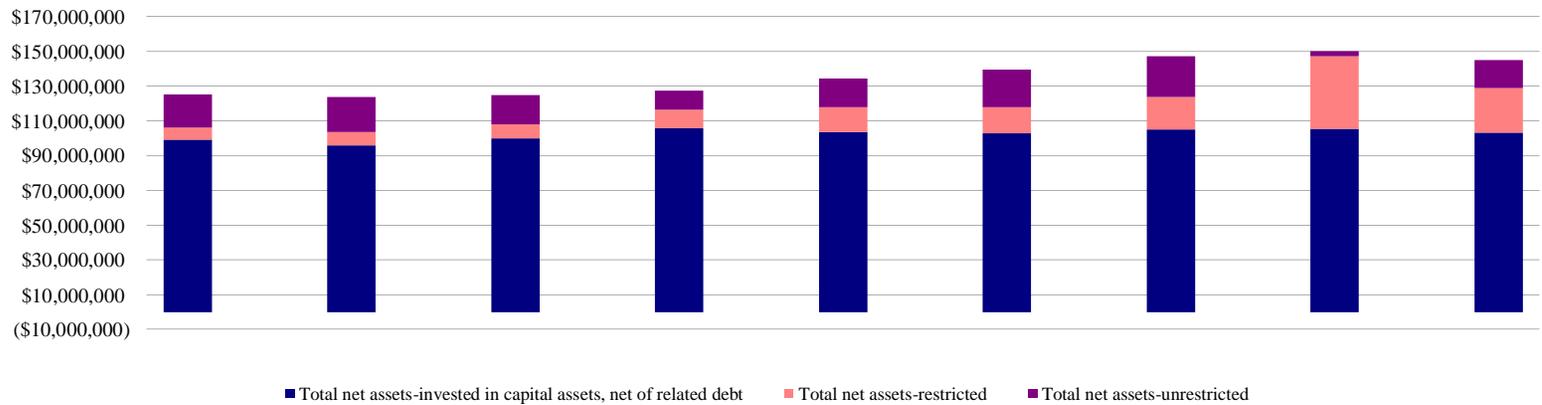
Debt Continuing Disclosure

These schedules contain information that complies with continuing disclosure requirements of each bond issued.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 91,136,518	\$ 87,942,935	\$ 91,520,928	\$ 96,910,516	\$ 94,201,342	\$ 93,463,987	\$ 93,809,311	\$ 94,263,857	\$ 90,056,952	\$ 87,695,682
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	24,081,433	16,560,218
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)	9,854,320	9,671,194
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>	<u>\$ 123,992,705</u>	<u>\$ 113,927,094</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 7,858,565	\$ 8,042,533	\$ 8,259,548	\$ 8,842,086	\$ 9,210,922	\$ 9,340,814	\$ 11,106,918	\$ 11,081,331	\$ 13,155,096	\$ 14,181,064
Restricted	-	-	-	-	-	-	242,609	194,200	1,588,002	2,901,716
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	6,408,142	5,644,744
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>	<u>\$ 21,151,240</u>	<u>\$ 22,727,524</u>
Total net assts										
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	\$ 103,212,048	\$ 101,876,746
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	25,669,435	19,461,934
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	16,262,462	15,315,938
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>	<u>\$ 145,143,945</u>	<u>\$ 136,654,618</u>



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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 2,532,886	\$ 2,748,703	\$ 5,327,654	\$ 4,334,498	\$ 2,715,526	\$ 2,865,088	\$ 2,314,101	\$ 3,142,876	\$ 2,500,818	\$ 3,262,195
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	21,354,758	20,665,646
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	9,372,078	5,718,211
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	3,775,721	3,852,381
Community development	735,774	351,209	478,487	313,404	673,436	871,061	872,902	674,691	899,683	1,008,595
Transit	444,018	625,591	441,439	394,371	602,471	842,987	928,296	1,035,264	1,255,587	1,771,250
Redevelopment and housing	1,796,224	5,376,969	4,141,783	4,080,456	3,983,007	6,823,408	8,430,738	5,476,535	8,509,029	16,726,583
Nondepartmental	78,441	579,331	626,502	640,670	780,909	783,515	710,097	-	-	-
Interest on long-term debt	2,772,385	2,201,852	2,138,784	2,147,687	2,095,036	1,971,948	2,686,004	1,801,211	1,767,365	1,676,987
Total governmental activities expenses	31,538,655	35,920,050	35,257,847	36,987,907	37,452,671	43,231,327	41,203,077	42,939,958	49,435,039	54,681,848
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	5,434,940	8,366,225
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	3,590,706	3,044,628
Sewer utility									1,306,386	1,246,067
Total business-type activities expenses	6,546,821	7,338,975	7,469,780	7,227,601	8,107,284	8,107,833	9,300,694	8,574,780	10,332,032	12,656,920
Total expenses	\$ 38,085,476	\$ 43,259,025	\$ 42,727,627	\$ 44,215,508	\$ 45,559,955	\$ 51,339,160	\$ 50,503,771	\$ 51,514,738	\$ 59,767,071	\$ 67,338,768
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 348,842	\$ 437,555	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804	\$ 2,143,036	\$ 2,171,397
Public safety	933,310	885,777	858,591	957,742	1,163,481	972,892	1,108,955	402,084	630,996	630,938
Public works	830,745	358,318	532,976	551,203	497,797	801,087	720,499	1,010,808	469,403	488,132
Culture and recreation	541,686	795,442	645,007	663,789	646,731	842,336	625,015	670,775	703,840	1,084,791
Community development	485,875	577,026	624,850	686,359	996,218	906,443	837,228	305,459	733,112	669,205
Transit	58,096	60,819	60,739	56,872	105,717	203,242	223,334	229,107	220,813	239,177
Redevelopment and housing	817,118	804,372	831,398	868,867	860,536	857,920	873,523	1,002,471	959,081	979,816
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	4,016,332	3,922,703
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	1,332,464	846,430
Total governmental activities program revenues	8,647,969	7,431,768	7,837,347	8,120,584	10,524,332	10,951,852	10,710,528	10,579,668	11,209,077	11,032,589

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

(Continued)

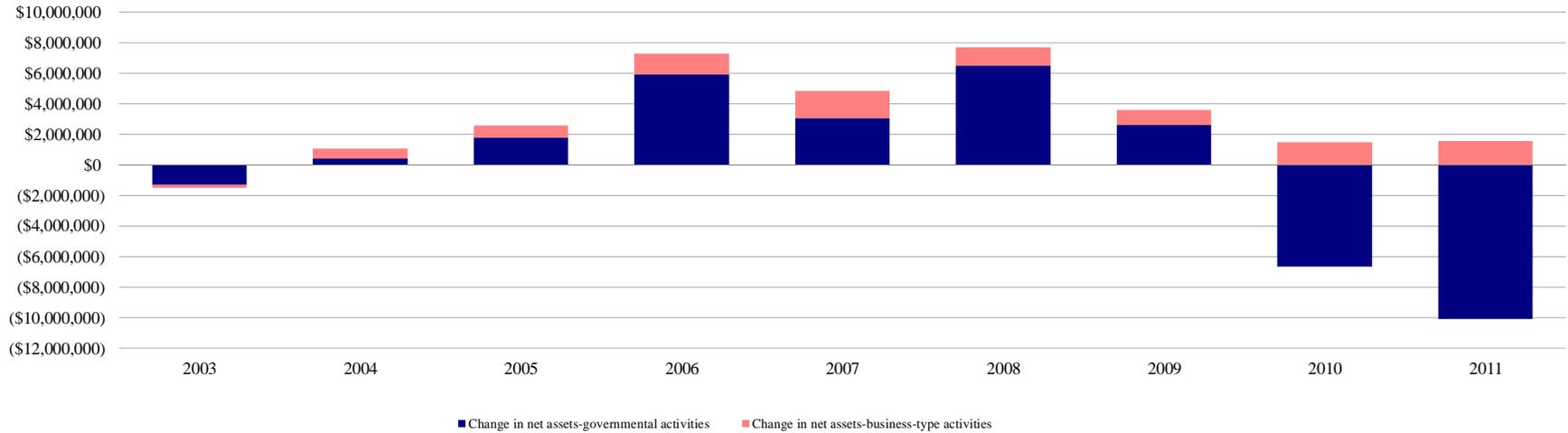
	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:										
Charges for services:										
Water utility	4,670,235	4,323,149	5,168,104	5,088,097	5,967,600	6,096,964	6,185,853	5,460,462	6,625,803	8,872,848
Environmental protection	1,893,273	2,739,078	2,903,358	2,815,351	3,372,873	3,628,004	3,707,867	3,845,177	3,735,408	3,191,529
Sewer utility	-	-	-	-	-	-	-	-	970,717	1,464,430
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	11,331,928	13,528,807
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	\$ 22,541,005	\$ 24,561,396
Net (expense) revenue										
Governmental activities	\$ (22,890,686)	\$ (28,488,282)	\$ (27,420,500)	\$ (28,867,323)	\$ (26,928,339)	\$ (32,279,475)	\$ (30,492,549)	\$ (32,360,290)	\$ (38,225,962)	\$ (43,649,259)
Business-type activities	45,786	(241,788)	630,777	746,154	1,246,614	1,643,461	619,164	740,656	999,896	871,887
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)	\$ (37,226,066)	\$ (42,777,372)
General revenues										
Governmental activities:										
Property taxes	\$ 8,846,245	\$ 9,066,253	\$ 8,693,770	\$ 9,041,899	\$ 12,803,622	\$ 14,725,235	\$ 16,124,178	\$ 16,920,696	\$ 18,689,985	\$ 18,602,045
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	4,661,397	4,978,892
Transient occupancy taxes	426,572	424,727	449,872	484,621	578,418	491,226	423,861	340,175	356,027	317,594
Property transfer taxes	163,780	177,504	223,353	307,612	296,459	324,113	158,340	113,113	133,114	92,818
Business license taxes	317,044	324,899	385,820	418,336	360,265	383,254	395,503	349,109	368,913	337,613
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	5,275,407	4,722,506
Franchise taxes	795,374	965,402	1,031,016	1,028,228	1,098,988	1,187,401	1,191,560	1,314,360	1,148,788	3,238,200
Intergovernmental	3,416,486	3,490,253	2,725,005	4,385,626	1,088,916	675,895	498,071	131,080	145,828	227,618
Investment earnings	1,422,183	847,750	655,954	1,161,801	1,816,665	3,047,173	3,448,945	2,078,611	1,236,562	1,035,569
Transfers in/out	-	-	-	-	-	-	-	45,913	(431,157)	(24,383)
Gain on sale of land held for resale	-	-	-	-	-	-	-	-	-	55,176
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	31,584,864	33,583,648
Business-type activities:										
Investment earnings	116,305	41,612	25,372	45,061	110,168	131,122	135,192	86,322	160,868	173,150
Investment earnings - CIC	-	-	-	-	-	-	446,587	219,257	(66,408)	506,864
Miscellaneous	-	-	-	-	-	-	-	-	(33,696)	-
Transfers in/out	-	-	-	-	-	-	-	(45,913)	431,157	24,383
Total general revenues	\$ 27,236,178	\$ 27,222,419	\$ 27,858,128	\$ 30,680,215	\$ 32,969,496	\$ 35,490,495	\$ 37,582,584	\$ 35,225,055	\$ 32,076,785	\$ 34,288,045

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

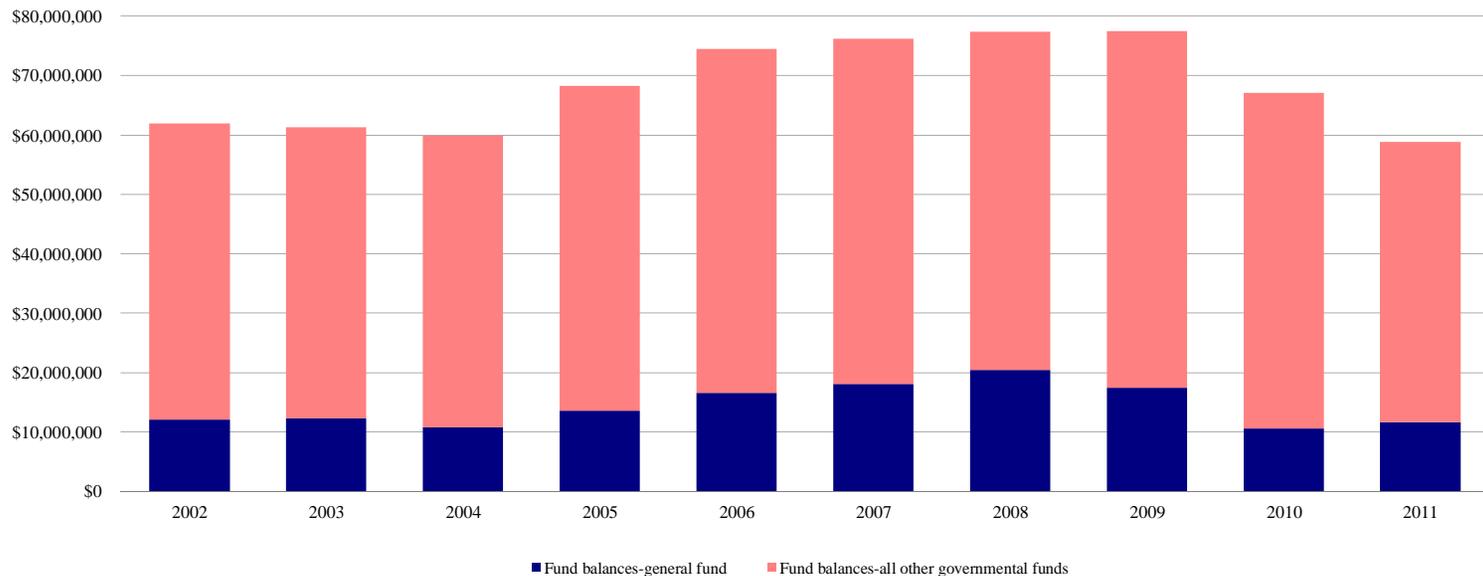
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	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Change in net assets										
Governmental activities	\$ 4,229,187	\$ (1,307,475)	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256	\$ 2,605,099	\$ (6,641,098)	\$ (10,065,611)
Business-type activities	162,091	(200,176)	656,149	791,215	1,356,782	1,774,583	1,200,943	1,000,322	1,491,817	1,576,284
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>\$ 7,709,199</u>	<u>\$ 3,605,421</u>	<u>\$ (5,149,281)</u>	<u>\$ (8,489,327)</u>



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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 968,917	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399		
Unreserved	11,089,316	11,347,192	10,087,859	12,946,351	15,972,808	17,682,617	19,467,883	17,179,931		
Nonspendable									\$ 646,252	\$ 648,802
Committed									6,385,473	172,777
Assigned									457,909	501,835
Unassigned									3,118,855	10,284,466
Total general fund	\$ 12,058,233	\$ 12,273,206	\$ 10,811,737	\$ 13,625,802	\$ 16,593,915	\$ 18,076,074	\$ 20,498,756	\$ 17,490,330	\$ 10,608,489	\$ 11,607,880
All other governmental funds										
Reserved	\$ 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	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	20,219,196	20,958,335	20,378,168	23,435,032	21,590,780	22,497,931	15,223,862	14,968,350		
Nonspendable									\$ 3,916,585	-
Restricted									50,861,382	47,292,721
Assigned									1,648,441	1,886,710
Unassigned									-	(1,961,140)
Total all other governmental funds	\$ 49,911,314	\$ 48,993,240	\$ 49,110,055	\$ 54,641,802	\$ 57,892,304	\$ 58,119,341	\$ 56,917,629	\$ 59,945,498	\$ 56,426,408	\$ 47,218,291



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

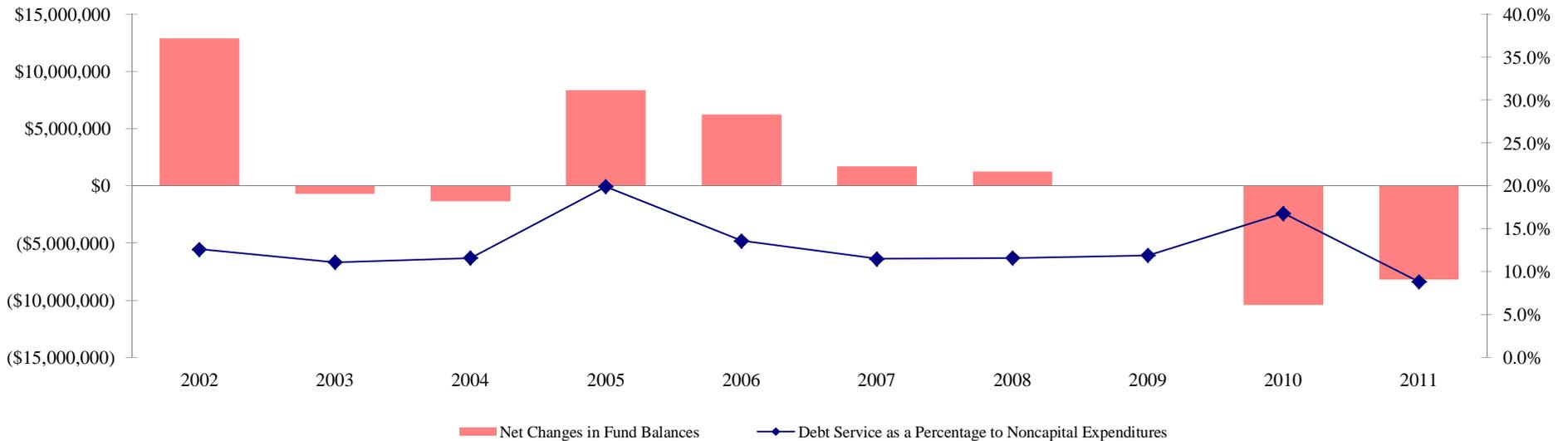
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 21,979,093	\$ 22,561,573	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242	\$ 31,618,542	\$ 26,517,007	\$ 32,305,233
Licenses and permits	438,883	468,629	454,286	547,173	711,271	476,306	444,730	210,009	408,891	538,623
Intergovernmental	8,040,162	6,880,556	6,590,089	8,214,081	6,726,942	6,420,597	5,949,049	5,612,171	5,494,624	4,996,751
Charges for services	2,532,169	2,568,621	2,522,203	2,756,536	2,873,894	3,371,448	3,232,866	3,015,698	3,358,721	3,696,406
Fines and forfeits	679,925	672,087	612,436	610,936	801,161	826,974	755,574	608,152	736,304	717,102
Special assessments	356,644	231,217	349,486	330,191	363,188	395,993	646,256	1,133,637	781,307	768,407
Investment earnings	1,317,112	789,431	620,233	1,131,554	1,765,829	2,995,417	3,383,590	1,990,066	1,184,170	1,006,602
Gain on land held for resale	-	-	-	-	-	-	-	-	-	55,176
Miscellaneous	290,061	281,231	712,631	426,675	712,168	94,356	693,547	1,091,243	449,220	426,682
Total revenues	<u>35,634,049</u>	<u>34,453,345</u>	<u>35,585,531</u>	<u>38,678,198</u>	<u>43,196,032</u>	<u>46,123,040</u>	<u>47,465,854</u>	<u>45,279,518</u>	<u>38,930,244</u>	<u>44,510,982</u>
Expenditures										
General government	2,467,443	2,867,488	3,718,980	3,393,950	3,221,988	3,679,816	3,539,841	3,380,536	3,785,471	3,562,834
Public safety	14,218,547	15,054,273	15,624,940	16,352,997	17,090,419	19,206,150	19,542,285	21,174,073	21,397,265	20,360,999
Public works	1,946,387	1,751,669	1,665,903	1,619,766	1,563,035	2,499,640	2,936,385	2,195,664	2,053,646	1,740,182
Culture and recreation	2,906,262	2,922,969	3,136,303	3,012,519	3,263,493	3,442,872	3,431,592	3,777,439	3,634,507	3,546,556
Community development	729,903	595,454	584,543	630,836	675,795	866,988	878,362	686,297	923,801	993,778
Transit	443,396	477,462	440,271	430,828	487,012	637,775	715,454	804,996	996,078	1,535,572
Redevelopment and housing	3,230,177	6,111,182	3,042,821	3,139,888	3,359,792	5,730,531	7,949,680	4,223,166	4,268,367	15,567,011
Nondepartmental	25,316	10,098	57,759	52,244	77,591	43,538	52,987	-	-	-
Capital outlay	3,274,971	1,652,685	5,357,704	9,171,791	2,447,000	3,149,885	2,076,654	4,303,702	3,213,996	572,305
Debt service:										
Principal	1,139,310	1,507,592	1,563,789	1,892,752	2,531,225	2,671,038	2,752,453	2,817,958	5,190,621	2,930,724
Interest and fiscal charges	2,618,035	2,205,574	2,142,342	2,215,516	2,162,865	2,039,777	2,369,191	1,942,157	1,840,054	1,644,364
Bond issuance costs	-	-	-	1,283,370	-	-	-	-	-	-
Payment to refunded bond account	-	-	-	1,735,000	-	-	-	-	-	-
Total expenditures	<u>32,999,747</u>	<u>35,156,446</u>	<u>37,335,355</u>	<u>44,931,457</u>	<u>36,880,215</u>	<u>43,968,010</u>	<u>46,244,884</u>	<u>45,305,988</u>	<u>47,303,806</u>	<u>52,454,325</u>
Excess of revenues over (under) expenditures	<u>2,634,302</u>	<u>(703,101)</u>	<u>(1,749,824)</u>	<u>(6,253,259)</u>	<u>6,315,817</u>	<u>2,155,030</u>	<u>1,220,970</u>	<u>(26,470)</u>	<u>(8,373,562)</u>	<u>(7,943,343)</u>

(Continued)

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

(Continued)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses)										
Transfers in	\$ 380,635	\$ 2,626,130	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390	\$ 1,103,318	\$ 5,508,798	\$ 3,620,017
Transfers out	(380,635)	(2,626,130)	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)	(416,390)	(1,057,405)	(10,332,955)	(3,885,400)
Capital leases	-	-	-	-	-	-	-	-	486,788	-
Loan Proceeds	-	-	-	-	-	-	-	-	2,310,000	-
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	-	-	-	-	(97,202)	(445,834)	-	-	-	-
Total other financing sources (uses)	10,265,947	-	405,170	14,599,271	(97,202)	(445,834)	-	45,913	(2,027,369)	(265,383)
Net changes in fund balances	\$ 12,900,249	\$ (703,101)	\$ (1,344,654)	\$ 8,346,012	\$ 6,218,615	\$ 1,709,196	\$ 1,220,970	\$ 19,443	\$ (10,400,931)	\$ (8,208,726)
 Debt service as a percentage of noncapital expenditures	 12.6%	 11.1%	 11.6%	 19.9%	 13.6%	 11.5%	 11.6%	 11.6%	 15.9%	 8.8%



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

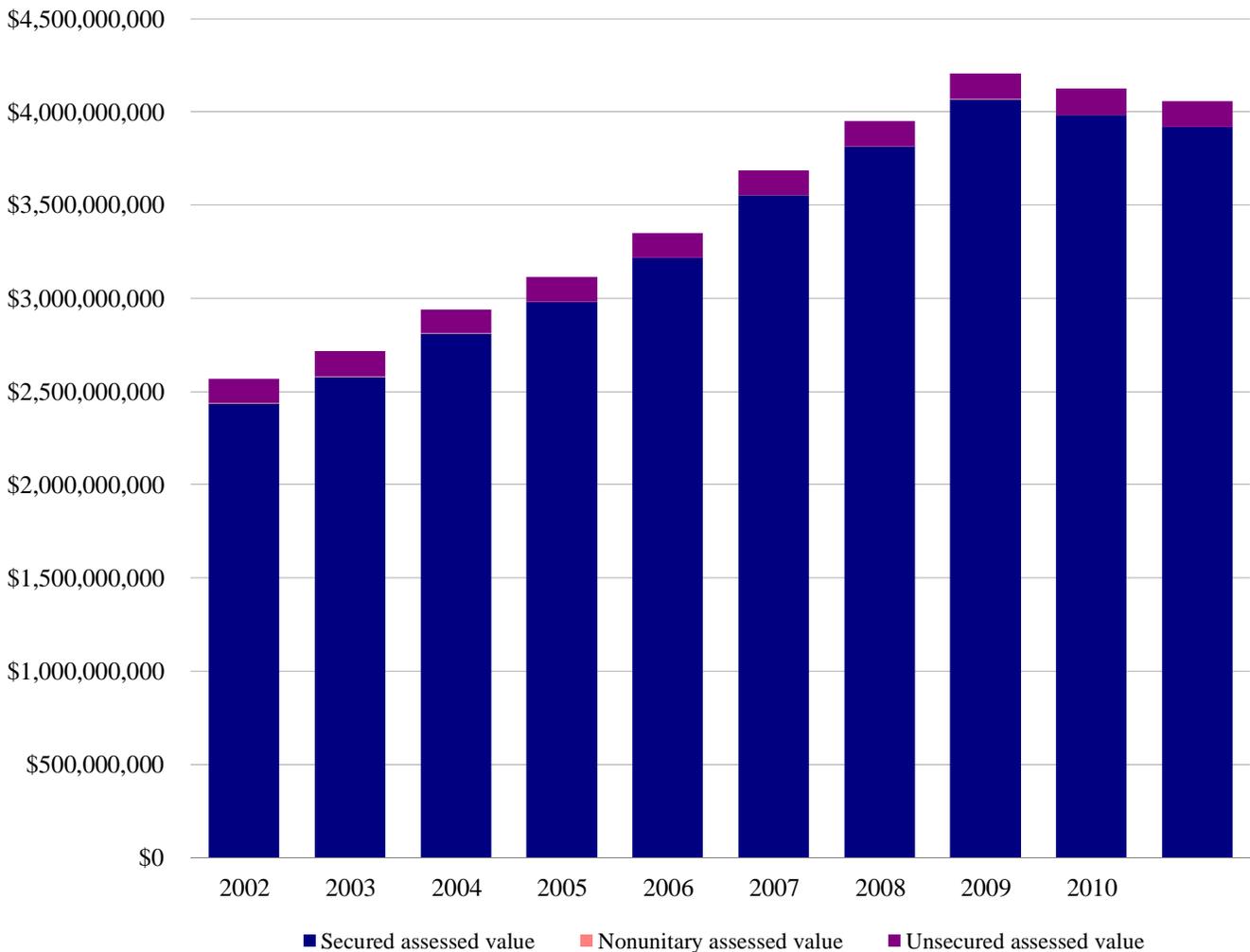
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2002	8,846,245	7,150,926	426,572	163,780	317,044	4,279,152	795,374	21,979,093
2003	9,066,253	7,290,885	424,727	177,504	324,899	4,311,903	965,402	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
2010	13,618,538	5,914,184	356,027	133,114	368,913	4,977,443	1,148,788	26,517,007
2011	18,617,610	4,978,892	317,594	92,818	337,613	4,722,506	3,238,200	32,305,233



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

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

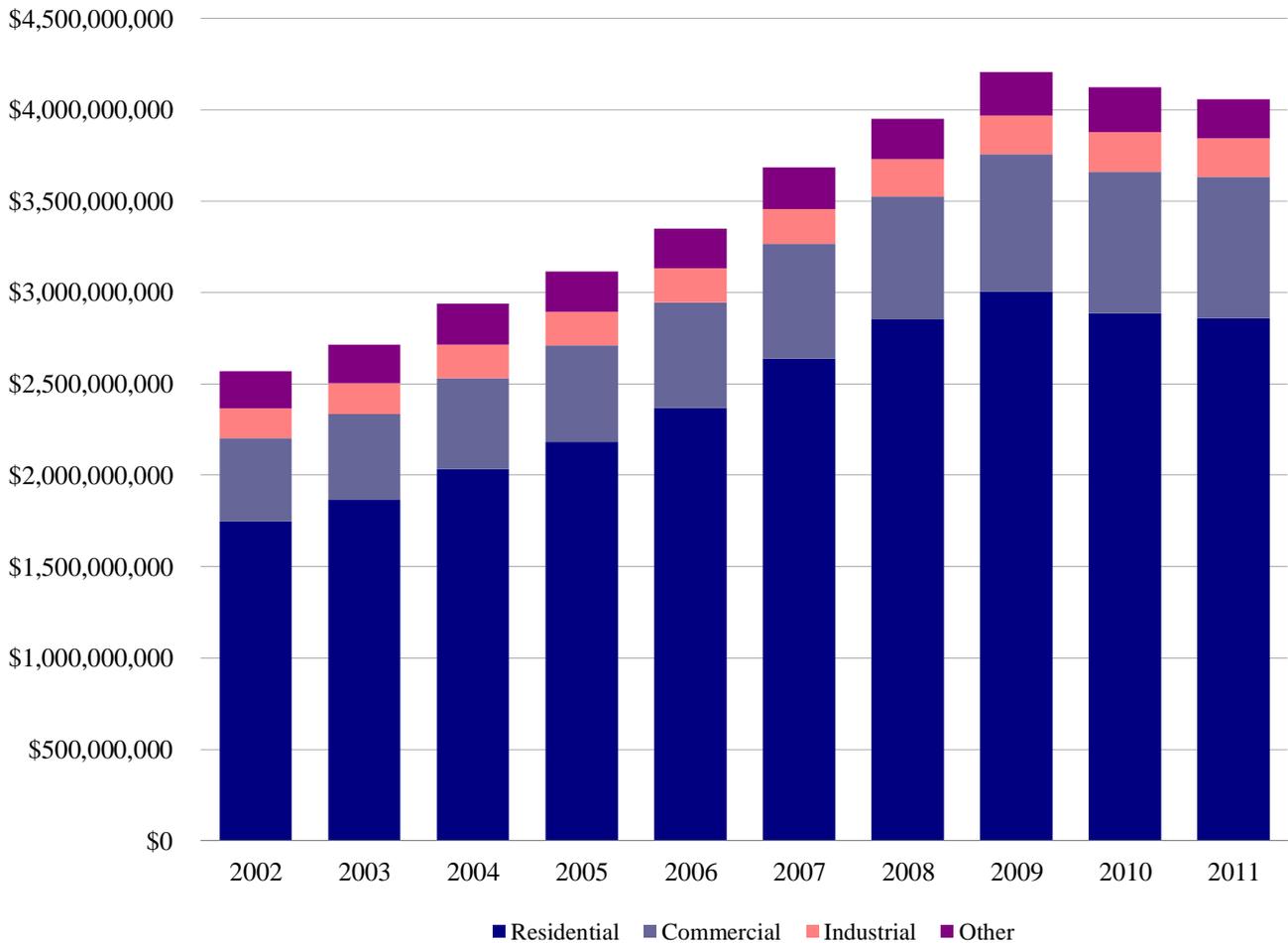
Fiscal Year	Assessed Value ⁽¹⁾				Total Direct Rate
	Secured	Nonunitary	Unsecured	Total	
2002	2,436,925,925	1,164,338	131,187,913	2,569,278,176	0.32477%
2003	2,578,946,079	1,155,401	135,690,684	2,715,792,164	0.32407%
2004	2,811,124,444	1,341,807	127,121,867	2,939,588,118	0.31334%
2005	2,981,472,508	1,173,835	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%
2010	3,981,772,274	381,710	142,877,822	4,125,031,806	0.32518%
2011	3,919,278,191	401,800	138,965,796	4,058,645,787	0.32303%



⁽¹⁾ Net of exemptions

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

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Direct Rate
	Residential	Commercial	Industrial	Other		
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%
2010	2,887,006,374	774,649,712	215,229,621	248,146,099	4,125,031,806	0.32518%
2011	2,859,945,639	772,436,342	212,367,095	213,896,711	4,058,645,787	0.32303%

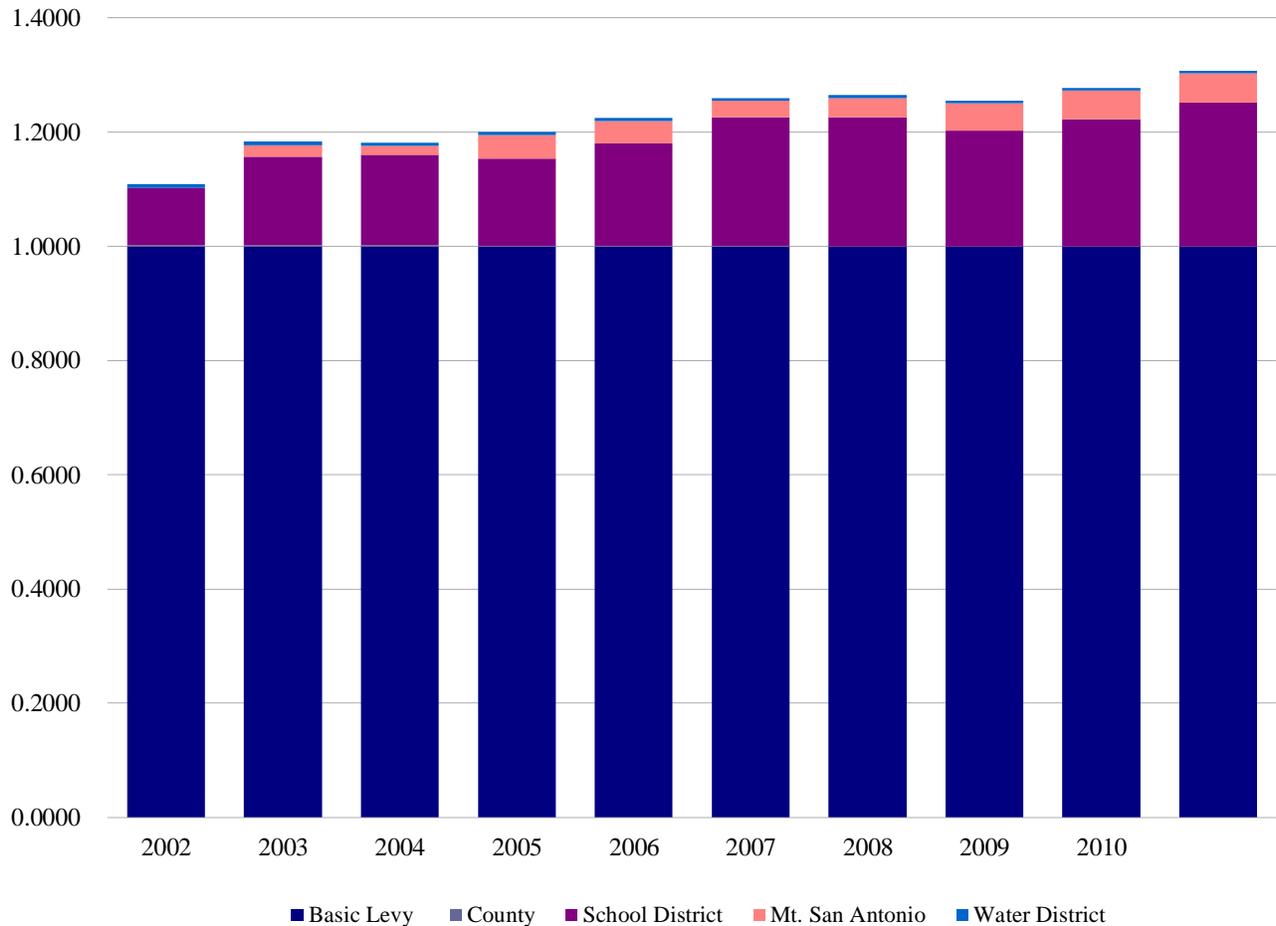


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Community		Total
		General	Flood Control	Total		College District ⁽⁴⁾	Water District	
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
2010	1.0000	0.0000	0.0000	0.0000	0.2230	0.0497	0.0043	1.2769
2011	1.0000	0.0000	0.0000	0.0000	0.2516	0.0515	0.0037	1.3068



⁽¹⁾ Per \$100 of assessed value

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

⁽³⁾ Azusa Unified School District, Charter Oak Unified School District and Covina Valley Unified School District .

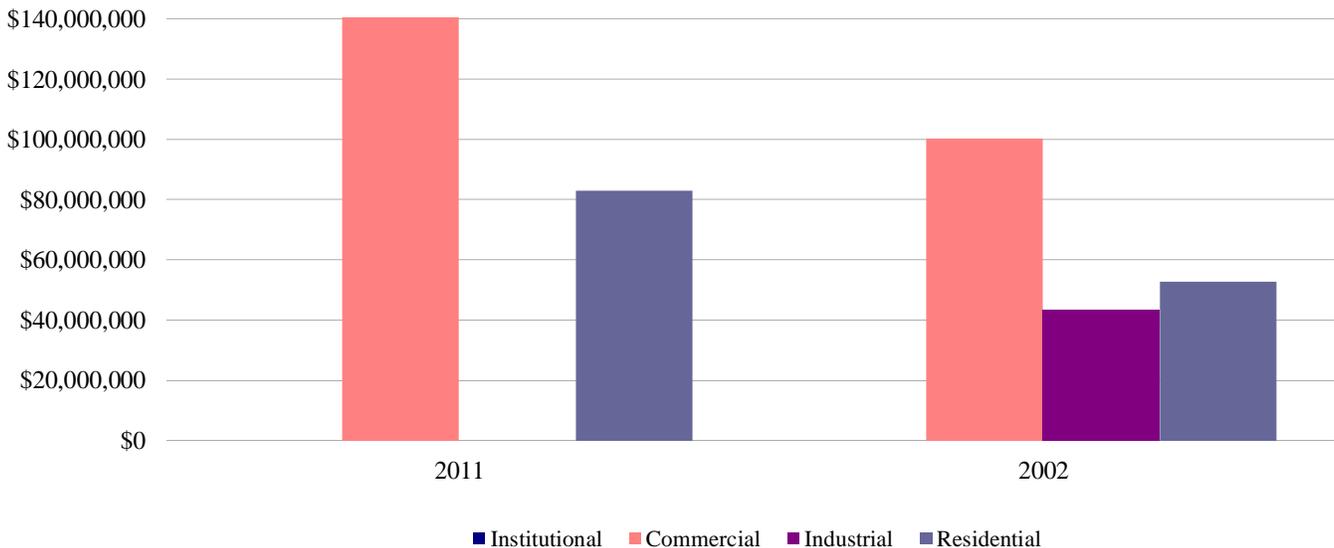
⁽⁴⁾ Citrus Community College District and Mt. San Antonio Community College District .

Source: Los Angeles County/Hdl Companies .

CITY OF COVINA, CALIFORNIA
Principal Property Owners
June 30, 2011

Taxpayer	Primary Use	2011			2002		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Ikea California LLC	Commercial	\$ 55,741,809	1	1.37%	\$ -	-	-
Vista Pointe Apartments LLC	Residential	43,484,140	2	1.07%	-	-	-
PPC Covina Apartments LLC	Residential	39,470,656	3	0.97%	-	-	-
KIR Covina Limited Partnership	Commercial	37,129,938	4	0.91%	-	-	-
UIMC Covina LLC	Commercial	31,083,972	5	0.77%	-	-	-
FNL of Covina Partners LLC	Commercial	26,400,000	6	0.65%	-	-	-
Spirit SPE Covina LLC	Commercial	24,800,000	7	0.61%	-	-	-
Davenport Barranca Partners LLC	Commercial	23,200,883	8	0.57%	-	-	-
Brisam Covina LLC	Commercial	20,700,000	9	0.51%	-	-	-
New Albertsons Inc	Commercial	19,572,493	10	0.48%	-	-	-
Alexander Haagen Properties	Commercial	-	-	-	31,358,768	1	1.38%
Medsep Corporation	Industrial	-	-	-	27,503,107	2	1.21%
FR Covina Inc	Commercial	-	-	-	23,223,689	3	1.02%
Transwestern JH Hallmark	Residential	-	-	-	22,051,700	4	0.97%
Coastal Shadowhills LLC	Residential	-	-	-	19,513,140	5	0.86%
Granada Covina Racquet Club	Commercial	-	-	-	16,127,532	6	0.71%
Caco Pacific Corporation	Industrial	-	-	-	15,682,961	7	0.69%
Am Mark Label Inc.	Commercial	-	-	-	15,635,521	8	0.69%
Wal Mart Stores Inc	Commercial	-	-	-	13,914,945	9	0.61%
Covina Gardens LLC	Residential	-	-	-	11,255,207	10	0.49%
Total		\$ 321,583,891		7.92%	\$ 196,266,570		8.63%

Principal Property Owners



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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
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%
2010	4,772,267	4,694,992	98.4%	6,766	4,701,758	98.5%
2011	4,708,050	4,570,061	97.1%	7,093	4,577,154	97.2%



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

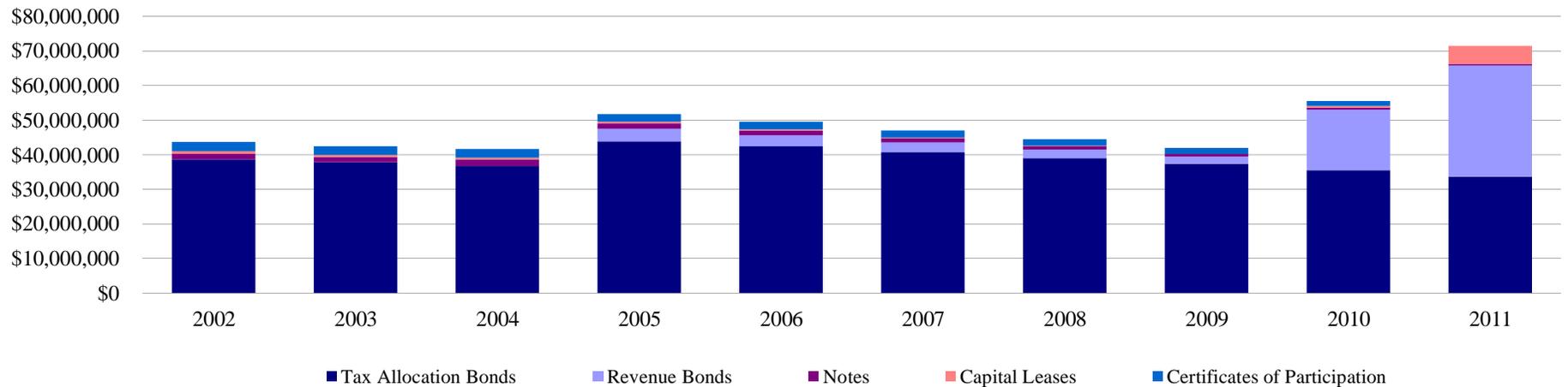
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

Source: Los Angeles County .

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

Fiscal Year	Governmental Activities				Business Activities			Total	Percentage of Personal Income ⁽¹⁾	Percentage of Debt Per Capita ⁽¹⁾
	Tax Allocation Bonds	Revenue Bonds	Notes	Capital Leases	Certificates of Participation	Revenue Bonds	Capital Leases			
2002	38,722,262	-	1,578,207	711,717	2,675,000	-	-	43,687,186	0.69%	0.11%
2003	37,816,561	-	1,480,689	636,796	2,545,000	-	-	42,479,046	0.73%	0.11%
2004	36,800,522	-	1,821,000	557,697	2,410,000	-	-	41,589,219	0.78%	0.12%
2005	43,897,627	3,510,000	1,612,139	473,805	2,265,000	-	-	51,758,571	0.67%	0.10%
2006	42,381,251	3,190,000	1,394,483	386,405	2,120,000	-	-	49,472,139	0.75%	0.10%
2007	40,692,251	2,855,000	1,187,398	286,687	1,965,000	-	-	46,986,336	0.83%	0.11%
2008	39,001,900	2,505,000	951,988	194,637	1,805,000	-	-	44,458,525	0.93%	0.11%
2009	37,309,792	2,135,000	761,693	81,974	1,640,000	-	-	41,928,459	0.96%	0.12%
2010	35,468,251	1,750,000	656,516	403,320	1,470,000	15,750,000	-	55,498,087	*	0.09%
2011	33,607,946	1,345,000	543,360	310,752	-	30,750,000	4,963,503	71,520,561	*	0.07%

Outstanding Debt by Type-Last Ten Fiscal Years



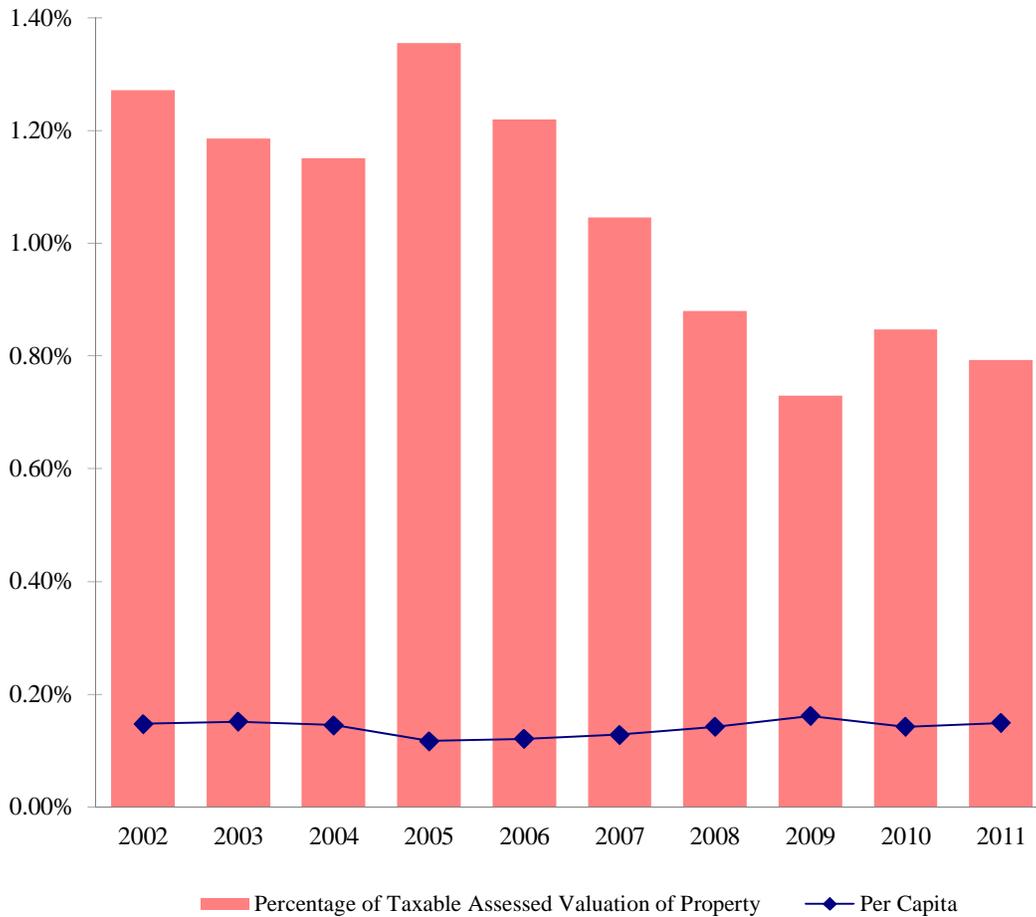
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 137.

* 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		Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	
		Service Fund	Total		Per Capita ⁽²⁾
2002	38,722,262	6,040,554	32,681,708	1.27%	0.15%
2003	37,816,561	5,600,545	32,216,016	1.19%	0.15%
2004	36,800,522	2,952,367	33,848,155	1.15%	0.14%
2005	43,897,627	1,685,302	42,212,325	1.36%	0.12%
2006	42,381,251	1,512,494	40,868,757	1.22%	0.12%
2007	40,692,251	2,121,446	38,570,805	1.05%	0.13%
2008	39,001,900	4,243,226	34,758,674	0.88%	0.14%
2009	37,309,792	6,584,875	30,724,917	0.73%	0.16%
2010	35,468,251	505,354	34,962,897	0.85%	0.14%
2011	33,607,945	1,418,394	32,189,551	0.79%	0.15%



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

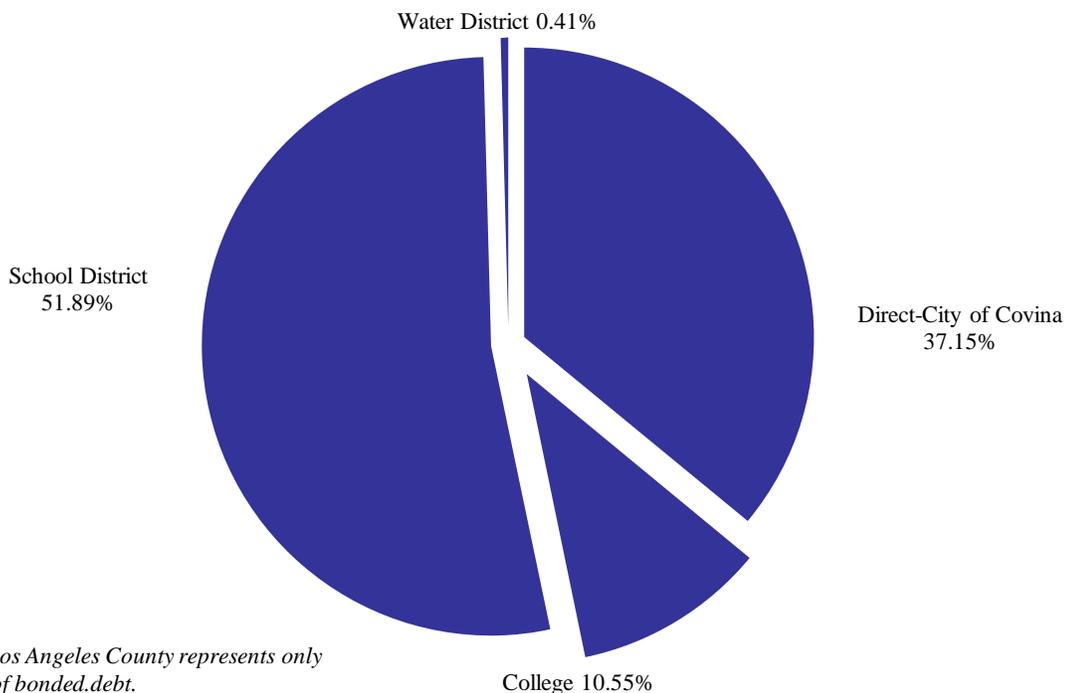
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 126 .

⁽²⁾ See Demographic Statistics on page 137.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2011

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 34,952,945	100.000%	\$ 34,952,945
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	107,259,876	0.380%	407,588
College:			
Citrus-2004 Series A Debt Service	15,185,000	0.422%	64,081
Citrus-2007 Series B Debt Service	36,245,000	0.422%	152,954
Citrus-2004 2009 Series C Debt Service	29,995,302	0.422%	126,580
Mt. San Antonio-2001 Series A Debt Service	1,130,000	5.967%	67,427
Mt. San Antonio-2004 Series B Debt Service	8,080,000	5.967%	482,134
Mt. San Antonio-2005 Refunding Bond	55,835,843	5.967%	3,331,725
Mt. San Antonio-2006 Series C Debt Service	79,461,712	5.967%	4,741,480
Mt. San Antonio-2008 Series D Debt Service	24,602,430	5.967%	1,468,027
School District:			
Azusa Unified 2002 Series A Bonds Debt Service	23,853,763	1.733%	413,386
Azusa Unified 2002 Series 2007 Bonds Debt Service	42,863,943	1.733%	742,832
Charter Oak Unified 2000 Series B Debt Service	770,000	37.224%	286,625
Charter Oak Unified 2005 Debt Service Series C	8,280,000	37.224%	3,082,147
Charter Oak Unified 2006 Series D Debt Service	9,888,090	37.224%	3,680,743
Charter Oak Unified 2006 Series E Debt Service	4,493,976	37.224%	1,672,838
Covina Valley Unified 2001Series B Debt Service	14,775,000	42.174%	6,231,209
Covina Valley Unified 2001Series B Debt Service	21,135,713	42.174%	8,913,776
Covina Valley Unified 2006 Debt Service	45,010,000	42.174%	18,982,517
Covina Valley Unified 2007 Series B Debt Service	17,359,117	42.174%	7,321,034
Total direct and overlapping debt			<u>\$ 97,122,046</u>

Amount Applicable to City of Covina

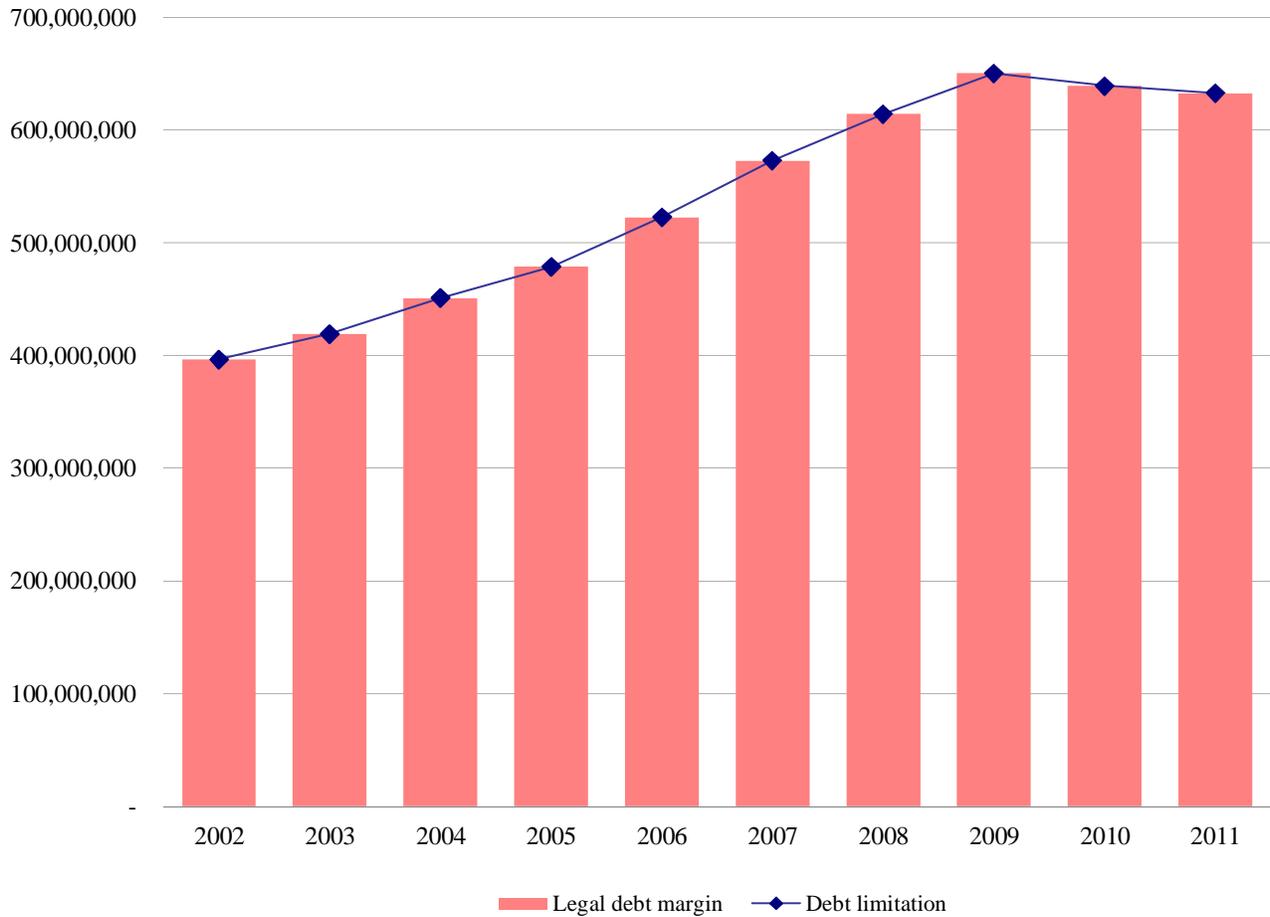


NOTE: Los Angeles County represents only 0.001% of bonded debt.

⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 131.

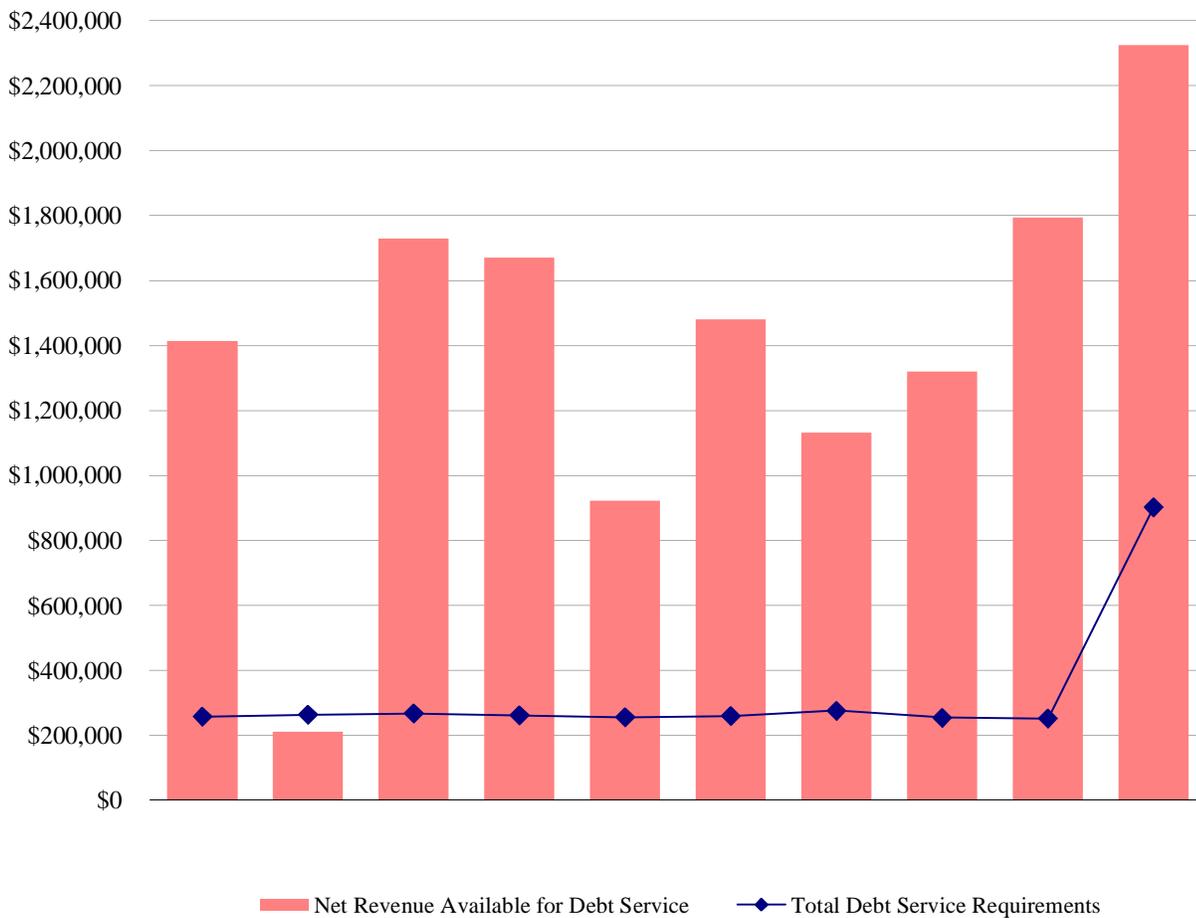
CITY OF COVINA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

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
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
2010	4,125,031,806	138,099,508	4,263,131,314	639,469,697	-	639,469,697
2011	4,058,645,787	160,679,668	4,219,325,455	632,898,818	-	632,898,818



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

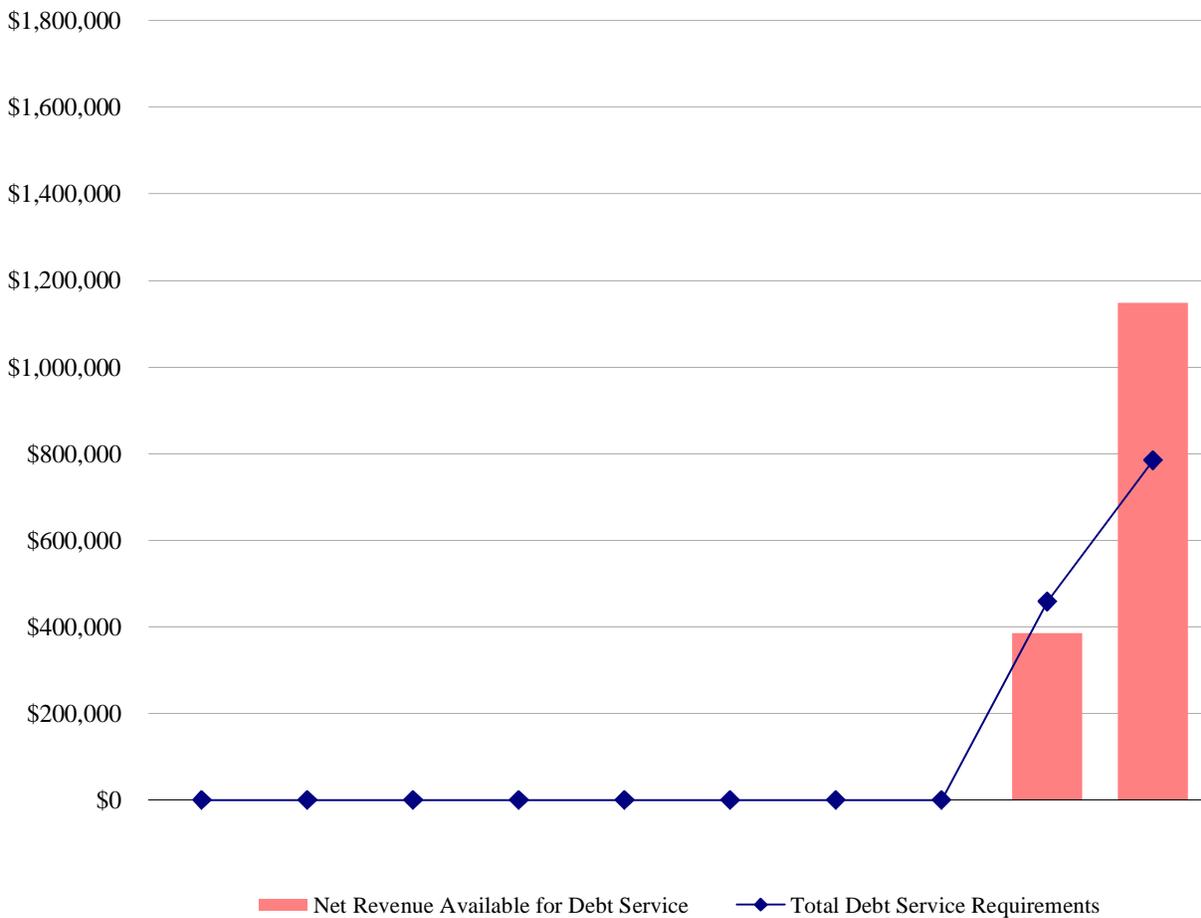
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	4,752,183	3,338,198	1,413,985	125,000	132,623	257,623	5.49
2003	4,354,917	4,143,789	211,128	135,000	127,586	262,586	0.80
2004	5,238,474	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
2010	6,680,855	4,887,609	1,793,246	170,000	81,190	251,190	7.14
2011 ⁽³⁾	8,905,849	6,580,727	2,325,122	180,000	722,912	902,912	2.58



⁽¹⁾ Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.
⁽²⁾ Total operating expenses exclusive of depreciation.
⁽³⁾ Includes revenue bonds.

CITY OF COVINA, CALIFORNIA
Pledged-Revenue Bond Coverage
Sewer Fund Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	1,073,901	688,638	385,263	-	459,193	459,193	0.84
2011	1,585,281	435,948	1,149,333	-	784,658	784,658	1.46



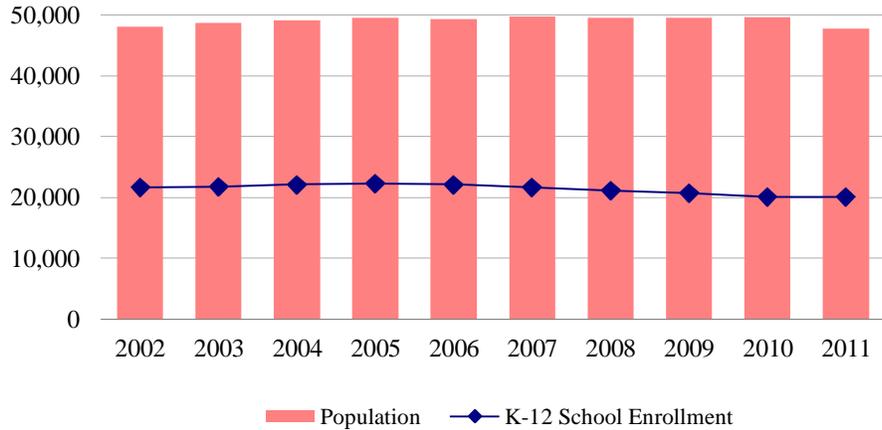
⁽¹⁾ Total revenues (including investment earnings) excluding gain on sale of capital assets .

⁽²⁾ Total operating expenses exclusive of depreciation .

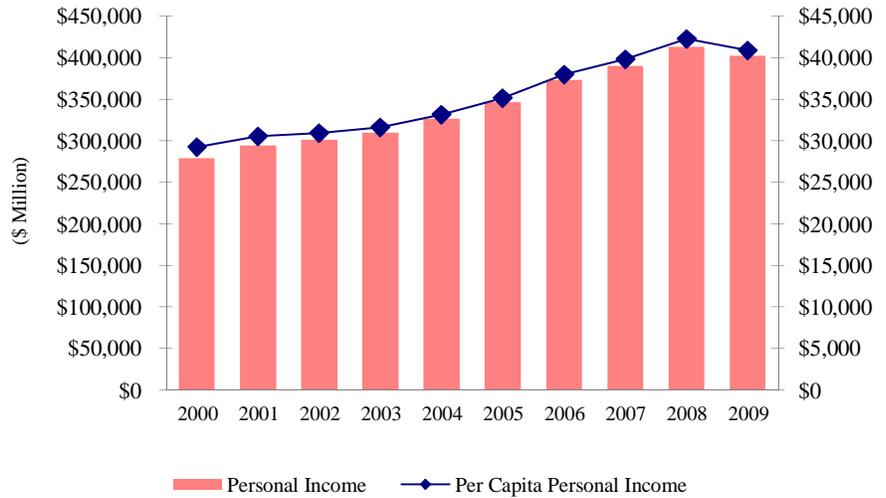
CITY OF COVINA, CALIFORNIA
Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
2002	48,114	21,670
2003	48,712	21,744
2004	49,123	22,145
2005	49,565	22,316
2006	49,378	22,144
2007	49,720	21,689
2008	49,552	21,147
2009	49,541	20,688
2010	49,622	20,123
2011	47,796	20,115

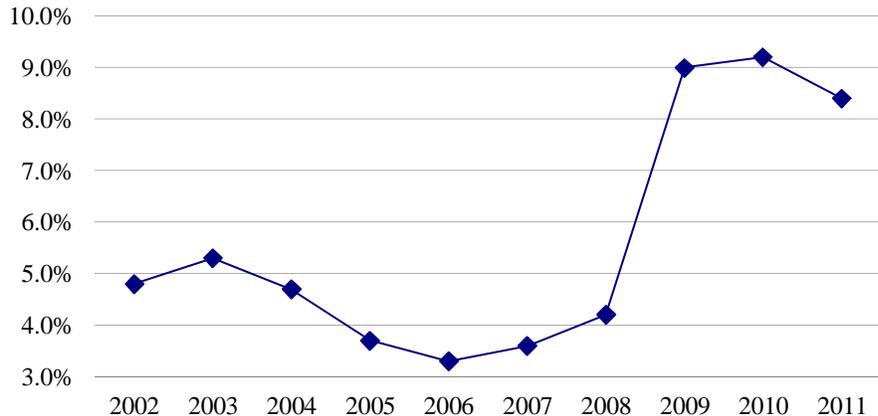


Year	Los Angeles County ⁽³⁾	
	Personal Income (\$ Million)	Per Capita Personal Income
2000	279,050	29,238
2001	294,508	30,541
2002	301,003	30,924
2003	309,827	31,611
2004	326,403	33,167
2005	346,053	35,147
2006	373,322	37,991
2007	390,296	39,794
2008	413,317	42,265
2009	402,459	40,867



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
2002	4.8%
2003	5.3%
2004	4.7%
2005	3.7%
2006	3.3%
2007	3.6%
2008	4.2%
2009	9.0%
2010	9.2%
2011	8.4%



⁽¹⁾ State Department of Finance.

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

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

⁽⁴⁾ State Employment Development Department .

CITY OF COVINA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2011

Employer	2011			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Citrus Valley Medical Center	3,200	1	20.30%	845	2	4.98%
Covina Valley Unified School District	1,500	2	9.52%	2,494	1	14.70%
Charter Oak Unified School District	525	3	3.33%	249	4	1.47%
Wal-Mart	276	4	1.75%	205	10	1.21%
City of Covina	261	5	1.66%	307	3	1.81%
Magan Medical Clinic	234	6	1.48%	277	5	1.63%
Med Sep Corp	228	7	1.45%	-		0.00%
Vitas Healthcare Corporation	218	8	1.38%	218	8	1.28%
Med Legal Inc	187	9	1.19%	-		0.00%
Home Depot	175	10	1.11%	-		0.00%
Pall Medical	-		0.00%	241	7	1.42%
Bert's Mega Mall	-		0.00%	249	6	1.47%
Land America Tax & Flood Services	-		0.00%	206	9	1.21%
	<u>6,804</u>		<u>43.17%</u>	<u>5,291</u>		<u>31.18%</u>

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

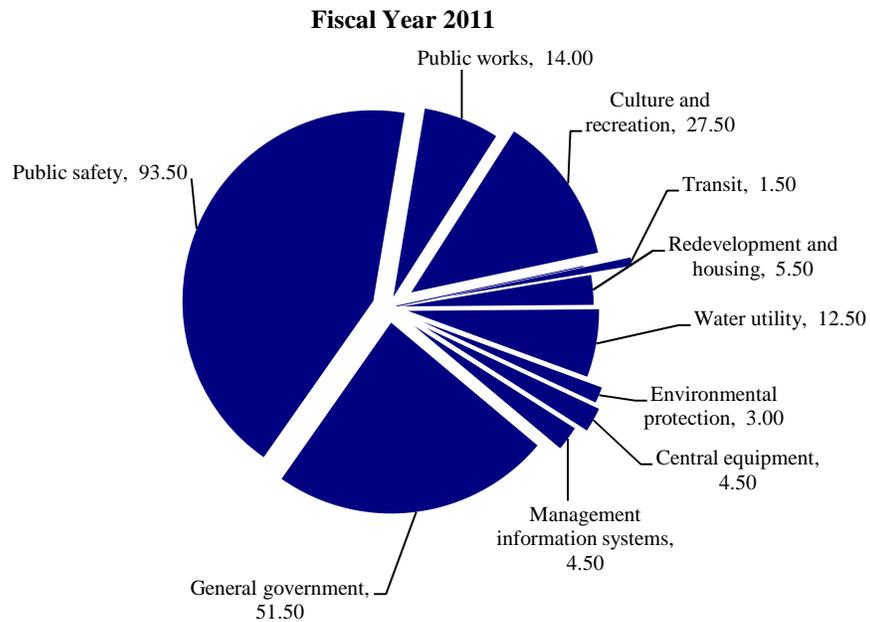
Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

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

	2006	2007	2008	2009	2010	2011
	Total	Total	Total	Total	Total	Total
General government	22.31	21.06	21.06	30.00	25.00	51.50
Public safety	100.50	101.00	101.00	104.00	94.50	93.50
Public works	18.00	18.00	17.00	22.00	20.00	14.00
Culture and recreation	45.54	43.88	43.88	65.00	41.50	27.50
Community development	15.95	15.95	15.95	17.00	8.50	-
Transit	1.35	1.50	1.50	2.00	1.50	1.50
Redevelopment and housing	3.50	3.50	3.50	7.00	8.00	5.50
Water utility	13.25	13.25	13.25	11.00	12.50	12.50
Environmental protection	3.75	3.75	3.75	3.00	3.00	3.00
Central equipment	3.50	4.00	4.00	3.00	3.50	4.50
Management information systems	3.00	3.00	3.00	4.00	1.50	4.50
Total full-time equivalent positions	230.65	228.89	227.89	268.00	219.50	218.00

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

Source: Finance Department Budget



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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety						
Police:						
Physical arrests	3,041	3,160	3,157	3,265	4,231	3,455
Parking violations	11,900	15,537	16,096	13,458	19,893	21,775
Traffic violations	5,874	6,976	7,174	6,896	8,091	8,019
Fire:						
Number of calls answered	3,856	3,919	3,537	3,951	3,477	3,511
Inspections	1,066	2,250	1,512	2,287	2,521	2,630
Culture and recreation						
Parks and recreation:						
Leaders-in-Training participants	67	61	70	70	70	70
Youth sports participants	2,594	2,890	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	7,350	7,900	7,450	7,212	7,946	7,867
Cultural excursion program participants	530	478	380	347	436	390
Summer evening event attendees	27,250	25,950	23,650	10,005	6,013	10,500
Senior service participants	19,095	18,060	13,434	14,350	10,836	10,211
Senior nutrition program meals served	15,920	15,530	12,300	10,074	12,075	10,871
Special events	53,000	53,000	53,000	53,000	28,000	53,200
Aquatic participants	7,911	7,780	5,400	4,115	9,630	15,132
Library:						
Reference questions	19,359	32,381	31,708	24,999	29,017	30,270
Literacy hours tutored	10,113	8,640	15,611	2,448	4,000	3,792
Library materials added	3,306	6,102	4,345	4,771	4,183	6,242
Internet service hours	16,172	22,804	24,437	20,816	24,424	32,117
Community development						
Planning reviews	320	336	462	359	267	450
Inspections	3,400	3,682	3,115	4,249	7,378	3,788
Permits issued	400	443	707	790	1,075	946
Transit						
Average daily parking customers (station & structure paid)	742	765	760	823	757	550
Dial-A-Cab participants (monthly average)	1,515	1,432	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	77	75	87	143	119	125
Code Enforcement						
Total Inspections	10,034	7,991	5,368	3,270	4,339	
Signs removed from public right of way	528	575	533	340	192	
Industrial Waste Inspections	593	12	0	0	0	
Water utility						
Average daily consumption (gallons)	5,445,095	5,510,880	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	54,423	51,926	50,039	50,509	50,509	50,509
Meter replacements	168	849	1,053	619	619	619
Consumer responses	1,715	2,593	2,889	5,888	5,888	5,888
Service line repairs	87	99	148	109	109	109
Main line repairs	43	48	53	72	72	72
Street Maintenance						
Traffic sign remove/replace/install	244	787	261	229	229	229
Potholes repaired	1,928	1,782	1,047	533	533	533
Curb painted (lf)	27,653	42,446	20,681	32,704	32,704	32,704
Utility cuts repaired	81	104	156	116	116	116
Trees trimmed	703	375	565	294	294	294
Equipment Maintenance						
Preventative maintenance service	478	359	309	336	336	336
Safety inspections	474	372	423	445	445	445
Daily demand repairs	1,043	993	936	1,045	1,045	1,045
Tire repairs	243	327	262	234	234	234
Environmental protection						
Refuse collected (tons/month)	2,559	2,642	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	192	193	202	211	226	290
Green waste collected (tons/month)	542	546	550	567	579	620
Compressed natural gas sold (gallon equivalents)	22,704	25,462	18,542	16,496	19,521	22,318

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government						
Buildings-civic center	1	1	1	1	1	1
Public safety						
Police:						
Stations	1	1	1	1	1	1
Patrol units	26	26	26	26	26	26
Fire stations	3	3	3	3	3	3
Public works						
Arterial streets (miles)	35	35	35	35	35	35
Residential streets (miles)	82	82	82	82	82	82
Curb and gutter (miles)	240	240	240	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,000,000
Traffic signals	60	60	60	58	58	56
Sanitary sewer (miles)	121	121	121	121	121	120
Storm water catch basins	71	71	71	72	65	65
Street trees	9,563	9,576	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	125	125	-	-
Culture and recreation						
Parks and recreation:						
Park acreage	53	53	57	57	57	57
Parks	8	8	9	9	9	9
Horse-walking trails	1	1	1	1	1	1
Nature trails	1	1	1	1	1	1
Playground areas	8	8	8	8	8	8
Swimming pools	2	2	2	2	2	2
Softball fields	3	3	3	3	4	4
Baseball fields	3	3	3	3	3	3
Basketball courts	10	10	10	10	5	5
Roller hockey rinks	2	2	2	2	2	2
Tennis courts	3	3	3	3	9	9
Buildings and centers	12	12	12	12	3	3
Library buildings	1	1	1	1	1	1
Transit						
Parking structure (vehicle spaces)	655	655	655	655	655	655
Parking lot (secured bicycle spaces)	36	36	36			
Transit vehicles	5	5	4			
Redevelopment and housing						
Transitional housing	1	1	1	1	1	1
Water utility						
Reservoirs	8	8	8	8	8	8
Pump stations	6	6	6	6	6	6
Water mains (miles)	102	102	102	102	102	102
Service meters	8,703	8,437	8,329	8,443	8,470	8,470
Fire hydrants	1,057	1,043	1,037	1,006	1,003	991

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

**City of Covina
Continuing Disclosure
Water System**

Fiscal Year Ended	Number of Water Accounts ⁽¹⁾
6/30/2011	8,532
6/30/2010	8,178
6/30/2009	8,329
6/30/2008	8,443
6/30/2007	8,470
6/30/2006	8,470
6/30/2005	8,274

Water System Fund Revenues and Expenses ⁽²⁾							
	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
Operating Revenue							
Charges for Services	5,073,656	5,229,321	5,518,403	6,155,131	5,460,462	6,625,803	8,872,848
Operating Expenses							
Sources of supply	1,630,000	2,528,918	2,034,423	2,715,495	1,567,518	2,135,247	3,194,055
Production & storage	425,281	400,153	479,730	541,948	570,553	446,230	511,794
Transmission & distribution	468,530	473,949	586,448	786,324	925,845	960,513	1,207,591
Customer acct & collections	258,545	260,100	222,195	276,628	377,026	424,001	640,413
Administrative & general	665,889	753,549	846,941	834,117	784,365	921,618	1,026,874
Depreciation	362,098	379,948	392,624	411,491	443,133	464,462	1,056,167
Total Operating Expenses	3,810,343	4,796,617	4,562,361	5,566,003	4,668,440	5,352,071	7,636,894
Net Revenues	1,263,313	432,704	956,042	589,128	792,022	1,273,732	1,235,954
1999 Installment Payments	261,405	255,243	258,715	256,665	254,148	251,190	218,555
2010 Installment Payments	-	-	-	-	-	-	192,308
Coverage	4.83	1.70	3.70	2.30	3.12	5.07	3.01

Water Rates ⁽¹⁾							
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Minimum Charge:							
5/8" & 3/4"	12.42	12.79	28.48	29.65	30.87	31.90	33.24
1"	31.04	31.97	41.94	43.78	45.71	47.33	49.44
1-1/2"	62.08	63.94	64.36	67.32	70.43	73.04	76.43
2"	99.33	102.31	102.31	105.38	108.54	111.80	115.15
3"	186.25	191.84	191.84	197.59	203.52	209.63	215.92
4"	310.40	319.71	319.71	329.30	339.18	349.36	359.84
6"	620.82	639.44	639.44	658.44	678.39	698.74	719.70
8"	993.30	1,023.10	eliminated				
Charge per hundred cubic feet (hcf):							
Single Family (0-16 ccf)	1.18	1.65	2.25	2.37	2.49	2.58	2.71
Single Family (17+ ccf)			2.51	2.64	2.77	2.88	3.02
Multi-Family (0-12 ccf)			2.25	2.37	2.49	2.58	2.71
Multi-Family (13+ ccf)			2.46	2.59	2.71	2.82	2.96
Commercial/Institutional			2.62	2.76	2.89	3.01	3.16
Industrial/Manufacturing			2.28	2.39	2.51	2.61	2.74
Irrigation/Landscaping			2.62	2.76	2.89	3.01	3.16
City/Miscellaneous			2.29	2.40	2.52	2.62	2.75
Capital Improvements Projects Fee:							
5/8" & 3/4"	5.08	5.08	2.54	2.54	2.54	2.54	2.54
1"	12.72	12.72	6.36	6.36	6.36	6.36	6.36
1-1/2"	25.43	25.43	12.72	12.72	12.72	12.72	12.72
2"	40.69	40.69	32.55	32.55	32.55	32.55	32.55
3"	76.29	76.29	61.03	61.03	61.03	61.03	61.03
4"	127.14	127.14	101.71	101.71	101.71	101.71	101.71
6"	254.29	254.29	203.43	203.43	203.43	203.43	203.43
8"	406.86	406.86	eliminated				
Private Fire Standby Service:							
4"	17.77	17.77	18.57	19.31	20.08	20.88	21.71
6"	51.61	51.61	53.93	56.09	58.33	60.66	63.09
8"	109.99	109.99	114.94	119.54	124.32	129.29	134.46
10"	197.79	197.79	206.69	214.96	223.56	232.50	241.80

Largest Water Accounts ⁽¹⁾			
Customer	Type of Business	Revenue Received	% of total water sales
NIJAR REALTY	Commercial	104,350.00	1.18%
ROSARIO SPRUELL	Commercial	53,742.00	0.61%
INTER-COMM HEALTH SERVICE	Commercial	47,212.00	0.53%
RAYNE SOFT WATER SERVICE	Commercial	45,092.00	0.51%
BRISAM COVINA LLC	Commercial	43,062.00	0.49%
COVINA HIGH SCHOOL	Commercial	38,572.00	0.43%
VITAPAKT CITRUS PRODUCTS	Commercial	36,410.00	0.41%
MENLO ENTERPRISES	Commercial	35,603.00	0.40%
WESTFIELD AMERICA INC	Commercial	32,623.00	0.37%
COVINA SCHOOL DISTRICT	Commercial	30,565.00	0.34%

(1) Information obtained from Water information system

(2) Information obtained from Covina Comprehensive Annual Financial Report

**City of Covina
Continuing Disclosure
Wastewater System**

Sewer Fund Revenues and Expenses						
	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
<u>Operating Revenue</u>						
Special Assessments	135,464	169,745	263,576	532,693	970,717	1,464,430
<u>Operating Expenses</u>						
General & Administrative	97,064	406,489	864,689	270,453	688,638	435,948
Depreciation	-	-	-	-	12,527	25,461
Total Operating Expenses	97,064	406,489	864,689	270,453	701,165	461,409
Net Revenues	38,400	(236,744)	(601,113)	262,240	269,552	1,003,021
2009 Installment Payments	-	-	-	-	605,221	784,658
Coverage	-	-	-	-	0.45	1.28
Sewer Rates ⁽¹⁾						
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	
	2.38	3.94	5.50	7.06	8.62	

⁽¹⁾ Monthly Rates

CITY OF COVINA, CALIFORNIA
Continuing Disclosure
Tax Allocation Bonds

Project Area 1				
Assessed Values ⁽¹⁾	6/30/2011	Secured	Unsecured	Total
		Base Year	665,574,762	64,602,100
Net incremental assessed value	34,014,403	12,882,300	46,896,703	
Pending Appeals	631,560,359	51,719,800	683,280,159	
	(5,602,816)			

Project Area 2				
Assessed Values ⁽¹⁾	6/30/2011	Secured	Unsecured	Total
		Base Year	175,427,796	8,242,085
Net incremental assessed value	25,670,728	5,603,918	31,274,646	
Pending Appeals	149,757,068	2,638,167	152,395,235	
	(2,268,535)			

Top Ten Taxpayers Project Area 1

Assessed Value	
KIR Covina LP	37,129,938
FNL Covina Partners LL	26,400,000
UIMC Covina LLC	25,617,972
Spirit SPE Covina LLC	24,800,000
Brisam Covina LLC	20,700,000
Medsep Corporation	17,188,153
Walmart Real Estate Bus	14,785,525
New Albertson's Inc	12,838,767
Covina Marketplace LLC	12,978,522
Covina Properties LLC	12,047,859

Top Ten Taxpayers Project Area 2

Assessed Value	
Vista Pointe Apartments LI	43,484,140
RPC Village Green Apt LL	7,599,739
Grand Covina Plaza LLC	7,440,820
Fanon Realty LLC	5,885,264
Champion Christopher Tru	3,526,429
Hassen Imports Partnership	3,310,583
Mary N. Davis Trust	3,023,500
Rene Ortiz	2,016,787
WLM DC2 LLC	1,931,371
Helen S. Christman Trust	1,600,968

Tax Increment Revenue ⁽¹⁾	Project Area 1	Project Area 2
Gross Tax Increment	6,841,056	1,488,848
Pass through to Low-Mod Housing	(1,368,211)	(297,770)
Less pass-through to County	(210,431)	(682,542)
AB1290 pass-through	(138,644)	(28,476)
SERAF Transfer	(522,960)	-
Net Tax Increment Received	4,600,810	480,060

Debt Service Payments⁽²⁾

1997A Bond Principal	-	70,000
1997A Bond Interest	-	72,556
1997B Bond Principal	315,000	-
1997B Bond Interest	173,317	-
2002A Bond Principal	305,000	-
2002A Bond Interest	133,869	-
2004A Bond Principal	685,000	-
2004A Bond Interest	595,246	-
2004B2 Bond Principal	945,000	-
2004B2 Bond Interest	249,671	-
Total Debt Service	3,402,103	142,556

Debt Service Coverage **1.35** **3.37**

(1) Information obtained from Los Angeles County/HdL Companies

(2) Information obtained from Official Statements of bonds issued