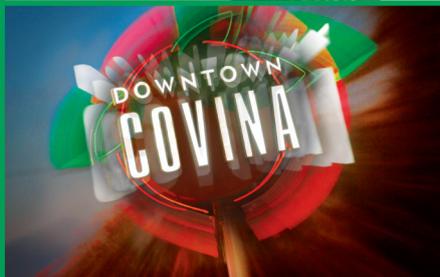


City of Covina, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012



CITY OF COVINA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

Kevin Stapleton, Mayor

Walter Allen III
Mayor Pro Tem



Peggy Delach
Council Member

John C. King
Council Member

Robert Low
Council Member

Daryl Parrish, City Manager

Prepared by the City of Covina Finance Department

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012
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CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

December 14, 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, 2012 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 complements 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, 2012. 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 48,038 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 (via a contract with the Los Angeles County Fire Department); 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 (via a contract with Covina Disposal).

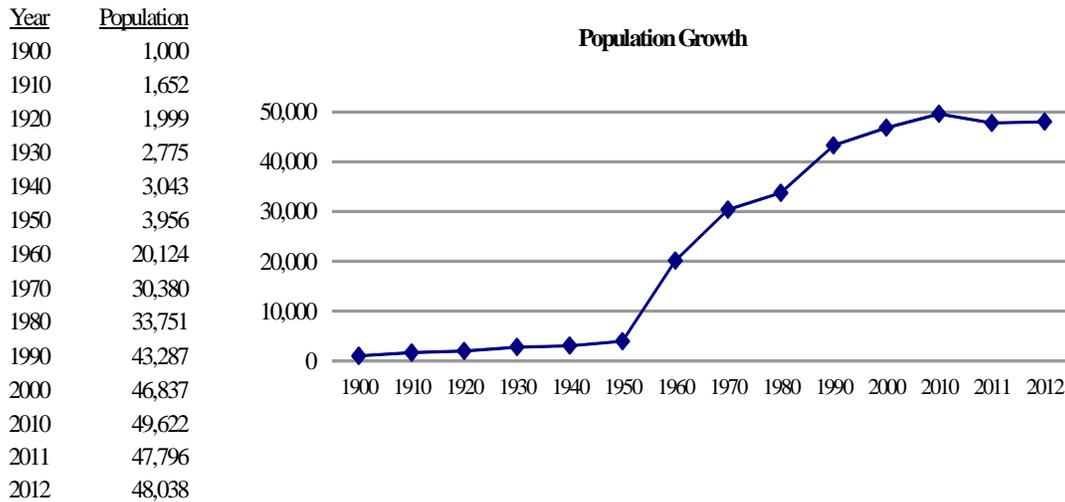
The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g., police patrol). Department heads may transfer 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 (as of February 1, 2012), 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:



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.

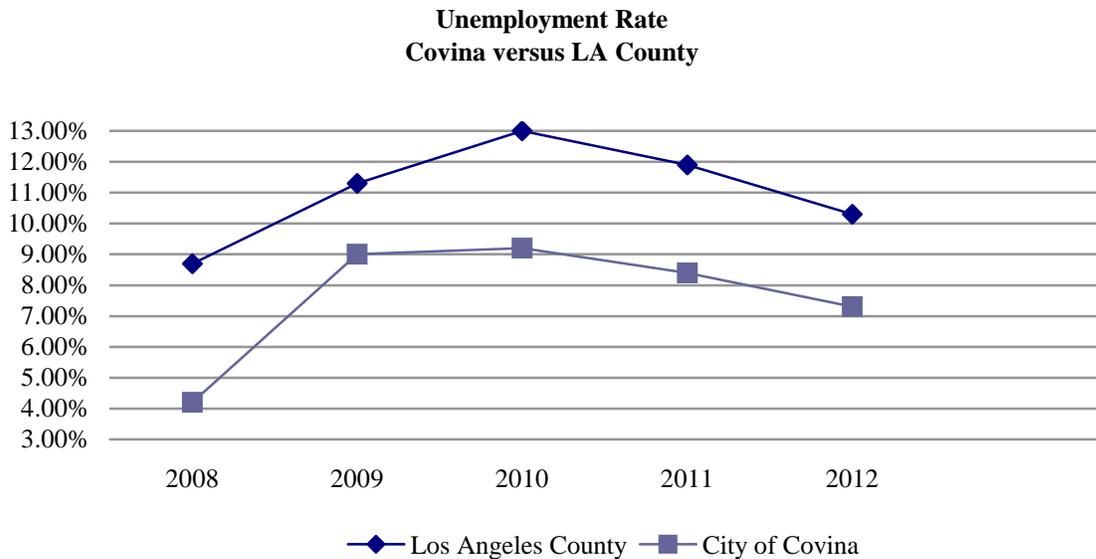
The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City for calendar years 2008 through October 2012:

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

	2008		2009		2010		2011		2012	
	County	City								
Civilian labor force ⁽²⁾	4,995	26.3	4,971	25.7	4,909	25.7	4,899	25.7	4,840	25.5
Employment	4,717	25.2	4,410	23.4	4,272	23.3	4,316	23.5	4,339	23.7
Unemployment	435	0.1	560	0.2	637	2.4	583	2.2	501	1.9
Unemployment rate	8.7%	4.2%	11.3%	9.0%	13.0%	9.2%	11.9%	8.4%	10.3%	7.3%

⁽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.



Source: Labor Market Information Division of the California State Employment Development Department.
 The City's average unemployment rate has been consistently lower than the Los Angeles County area average.

Long-term Financial Planning

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

Program - Base Budget

1. Appropriations

- Each program will identify activities and the recommended appropriations
- Identify recurring vs. nonrecurring appropriations
- Identify general vs. restricted appropriations
- Continuing appropriations for year-end
 - o *Encumbrances and contractual commitments*

- o *Grant, restricted donation and capital project appropriations are considered life-cycle appropriations*
- o *All other appropriations shall lapse at year-end unless carried forward by City Council action*

2. *Estimated Revenues*

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

3. *Fund Balances/Working Capital*

- Program-base budget will calculate available fund balances and/or working capital available in the various funds
- Program-base budget will establish adequate reserves
 - 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*
 - *Make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses*
 - *The greater the uncertainty and/or volatility of the budgetary and financial estimates, the more conservative the estimates*

Program Base Budget-Change in Service

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

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

1. *Ongoing and recurring costs shall be funded with ongoing and recurring revenues*
2. *One-time and nonrecurring costs shall be funded with excess ongoing revenues, available one-time revenues or excess reserves*
3. *One-time or nonrecurring revenues shall not fund ongoing cost*
4. *Current costs shall be recognized and funded in the current year, not deferred or funded in future years*
5. *Maintain current full costs providing City services*
6. *The General Fund shall try to maintain a minimum \$100,000 operating contingency for unanticipated events*

7. *Make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only a portion of the tax paying public*
8. *The purpose of the five-year financial plan*
 - Identify priorities
 - Project service levels
 - Develop potential for new revenue sources
 - Evaluate trends
 - Future impact of 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 for*
 - 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.*
- 3) *Staff shall report to the City Council 30 days after the end of each fiscal quarter with an update on actual revenues and expenditures as shown in the adopted budget.*

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.

The City has invested \$1.6 million over 7 years for a major enhancement to its 10-year old financial system to be implemented in three phases. On October 1, 2011 the first phase of the MUNIS system consisting of the core financial module was implemented. All financial transactions excluding the posting of payroll went live effective that date with minimal issues all of which were resolved within a couple of months of the implementation date. On January 2nd 2012 the second phase consisting of the Human Resource and Payroll module was implemented and all payroll transactions have been processed through MUNIS. The third phase consisting of the permitting modules is scheduled to be implanted in the early part of 2013.

The City of Covina received an unqualified opinion for the audit ending June 30, 2011 and received the Excellence in Financial Reporting award from the Government Finance Officers Association.

Funded by bond proceeds, the Public Works Department undertook infrastructure improvement projects in both Water and Wastewater systems. During the fiscal year contracts for \$7.5 million were awarded for Wastewater system improvements and \$15.2 million for Water system improvements. The projects are ongoing and expected to be completed by June 30, 2014.

Plans and specifications were completed for improvements to two City facilities namely Joslyn Center (restoration) and City Hall (roof replacement). The City has received a grant for \$650,000 for the Joslyn Center restoration project and is working to secure the remaining funds to complete both projects by June 2014.

During the 2011-12 fiscal year, the Human Resources Department started negotiations with employees represented by AFSCME but decided to postpone negotiations until the following fiscal year to get a better picture of the financial outlook. Other achievements that occurred in the 2011-12 fiscal year were contacting a new employee assistance provider (the contract was officially signed October 2012); HR staff participating in numerous MUNIS training sessions and lastly, HR conducted 24 recruitments.

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. The department was successful in the submittal of a grant application for Prop 84 funds, and received just over \$2.1 million for the development of Cougar Park. The division oversees the Leisure Lifestyle Classes program, which facilitates over 130 different classes each season with over 6,300 participants and gross revenues of \$270,000. Dance and Piano recitals are held twice per year with a total of 1,600 in attendance. The Cultural Excursion program offered 8 successful one-day trips with 500 participants.

The Community Relations Division secured over \$17,000 in sponsorships for the Summer Evening Entertainment program, which was attended by over 25,000 people. Over 1,300 volunteer service hours were also coordinated by this division. The Community Services Division assisted in planning the Library's children's special events and held many successful programs, including a Pirate Party, Magic Day with Taylor Hughes, and a Celtic storyteller. They also helped The Friends of the Covina Public Library plan and execute their 50th Birthday

Celebration. The Friends obtained several authors for the event as well as various vendors and Glenn Reed brought his miniatures of early Covina.

In the Recreation Services Division, the very successful Summer Day Camp program was attended by over 680 youth. In the Youth Sports area, more than 950 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. Covina's T.E.A.M. (Teens Endeavor to Accomplish More) was formed to provide volunteer service, as well as conduct fundraisers and other activities to benefit local charitable organizations.

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. One Eagle Scout project was facilitated and assistance was provided to the annual Church Community Service Project Day. The Park staff played a role in the Heritage Plaza renovation project, which was funded by the Covina Redevelopment Agency, as well as a State Park grant.

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 22,000 seniors took part in or benefited from information and referral services, case management services, seminars, classes, excursions and special events. Several new programs were added at the senior center, including a very popular Zumba class and Zumba parties.

In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served over 8,200 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. This year also included the relocation of the Olmec Head from the Police Department facility to Jobe's Glen at Jalapa Park. An unveiling ceremony was held, and attended by several representatives from Covina's Sister City, Xalapa Mexico. Assistance was also provided to several community-based organization events.

The Library had over 200,000 visitors during the year, with over 146,000 items checked out and nearly 20,000 computer uses. Library and Literacy volunteers donated over 15,000 hours of service. The Homework Help program continued to grow, with attendance averaging 25 students a day and peer tutors giving nearly 1,000 hours of service. The Literacy program served 91 adults and 46 children over the course of the year with 37 volunteer tutors and 2 staff. The Literacy Coordinator also initiated an off-site program held at Cienega Gardens for older adults who wished to learn how to read and improve their English language skills.

The Library successfully applied for a \$15,000 grant to become a California's Family Place Library. Through this grant, purchases of furniture, age-appropriate toys, and parenting materials were made to provide enhanced services for children ages 0-5 and their caregivers. The first Family Place Play 'n' Learn Workshops were held in late Spring. During the workshops,

four specialists with various backgrounds came to speak to the parents and answer any questions they may have concerning their child's development. The workshops and materials have been enthusiastically received by parents and their children. In addition, the Library launched "My First Library Card", which is a library card specially designed for young children ages 0-5 to encourage them to read. In its first month, 125 children signed up to receive this special card.

The Library continues to hold many successful activities, including Banned Books Week and the Food for Fines program, which successfully generated donations of food for local food banks. National Library Week was kicked off with best-selling author Lisa See and many other activities, including the Friends of the Library Book & Bake Sale. A new program was also instituted, Paws for Books, where certified therapy dogs come once a week and children practice their reading skills by reading to the dogs. Another new program was Law Day, which is a day set by the legal system to teach children about the law. The Mayor and City Manager each chose a book relating to the law and read them during the Homework Help program. The story times also continue to grow, with approximately 4,300 participants this year.

Two important new policies were instituted during the past year, the Donated Materials Policy and Procedures and the Library Materials Usage Policy for City Employees, Staff, Elected Officials, Trustees, and Volunteers. The Donated Materials Policy outlines the appropriate handling of all donated and weeded library materials while the Library Materials Usage Policy reinforces that the same library policies apply to everyone without special status for officials or employees.

The Police Department strived to provide excellent policing and customer service to the citizens of Covina. The communications division received 149,301 telephone calls which resulted in 42,622 dispatched calls for service. The average response time for Priority 1 calls for the year was 3:05 minutes. Violent crime decreased 17% compared to 2010 while property crime increased 5%. \$100,000 in grant money was received from the Citizens' Option for Public Safety (COPS) Program to fund two Community Services Officers. The department also received the Edward Byrne Memorial Justice Assistance Grant (JAG) in the amount of \$16,121. JAG grant funds were used to fund one part time Community Services Officer in charge of the Youth Accountability Board (YAB) Program. The program goal is to defer criminal prosecution of juveniles who have committed minor offenses and who have successfully completed the prescribed program. The traffic unit secured grant funds for DUI enforcement in the amount of \$32,530. The funds were designated for six DUI checkpoints that were performed throughout the year.

Covina had the opportunity to work towards a partnership (JPA) with other San Gabriel Valley agencies (Glendora, La Verne, Azusa, and Irwindale) to design and eventually install a regional UHF radio system to move closer to the goal of interoperability. Grant funds totaling \$2.1 million dollars were awarded for this project by the State Homeland Security Grant Program (SHSGP).

The Covina Police Department continued to utilize technology to improve customer service and efficiency. Information regarding our online reporting capabilities was promoted on the police website and by department employees. The ability to contest a parking citation online was launched late in the year and was utilized by a large number of people. Chief Raney continued his participation as a board member for the countywide public safety radio interoperability project - LARICS. Our volunteer program continued to be a huge success and actually grew to

27 members in 2011. They performed a multitude of important tasks including clerical work, patrol and residential vacation checks, as well as staffing special events.

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 x1 26 (“ABx1 26”) and Assembly Billx1 27 (“ABx1 27”). These bills took effect on June 20, 2011. ABx1 26 immediately suspended all new redevelopment activities and incurrance of indebtedness, and dissolved redevelopment agencies effective October 1, 2011. AB x1 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.

In response to a legal challenge as to the viability of the two laws, on December 29, 2011, the Supreme Court issued its final decision in *California Redevelopment Association (CRA) v. Matosantos*, upholding ABx1 26, invalidating ABx1 27, and extending all statutory deadlines under ABx1 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.

In response to the requirements of ABx1 26, effective February 1, 2012, the City of Covina determined it would act as the Successor Agency to the Covina Redevelopment Agency. The housing functions and assets were assumed by the Covina Housing Authority.

Successor Agencies may only make future payments on enforceable obligations that are listed on the schedule known as the Recognized Obligation Payment Schedule (ROPS). The obligations listed on the ROPS are subject to review and approval by the Oversight Board and State Department of Finance.

The dissolution of the Covina Redevelopment Agency presented financial challenges to the City, as a number of city departments provided services to support the Agency; these departments were also reimbursed by Agency funds for these services. To provide continuing services, the General Fund absorbed much of these costs. The dissolution of the Agency required a cutback in direct staff providing economic development, redevelopment and housing programs. Other areas financially impacted by the dissolution of the Agency includes several community programs and projects which worked to eliminate blight and revitalize the downtown and project areas such as the annual Thunderfest, the Economic Development Council, Sunday Car Shows, Wine Walks, annual charity fundraisers, Dare to Care Cut-a-Thon/Pat Allen Day, and the weekly Farmers Market.

While these events previously funded by the Covina Redevelopment Agency took place in 2012 and we anticipate that they shall continue in 2013 they shall do so without significant fiscal support from the City.

Redevelopment programs which had been approved before the dissolution of the Agency continued to move forward, including Citrus Walk, Vintage Walk Phase II, Covina Gardens, Shoppers Lane Parking Lot, and Heritage Plaza Park.

Citrus Walk, a mixed-use transit oriented development, consists of 49 for sale condo units (eight of which have 45 year covenants requiring low/moderate income housing) and 8000 square feet

of retail space. For this project the Agency, in previous years, had 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. In FY 11-12, 25 residential units were built and sold, and construction commenced on the eight affordable flats, and the retail space which was completed in FY 2012-13.

Vintage Walk Phase II consists of 30 for sale condo units (three of which have 45 year covenants requiring low/moderate income housing) at a transit oriented development site. One of the affordable homes closed escrow in FY 11-12; the remaining two homes will be sold in FY 12-13. Covina Gardens is the substantial rehabilitation of 89 apartment units and covenants assuring their affordability for the next 55 years. The project experienced some delays and will be completed by January 2013. 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 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 with the Pomona Valley Habitat for Humanity to complete the construction and sale of an affordable home built on a property purchased with low-to moderate-income housing funds to house a qualifying family.

The Successor Agency continues to maintain and update leases in preparation for the wind-down of Agency-related business and assets due to the dissolution of Redevelopment Agency.

New businesses opening in the City in FY 11-12 included Bistro Provincia on Citrus Avenue, and a new 99 Cents Store on Azusa Avenue. In response to a need for additional seating, Fonda Don Chon expanded its dining area into a neighboring space. As a result of market trends, several large footprint spaces are available for lease in the City. Many businesses are updating commercial spaces in anticipation of an opening in FY 12-13, such as Harmon Physical Therapy, R.E.D., Stella Dog, Sky Zone Sports, Planet Fitness, Mariposa Grill and Cantina, O! Sweet Mercy Frozen Yogurt and Coffee, the dental offices of Drs. Crawford, Stewart and Lee, Harbor Freight and City Grill.

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, 2011. This was the tenth 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 Tricia Cole, Debbie Pacheco, Marietta Santos and Alan Sands. 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, 2011

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.



Christopher P. Morill

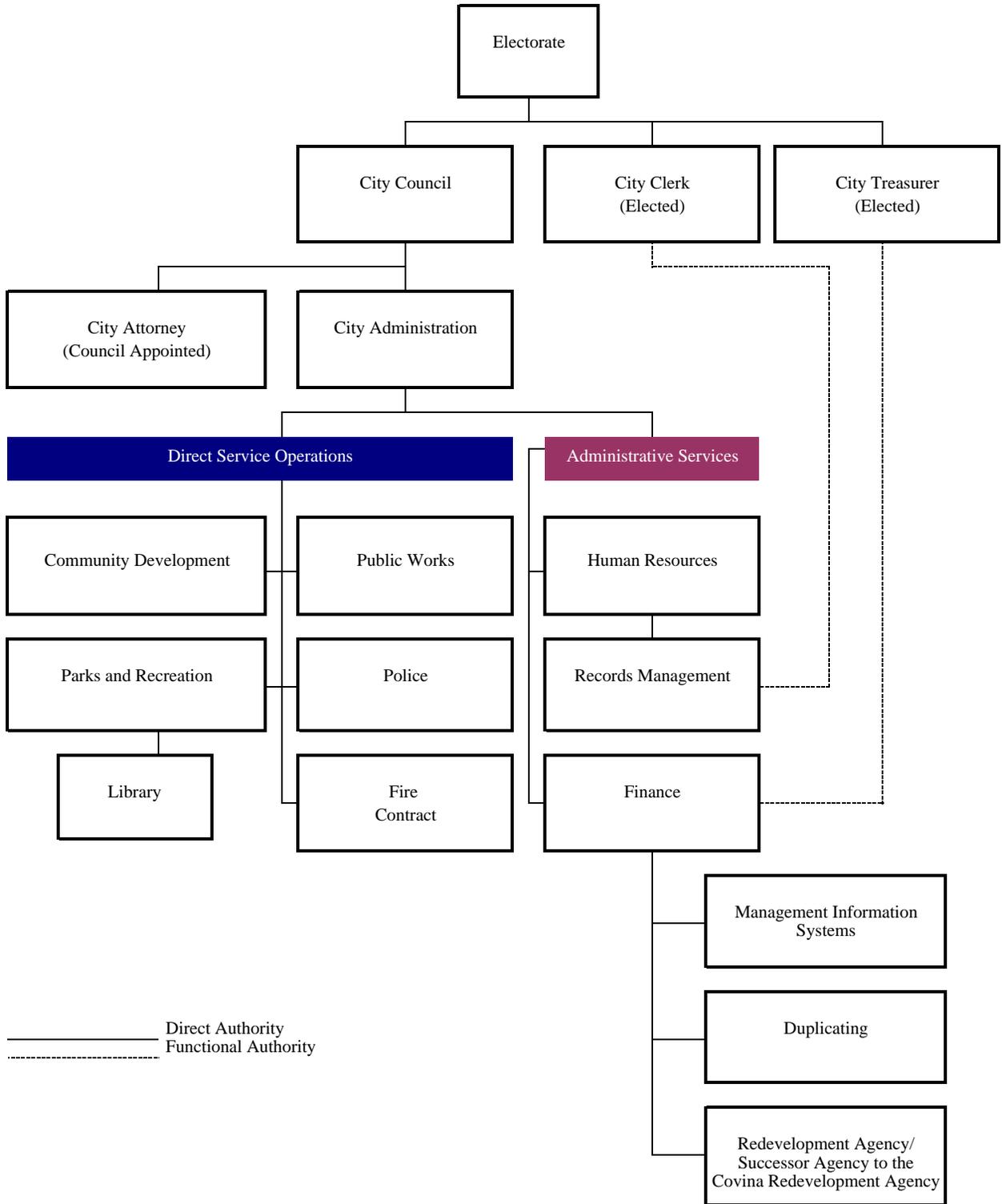
President

Jeffrey R. Emen

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart
June 30, 2012



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2011-2012

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Kevin Stapleton	March 2013
Mayor Pro Tem: Walter Allen III	March 2015
Council Members: John C. King	March 2013
Robert Low	March 2013
Peggy A. Delach	March 2015
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: ** Daryl L. Osby	February 2011
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

Sacramento

Walnut Creek

Oakland

Newport Beach

San Diego

Seattle

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, 2012, 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, 2012, 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 1 to the basic financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Covina, became responsible for overseeing the dissolution process and the wind down of redevelopment activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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, 2012. 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; the Housing Authority 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
December 14, 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, 2012. Please read it in conjunction with the accompanying transmittal letter and basic financial statements and notes.

FINANCIAL HIGHLIGHTS

- * The total net assets of the City exceeded its liabilities at the close of the fiscal year by \$128,712,846. The Governmental Activities have unrestricted net assets of \$11,892,631 which are available to meet the City's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net assets of \$14,357,963.
- * In accordance with the decision of the California Supreme court on December 29, 2011, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of January 31, 2012. Prior to that date, the final seven months of activity of the former Covina Redevelopment Agency (Agency) was reported in the governmental fund and governmental activities of the City. After the date of dissolution, the assets, liabilities and activities of the former Agency were reported in the Successor Agency to the Covina Redevelopment Agency (SACRA) Private Purpose Trust Fund. Thus an extraordinary loss in the amount of \$11,674,077 and \$32,576,216 is reflected in the current year government-wide financial statements and the governmental fund financial statements, respectively.
- * The City's total net assets decreased by \$11,436,749 or 8.2% from the previous fiscal year. The primary reason for the decrease is due to the extraordinary loss on the dissolution of the former Redevelopment Agency. Excluding the extraordinary loss, net assets decreased by \$237,328 from operations.
- * The total cost of all City activities was \$52,442,993 for the current fiscal year. Net cost of all activities exceeded program revenues by \$26,840,477.
- * During the current fiscal year, the City's expenses exceeded net revenues of the governmental activities by \$16,227,788 after and included an extraordinary loss of \$11,674,077.
- * In the City's business-type activities, revenues exceeded expenses by \$4,791,039.
- * The total fund balances of the City's governmental funds were \$21,239,302 at the close of the fiscal year. 56.8% of this amount or \$12,310,918, is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.
- * General Fund expenditures exceeded revenues and other financing sources (uses) by \$1,070,157 for the fiscal year.
- * The total fund balance of the General Fund was \$10,537,723 for the year. Of this amount, \$1,350,122 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion, and \$9,187,601 is unassigned (see note 16 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.

Management's Discussion and Analysis (Continued)

(Unaudited)

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 Housing Authority and the Agency, for which the City is financially accountable. These *component units* are therefore included as an integral part of the primary government. The Agency activity is included through January 31, due to the Supreme Court ruling that upheld AB XI 26, Dissolution bill. At June 30, 2012, the City had two blended component units.

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 fiduciary 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 nineteen 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, redevelopment agency and housing authority 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 (through January 31, 2012). Information from the other non-major governmental funds is combined

Management's Discussion and Analysis (Continued)

(Unaudited)

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 \$128,712,846 at the close of the fiscal year.

The largest portion of the City's net assets (71.1%) is in capital assets (land, buildings and structures, infrastructure, and machinery and equipment) less any related debt outstanding used to acquire those assets. Capital assets provide services to citizens and are not available for future spending. Resources needed to repay the related debt outstanding must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

An additional portion of net assets, \$10,950,627 (8.5%) represents resources that are subject to external restrictions on how it may be used. Unrestricted net assets in the amount of \$26,250,594 are available and 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 \$11,436,749 or 8.2% during the fiscal year. The total cost of all City activities was \$52,442,993 for the fiscal year. Net cost of all activities exceeded program revenues by \$26,840,477.

Management's Discussion and Analysis (Continued)
(Unaudited)

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

	2012	2011*
Current and other assets	\$ 32,630,288	\$ 73,276,755
Capital assets	79,557,514	91,797,615
Total assets	112,187,802	165,074,370
Long-term liabilities outstanding	8,820,085	44,029,341
Other liabilities	2,173,434	3,622,958
Total liabilities	10,993,519	47,652,299
Net assets:		
Invested in capital assets, net of related debt	78,351,025	89,598,503
Restricted	10,950,627	18,152,374
Unrestricted	11,892,631	9,671,194
Total net assets	\$ 101,194,283	\$ 117,422,071

*Certain balances or amounts in 2011 have been restated due to understatement of loans receivable and capital assets as further described in Note 2 to the financial statements.

The net assets of the governmental activities represent 78.6% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, and redevelopment and housing. Restricted net assets decreased by \$7,201,747 or 39.7%.

The overall decrease in net assets is due primarily dissolution the former Agency requiring the transfer of assets and liabilities to SACRA.

Management's Discussion and Analysis (Continued)

(Unaudited)

Governmental Activities Change in Net Assets

	<u>2012</u>	<u>2011*</u>
Revenues		
Program revenues:		
Charges for services	\$ 6,128,058	\$ 6,263,456
Operating grants and contributions	4,827,008	3,998,022
Capital grants and contributions	1,154,676	846,430
General revenues:		
Property taxes	13,383,113	18,602,045
Sales taxes - intergovernmental unrestricted	5,323,574	4,978,892
Utility users taxes	4,553,173	4,722,506
Other taxes	2,128,477	3,986,225
Motor vehicles - intergovernmental unrestricted	24,598	227,618
Investment earnings	250,604	1,035,569
Gain on sale of land held for resale	10,105	55,176
Total revenues	<u>37,783,386</u>	<u>44,715,939</u>
Expenses		
General government	1,154,723	3,262,195
Public safety	22,538,712	20,665,646
Public works	7,645,492	5,718,211
Culture and recreation	4,099,860	3,852,381
Community development	903,125	1,008,595
Transit	1,498,359	1,771,250
Redevelopment and housing	4,076,392	16,726,583
Interest on long-term debt	427,087	1,676,987
Total expenses	<u>42,343,750</u>	<u>54,681,848</u>
Extraordinary loss	<u>(11,674,077)</u>	<u>-</u>
Decrease in net assets before transfers	(16,234,441)	(9,965,909)
Transfers out	6,653	(24,383)
Change in net assets	<u>(16,227,788)</u>	<u>(9,990,292)</u>
Beginning net assets, as restated	<u>117,422,071</u>	<u>127,412,363</u>
Ending net assets	<u>\$ 101,194,283</u>	<u>\$ 117,422,071</u>

*Certain balances or amounts in 2011 have been restated to include \$75,319 of the loans receivable's accrued interest and \$3,419,658 restatement to beginning net assets due to understatement of loans receivable and capital assets as further described in Note 2 to the financial statements.

The City's expenses exceeded net revenues of the governmental activities by \$4,560,364 before transfers and extraordinary items resulting in a decrease of net assets in the amount of \$16,227,788. Revenues and expenses both decreased from the previous fiscal year.

Operating grants and contributions increased primarily due to additional federal grant funding for public works, public safety, and culture and recreation. Additional federal grants the City received in the current year included: Surface Transportation Grant of \$456,011 for public works, Homeland Security Grant of \$208,245 for public safety, Family Place Grants of \$15,000 and Outdoor Recreation Acquisition, Development and Planning Grant of \$63,000 for culture and recreation. In addition, CDBG grant funds in the amount of \$622,974 were carried over from the prior year.

Management's Discussion and Analysis (Continued)

(Unaudited)

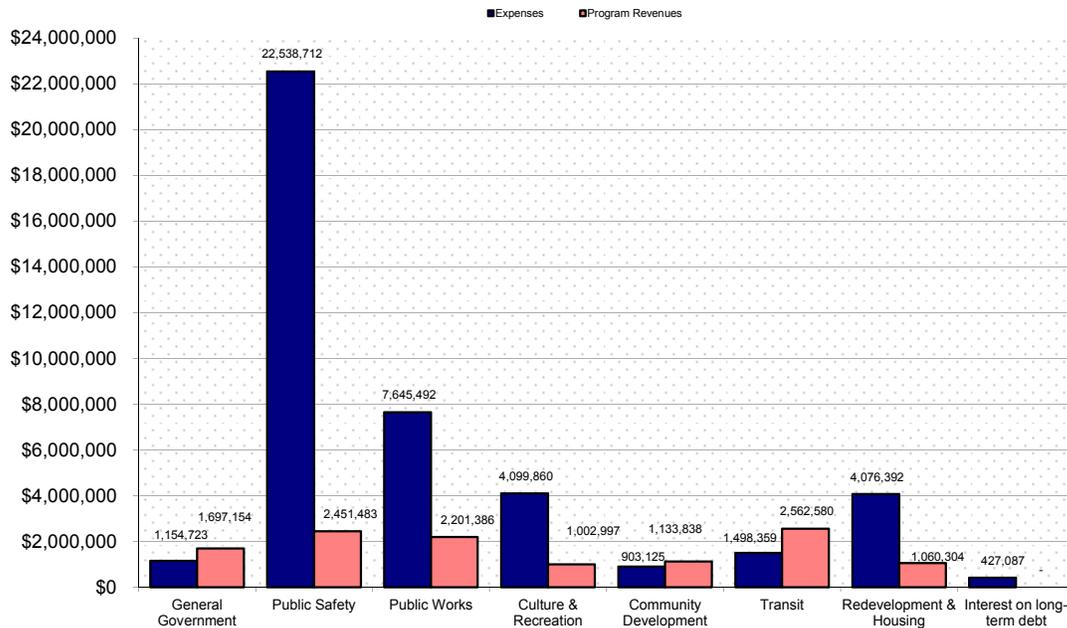
The decrease in property taxes of \$5,218,932 is primarily caused by the decrease in tax increment due to the dissolution of the Agency while General Fund property tax increased by \$496,690 or 4.8% which included a one time payment from the County as a result of AB XI 26. Sales tax also increased by \$344,682 or 6.9% as local economy experienced a modest increase in sales in restaurants and hotels services as well as the auto and transportation, and fuel and service sectors. Other taxes decreased by \$1,857,748 or 46.6%. The decrease in other taxes is due to one-time franchise tax payment made by Athens in the prior fiscal year. The decrease in investment earnings is primarily due to the transfer of Agency investments due to AB XI 26 and the current low interest rate yield.

Expenses decreased by \$12,338,098 or 22.6% from the previous fiscal year. The decrease is due primarily to a decrease in expenses in redevelopment and housing, and interest on long-term debt of \$13,900,091 and \$2,107,472 in general government offset by an increase of expenses in public safety and public works of \$3,800,347. The decrease in redevelopment and housing and interest on long-term debt is due to AB XI 26. The decrease in general government and increase in public safety and public works is due to a change in the methodology of indirect cost allocation.

Extraordinary loss is due to assets and liabilities being transferred to the SACRA Private Purpose Trust Fund. (See note 1 to the financial statements)

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 general government, community development and transit functions recovered their expenses with program revenues. Public safety, public works, culture and recreation, redevelopment and housing, and interest on long-term debt are financed primarily from general revenues.

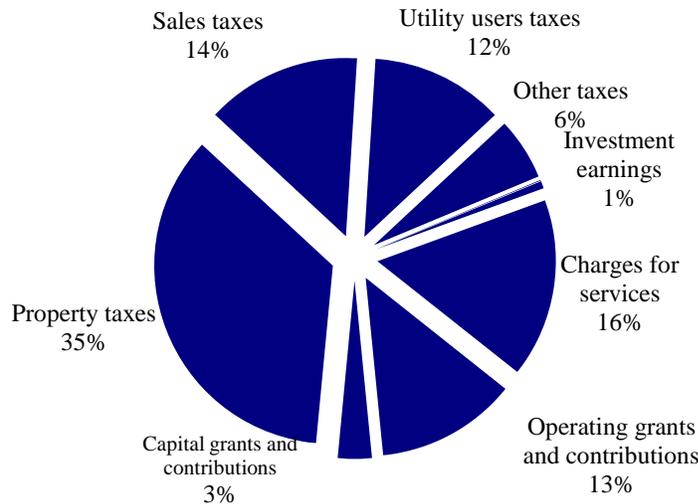
Expenses and Program Revenues-Governmental Activities



Management's Discussion and Analysis (Continued)

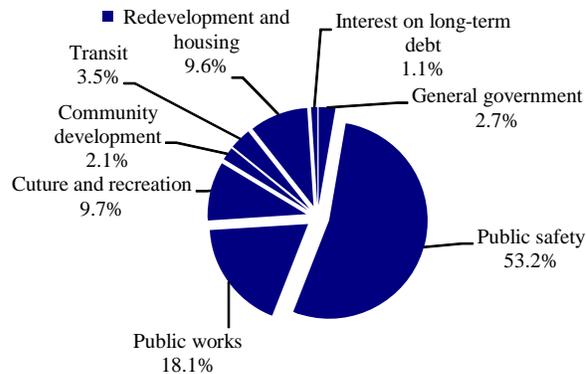
(Unaudited)

Revenue Sources-Governmental Activities



Taxes, operating grants and contributions, charges for services and capital grants and contributions provide 99% 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 71.3% of the programs while culture and recreation services provided represent 9.7% of the governmental activities. This is consistent with the City's highest priority of citizen safety and wellbeing.

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.

Management's Discussion and Analysis (Continued)

(Unaudited)

Business-type Activities Net Assets

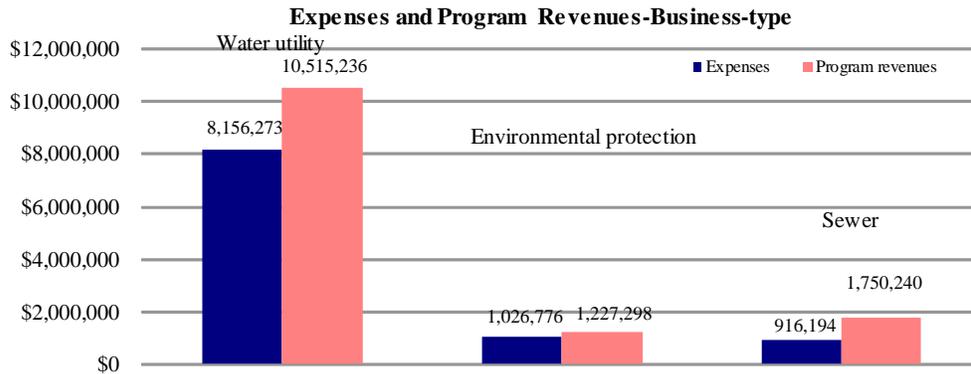
	<u>2012</u>	<u>2011</u>
Current assets and other assets	\$ 44,215,693	\$ 40,920,723
Capital assets, net	20,201,286	19,144,567
Total assets	<u>64,416,979</u>	<u>60,065,290</u>
Long-term liabilities outstanding	35,046,948	36,002,767
Other liabilities	1,851,468	1,334,999
Total liabilities	<u>36,898,416</u>	<u>37,337,766</u>
Net assets:		
Invested in capital assets, net of related debt	13,160,600	14,181,064
Restricted for capital projects	-	2,901,716
Unrestricted	14,357,963	5,644,744
Total net assets	<u>\$ 27,518,563</u>	<u>\$ 22,727,524</u>

The net assets of the business-type activities represent 21.4% of the City's total net assets. The total business-type net assets increased by \$4,791,039 from the previous year. Contributing factors were an increase in water and sewer revenues of \$1,420,363 and \$285,810 respectively due to an increase in rates effect as of July, 2011. The decrease in refuse collection expenses of \$1,389,547 or 96.6% due to the transfer of this function to Athens Disposal. The water utility also showed decreased expenses in depreciation and general and administrative of \$272,452 and \$371,178 or 25.8% and 36.1% respectively. The general and administrative decrease is primarily due to a change in the indirect cost allocation methodology.

Business-type Activities Change in Net Assets

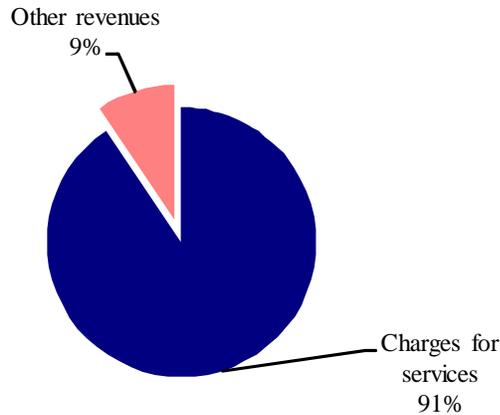
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 13,492,774	\$ 13,528,807
General revenues-other revenues	1,404,161	680,014
Total revenues	<u>14,896,935</u>	<u>14,208,821</u>
Expenses		
Water utility	8,156,273	8,366,225
Environmental protection	1,026,776	3,044,628
Sewer	916,194	1,246,067
Total expenses	<u>10,099,243</u>	<u>12,656,920</u>
Change in net assets before transfers	<u>4,797,692</u>	<u>1,551,901</u>
Transfers in (Out)	<u>(6,653)</u>	<u>24,383</u>
Change in net assets	4,791,039	1,576,284
Beginning net assets	22,727,524	21,151,240
Ending net assets	<u>\$ 27,518,563</u>	<u>\$ 22,727,524</u>

Management's Discussion and Analysis (Continued)
(Unaudited)



The City's business-type program revenues exceeded expenses by \$3,393,531. Environmental protection charges for services recovered all operating expenses. Sewer utility and water utility charges for services also recovered both operating and interest expenses of which pledged revenues are made available to meet future debt service payments.

Revenues by Source-Business-type Activities

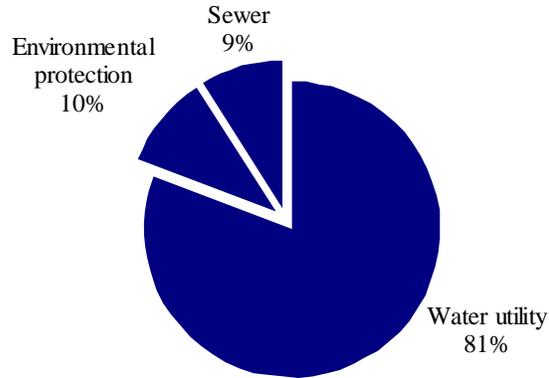


Total business-type revenues increased to \$14,896,935 from \$14,208,821 in the previous fiscal year. Charges for services are the major revenue source which provides for both operating and capital maintenance costs. Water utility charges for services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental protection charges include recycling, waste management, and industrial waste fees. Sewer charges include fees established to recover the cost of operating the sewer system throughout the City.

Management's Discussion and Analysis (Continued)

(Unaudited)

Functions/Programs - Business-type Activities



Total business-type expenses decreased to \$10,099,243 from \$12,656,920 in the previous fiscal year. The water utility general and administrative, and source and supply functions decreased, while customer service, and transmission and distribution increased. Water utility expenses also include interest expense. Environmental protection expenses include 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.

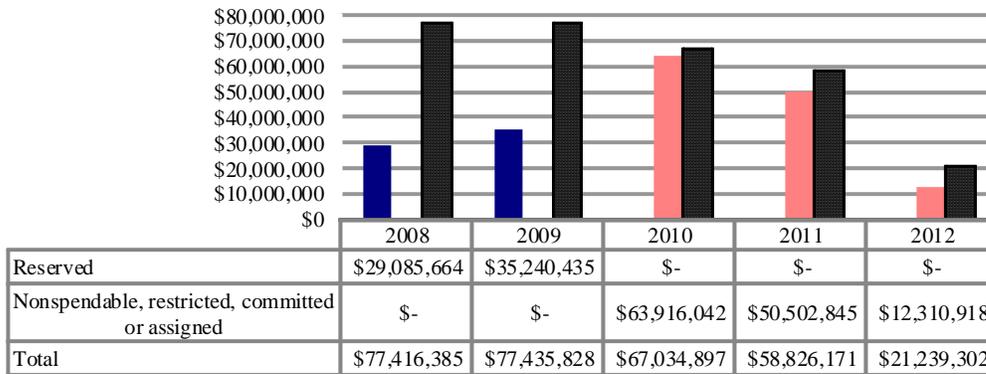
As of June 30, 2012, the City's governmental funds reported combined fund balances of \$21,239,302, a decrease of \$37,586,869 from the prior year. *Unassigned fund balance* of \$8,928,384 is available for designation and/or future spending at the City's discretion. The remainder of fund balance of \$12,310,918 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.

Management's Discussion and Analysis (Continued)

(Unaudited)

The following is a summary of fund balances of the governmental funds for fiscal years 2008-2012:

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 \$10,537,723 of which \$9,187,601 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 37.1% of total general fund expenditures and unassigned fund balance represents 32.5% of total general fund expenditures.

The fund balance of the general fund decreased by \$1,070,157 during the fiscal year. The increase is attributed primarily to the following:

- Increase in public works expenditures of \$955,579
- Increase in culture and recreation expenditures of \$278,453

The low-moderate income housing special revenue fund, tax allocation debt service fund and redevelopment agency capital projects fund, major funds of the City and the former Agency through January 31, 2012 had zero fund balance at June 30, 2012. The Housing Authority is a major fund of the City and has a fund balance of \$3,722,203 which is 100% restricted, and is not available for spending at the City's discretion. The total fund balances decreased by \$ 37,586,869 during the fiscal year. The decrease is primarily attributed to the dissolution of the Agency and subsequent transfer of all assets and liabilities.

Proprietary Funds

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

Unrestricted net assets of the water utility fund increased to \$11,706,670 in the fiscal year from \$4,775,699 in the prior year. Environmental fund unrestricted net assets increased to \$921,619 from \$719,889 in the prior year. The sewer enterprise fund unrestricted net assets increased to \$1,679,570 from \$114,814 in the prior year.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were \$2,152,458 which represents a 7.6% increase. The most significant budgetary appropriation variances are as follows:

- **General Government.** Increased appropriations include \$750,000 in public liability claims for claims settlement as well as a carryover amount of \$150,000 and \$60,000 for city attorney unanticipated litigation services.

Management's Discussion and Analysis (Continued)

(Unaudited)

- **Community Development.** An increase of \$627,000 for land purchase, and \$212,124 estimated leave balance pay out of employees previously employed by the former Agency as a result of AB X1 26.
- **Transfer Out.** \$127,000 transferred to cover the costs of the special ballot initiative for the Lighting District.

General government actual expenditures were under budget by \$2,283,629 and over in public safety by \$1,022,991 and public works by \$653,493 primarily due to the implementation of the new indirect cost allocation methodology which is reflected in the actual amounts but not included in the adjusted budget. The fiscal year 2013 budget reflects the new allocations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2012, is \$99,758,800 (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 following is a summary of capital assets (net of depreciation) at June 30, 2012 and 2011:

**Capital Assets
(net of depreciation)**

	2012	2011 As Restated*
Governmental activities		
Land	\$ 10,479,858	\$ 10,747,229
Buildings and structures	13,751,910	22,270,908
Improvements other than buildings	1,221,358	1,282,279
Public domain infrastructure	48,678,654	51,510,063
Sanitary sewer infrastructure	2,431,047	2,524,128
Machinery and equipment	2,772,785	2,848,759
Construction in progress	221,902	614,249
Total governmental activities	<u>79,557,514</u>	<u>91,797,615</u>
Business-type activities		
Land	377,408	377,408
Buildings and structures	3,184,647	3,241,822
Improvements other than buildings	117,009	116,982
Water system infrastructure	14,412,640	14,359,634
Machinery and equipment	440,961	557,706
Construction in progress	1,668,621	491,015
Total business-type activities	<u>20,201,286</u>	<u>19,144,567</u>
Total capital assets	<u>\$ 99,758,800</u>	<u>\$ 110,942,182</u>

*Land in the governmental activities was restated by \$1,902,821 due to transfers of land held for resale from the former Agency to the City in a prior year that was not accurately reported in the financial statements.

There was a net decrease in governmental activities capital assets of \$11,183,382 in the current fiscal year. This change is primarily due to the transfer of net assets to SACRA in the amount of \$10,267,021. In business-type activities, the increase in construction in progress of \$1,177,606 is due to improvements made

Management's Discussion and Analysis (Continued)

(Unaudited)

to the sewer and water system. Please refer to Note 8 of the Notes to the Financial Statements for a more detailed description of the capital asset activity.

At June 30, 2012, \$16,883,909 is committed for capital expenditures related to the water system project. Also, \$7,494,440 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 \$36,039,137. This included capital lease, and revenue bonds payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2012 and 2011:

(net of unamortized charges)

	<u>2012</u>	<u>2011</u>
Governmental activities		
Notes payable	\$ -	\$ 543,360
Capital lease payable	212,881	310,752
Tax allocation bonds payable	-	34,112,825
Revenue bonds payable	<u>993,608</u>	<u>1,455,412</u>
Total governmental activities	<u>1,206,489</u>	<u>36,422,349</u>
Business-type activities		
Capital lease payable	4,665,191	4,963,503
Revenue bonds payable	<u>30,167,457</u>	<u>30,842,494</u>
Total business-type activities	<u>34,832,648</u>	<u>35,805,997</u>
Total outstanding debt	<u>\$ 36,039,137</u>	<u>\$ 72,228,346</u>

Long-term debt decreased in governmental activities by \$36,189,209 of which \$32,212,020 was transferred to the SACRA on February 1, 2012.

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 \$640,209,882 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 13 of the *Notes to the Financial Statements*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

We proceed with cautious optimism due to signs of recovery slow though it may be. The growth primarily is in the area of sales tax which has been in the range of 5% - 9% when compared to the same periods last year. Covina is fortunate that it has a diverse mix of retail unlike some agencies that have a high concentration of a particular type of business. Property tax too has stabilized though there is no evidence of growth as seen on the sales tax side. The median price of a single-family home in Covina is approximately \$305,000 as of June 2012.

The City adopted a balanced budget for the 2012-2013 fiscal year and will continue to monitor it closely to assure that we remain within adopted budgets. The City attempted to expand the existing Lighting District to be city-wide but the measure failed by less than 4%. This failure will result in the General Fund having to continue supporting the Lighting District. The City will address this matter through the Finance Committee whether it is pursue another measure in the near future.

Management's Discussion and Analysis (Continued)

(Unaudited)

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: 1) Statement of Net Assets; 2) 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, the Covina Housing Authority and the Covina Redevelopment Agency until the date of dissolution on February 1, 2012.

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 22,052,002	\$ 7,695,170	\$ 29,747,172
Cash and investments-fiscal agent	272,357	27,791,962	28,064,319
Accrued interest receivable	22,510	-	22,510
Receivables (net of allowances for uncollectibles):			
Property taxes	137,988	-	137,988
Sales taxes	500,500	-	500,500
Utility user taxes	365,211	-	365,211
Other taxes	80,123	-	80,123
Accounts	492,486	2,002,330	2,494,816
Loans	2,002,766	-	2,002,766
Notes	3,716,143	-	3,716,143
Intergovernmental	2,319,324	80,234	2,399,558
Internal balances	(50,104)	50,104	-
Inventories	82,105	63,836	145,941
Prepaid expenses	203,685	-	203,685
Deposit	427,000	-	427,000
Deferred charges	6,192	771,708	777,900
Investment in Covina Irrigating Company	-	5,760,349	5,760,349
Capital assets, not depreciated	10,701,760	2,046,029	12,747,789
Capital assets, depreciated, (net of accumulated depreciation)	68,855,754	18,155,257	87,011,011
Total assets	<u>112,187,802</u>	<u>64,416,979</u>	<u>176,604,781</u>
Liabilities			
Accounts payable	1,038,124	1,144,836	2,182,960
Deposits payable	67,968	227,457	295,425
Accrued liabilities	549,669	44,562	594,231
Due to other governments	434,678	-	434,678
Due to SACRA	79,068	-	79,068
Accrued interest payable	3,927	434,613	438,540
Long-term liabilities:			
Due within one year	1,169,603	1,203,360	2,372,963
Due in more than one year	7,650,482	33,843,588	41,494,070
Total liabilities	<u>10,993,519</u>	<u>36,898,416</u>	<u>47,891,935</u>
Net assets			
Invested in capital assets, net of related debt	78,351,025	13,160,600	91,511,625
Restricted for:			
Public safety	780,548	-	780,548
Public works	2,295,889	-	2,295,889
Culture and recreation	254,452	-	254,452
Transit	2,083,690	-	2,083,690
Redevelopment and housing	5,536,048	-	5,536,048
Unrestricted	11,892,631	14,357,963	26,250,594
Total net assets	<u>\$ 101,194,283</u>	<u>\$ 27,518,563</u>	<u>\$ 128,712,846</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

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	\$ 1,154,723	\$ 1,537,347	\$ 159,807	\$ -	\$ 542,431	\$ -	\$ 542,431
Public safety	22,538,712	1,552,076	899,407	-	(20,087,229)	-	(20,087,229)
Public works	7,645,492	764,276	1,437,110	-	(5,444,106)	-	(5,444,106)
Culture and recreation	4,099,860	776,590	154,272	72,135	(3,096,863)	-	(3,096,863)
Community development	903,125	820,232	313,606	-	230,713	-	230,713
Transit	1,498,359	287,568	1,192,471	1,082,541	1,064,221	-	1,064,221
Redevelopment and housing	4,076,392	389,969	670,335	-	(3,016,088)	-	(3,016,088)
Interest on long-term debt	427,087	-	-	-	(427,087)	-	(427,087)
Total governmental activities	<u>42,343,750</u>	<u>6,128,058</u>	<u>4,827,008</u>	<u>1,154,676</u>	<u>(30,234,008)</u>	<u>-</u>	<u>(30,234,008)</u>
Business-type activities:							
Water utility	8,156,273	10,515,236	-	-	-	2,358,963	2,358,963
Environmental protection	1,026,776	1,227,298	-	-	-	200,522	200,522
Sewer utility	916,194	1,750,240	-	-	-	834,046	834,046
Total business-type activities	<u>10,099,243</u>	<u>13,492,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,393,531</u>	<u>3,393,531</u>
Total functions/programs	<u>\$ 52,442,993</u>	<u>\$ 19,620,832</u>	<u>\$ 4,827,008</u>	<u>\$ 1,154,676</u>	<u>(30,234,008)</u>	<u>3,393,531</u>	<u>(26,840,477)</u>
General revenues:							
Property taxes					13,383,113	-	13,383,113
Sales taxes intergovernmental unrestricted					5,323,574	-	5,323,574
Transient occupancy taxes					316,609	-	316,609
Property transfer taxes					124,226	-	124,226
Business license taxes					373,299	-	373,299
Utility user taxes					4,553,173	-	4,553,173
Franchise taxes					1,314,343	-	1,314,343
Motor vehicle license-intergovernmental unrestricted					24,598	-	24,598
Investment earnings					250,604	70,596	321,200
Investment gain in Covina Irrigating Company					-	1,333,565	1,333,565
Gain on sale of capital assets					10,105	-	10,105
Transfers					6,653	(6,653)	-
Total general revenues and transfers					<u>25,680,297</u>	<u>1,397,508</u>	<u>27,077,805</u>
Extraordinary loss					<u>(11,674,077)</u>	<u>-</u>	<u>(11,674,077)</u>
Change in net assets					<u>(16,227,788)</u>	<u>4,791,039</u>	<u>(11,436,749)</u>
Net assets at beginning of year, as restated					<u>117,422,071</u>	<u>22,727,524</u>	<u>140,149,595</u>
Net assets at end of year					<u>\$ 101,194,283</u>	<u>\$ 27,518,563</u>	<u>\$ 128,712,846</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, community development, transit and redevelopment and housing. 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 until February 1, 2012. 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 the Agency. Revenues include property tax increments generated from the Agency's project areas until February 1, 2012. Expenditures are related to the tax allocation bonds of the Authority and loans of the Agency until February 1, 2012.

Redevelopment Agency is a capital projects fund and accounts for the financial resources used for economic development activities in the Agency until February 1, 2012. Financial resources include property rentals, sale of property and tax allocation bond proceeds.

Housing Authority is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the Agency.

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, 2012

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 8,127,761	\$ -	\$ -	\$ -	\$ -	\$ 6,948,181	\$ 15,075,942
Cash and investments-fiscal agent	-	-	-	-	-	272,357	272,357
Accrued interest receivable	672	-	-	-	-	-	672
Receivables (net of allowances for uncollectibles):							
Property taxes	137,988	-	-	-	-	-	137,988
Sales taxes	500,500	-	-	-	-	-	500,500
Utility user taxes	365,211	-	-	-	-	-	365,211
Other taxes	70,905	-	-	-	-	9,218	80,123
Accounts	428,520	-	-	-	-	63,966	492,486
Intergovernmental	1,530,194	-	-	-	-	789,130	2,319,324
Loans	-	-	-	-	1,813,845	188,921	2,002,766
Notes	-	-	-	-	3,716,143	-	3,716,143
Due from other funds	502,613	-	-	-	6,060	1,508	510,181
Prepaid items	179,981	-	-	-	-	-	179,981
Deposit	427,000	-	-	-	-	-	427,000
Advances to other funds	15,000	-	-	-	-	-	15,000
Total assets	<u>\$ 12,286,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,536,048</u>	<u>\$ 8,273,281</u>	<u>\$ 26,095,674</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 620,265	\$ -	\$ -	\$ -	\$ -	\$ 330,205	\$ 950,470
Deposits payable	67,968	-	-	-	-	-	67,968
Accrued liabilities	508,170	-	-	-	-	15,977	524,147
Due to other governments	256	-	-	-	-	434,422	434,678
Due to other funds	264,869	-	-	-	-	324,380	589,249
Deferred revenue	287,094	-	-	-	1,813,845	188,921	2,289,860
Total liabilities	<u>1,748,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,813,845</u>	<u>1,293,905</u>	<u>4,856,372</u>
Fund balances:							
Nonspendable:							
Prepaid items	179,981	-	-	-	-	-	179,981
Deposit	427,000	-	-	-	-	-	427,000
Advances to other funds	15,000	-	-	-	-	-	15,000
Restricted for:							
Community development	20,259	-	-	-	-	231,275	251,534
Housing authority	-	-	-	-	3,722,203	-	3,722,203
Law enforcement	-	-	-	-	-	780,548	780,548
Street projects	-	-	-	-	-	1,445,516	1,445,516
Transportation projects	-	-	-	-	-	3,071,106	3,071,106
Air Quality projects	-	-	-	-	-	302,073	302,073
Assessment districts	-	-	-	-	-	548,300	548,300
Library	-	-	-	-	-	2,918	2,918
Committed to:							
Community improvement	234,540	-	-	-	-	-	234,540
Assigned to:							
Inmate communication	22,417	-	-	-	-	-	22,417
Cultural arts commission	67	-	-	-	-	-	67
Library equipment reserve	14,966	-	-	-	-	-	14,966
Police evidence money reserve	39,474	-	-	-	-	-	39,474
Building equipment reserve	32,227	-	-	-	-	-	32,227
Public safety donation	27,734	-	-	-	-	-	27,734
Parks & recreation donation	120,974	-	-	-	-	-	120,974
Public works donation	335	-	-	-	-	-	335
Library donation	214,003	-	-	-	-	-	214,003
Other donation	1,145	-	-	-	-	-	1,145
Other capital projects	-	-	-	-	-	353,181	353,181
Parks & recreation	-	-	-	-	-	503,656	503,656
Street resurfacing	-	-	-	-	-	20	20
Unassigned (deficit)	9,187,601	-	-	-	-	(259,217)	8,928,384
Total fund balances	<u>10,537,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,722,203</u>	<u>6,979,376</u>	<u>21,239,302</u>
Total liabilities and fund balances	<u>\$ 12,286,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,536,048</u>	<u>\$ 8,273,281</u>	<u>\$ 26,095,674</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

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

Fund balances-total governmental funds	\$	21,239,302
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.		77,842,226
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.		2,289,860
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.		6,192
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.		(3,927)
Postemployment benefit liability is not due in the current period and therefore is not reported in the funds. Postemployment benefit payments are reported as expenditures in the funds.		(28,636)
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.		(8,628,639)
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.		8,477,905
Net assets of governmental activities	\$	101,194,283

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, 2012

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 10,765,985	\$ 815,994	\$ 2,082,460	\$ -	\$ -	\$ 36,888	\$ 13,701,327
Sales taxes	5,323,574	-	-	-	-	-	5,323,574
Transient occupancy taxes	316,609	-	-	-	-	-	316,609
Property transfer taxes	124,226	-	-	-	-	-	124,226
Business license taxes	371,867	-	-	-	-	1,432	373,299
Utility user taxes	4,553,173	-	-	-	-	-	4,553,173
Franchise taxes	1,314,343	-	-	-	-	-	1,314,343
Licenses and permits	609,209	-	-	-	-	-	609,209
Intergovernmental	853,140	-	-	-	-	5,153,153	6,006,293
Charges for services	2,396,241	-	-	348,206	-	436,937	3,181,384
Fines and forfeits	824,561	-	-	-	-	-	824,561
Special assessments	-	-	-	-	-	674,336	674,336
Investment earnings	29,823	9,038	6,981	156,666	6,240	35,014	243,762
Miscellaneous	684,321	5,795	-	16,181	-	8,446	714,743
Total revenues	28,167,072	830,827	2,089,441	521,053	6,240	6,346,206	37,960,839
Expenditures:							
Current:							
General government	1,681,351	-	-	-	-	138,244	1,819,595
Public safety	21,872,013	-	-	-	-	395,309	22,267,322
Public works	1,171,828	-	-	-	-	1,611,594	2,783,422
Culture and recreation	3,756,943	-	-	-	-	69,621	3,826,564
Community development	890,511	-	-	-	-	-	890,511
Transit	-	-	-	-	-	1,240,701	1,240,701
Redevelopment and housing	-	395,810	862,397	1,859,857	-	762,668	3,880,732
Capital outlay	96,025	-	-	1,557,687	-	1,091,116	2,744,828
Debt service:							
Principal retirement	97,871	205,000	2,289,563	-	-	425,000	3,017,434
Interest and fiscal charges	14,870	95,277	506,514	-	-	68,375	685,036
Total expenditures	29,581,412	696,087	3,658,474	3,417,544	-	5,802,628	43,156,145
Excess (deficiency) of revenues over expenditures	(1,414,340)	134,740	(1,569,033)	(2,896,491)	6,240	543,578	(5,195,306)
Other financing sources (uses):							
Transfers in	378,000	-	-	-	3,715,963	40,470	4,134,433
Transfers out	(33,817)	-	-	(3,715,963)	-	(200,000)	(3,949,780)
Total other financing sources (uses)	344,183	-	-	(3,715,963)	3,715,963	(159,530)	184,653
Extraordinary gain (loss) from dissolution of the Covina Redevelopment Agency	-	(6,893,231)	1,985,516	(27,668,501)	-	-	(32,576,216)
Net change in fund balances	(1,070,157)	(6,758,491)	416,483	(34,280,955)	3,722,203	384,048	(37,586,869)
Fund balances at beginning of year	11,607,880	6,758,491	(416,483)	34,280,955	-	6,595,328	58,826,171
Fund balances at end of year	\$ 10,537,723	\$ -	\$ -	\$ -	\$ 3,722,203	\$ 6,979,376	\$ 21,239,302

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

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

Net change in fund balances-total governmental funds	\$	(37,586,869)
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.		(1,883,179)
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.		(70,634)
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.		221,145
Change in postemployment benefits on a pay as you go basis.		3,503
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.		2,921,670
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.		(318,214)
Adjustment to extraordinary loss due to assets and liabilities transferred to the Successor Agency to the Covina Redevelopment Agency Private Purpose Trust Fund		20,902,139
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.		<u>(417,349)</u>
Change in net assets of governmental activities	\$	<u><u>(16,227,788)</u></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, 2012

	Business type activities - enterprise funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Assets					
Current assets:					
Cash and investments	\$ 5,747,901	\$ 578,558	\$ 1,368,711	\$ 7,695,170	\$ 6,976,060
Cash and investments-fiscal agent	13,421,915	-	14,370,047	27,791,962	-
Accrued interest receivable	-	-	-	-	21,838
Accounts receivable, net	1,578,853	423,477	-	2,002,330	-
Intergovernmental receivable	-	-	80,234	80,234	-
Prepaid expenses	-	-	-	-	23,704
Inventories	63,836	-	-	63,836	82,105
Total current assets	<u>20,812,505</u>	<u>1,002,035</u>	<u>15,818,992</u>	<u>37,633,532</u>	<u>7,103,707</u>
Noncurrent assets:					
Investment in Covina Irrigating Company	5,760,349	-	-	5,760,349	-
Deferred charges	368,507	-	403,201	771,708	-
Capital assets not being depreciated	1,853,993	-	192,036	2,046,029	27,236
Capital assets net of accumulated depreciation	17,285,898	193,105	676,254	18,155,257	1,688,052
Total capital assets, net	<u>19,139,891</u>	<u>193,105</u>	<u>868,290</u>	<u>20,201,286</u>	<u>1,715,288</u>
Total noncurrent assets	<u>25,268,747</u>	<u>193,105</u>	<u>1,271,491</u>	<u>26,733,343</u>	<u>1,715,288</u>
Total assets	<u>46,081,252</u>	<u>1,195,140</u>	<u>17,090,483</u>	<u>64,366,875</u>	<u>8,818,995</u>
Liabilities					
Current liabilities:					
Accounts payable	1,114,054	28,131	2,651	1,144,836	87,654
Deposits payable	210,244	17,213	-	227,457	-
Current portion of compensated absences payable	13,680	4,890	-	18,570	14,550
Accrued liabilities	36,325	8,232	5	44,562	25,522
Accrued interest payable	264,693	-	169,920	434,613	-
Current portion of capital lease payable	244,346	-	65,444	309,790	-
Current portion of revenue bonds payable	250,000	-	625,000	875,000	-
Total current liabilities	<u>2,133,342</u>	<u>58,466</u>	<u>863,020</u>	<u>3,054,828</u>	<u>127,726</u>
Noncurrent liabilities:					
Compensated absences payable	173,780	21,950	-	195,730	148,260
Advances from other funds	-	-	-	-	15,000
Capital lease payable	4,289,958	-	65,443	4,355,401	-
Revenue bonds payable, net	14,546,976	-	14,745,481	29,292,457	-
Total noncurrent liabilities	<u>19,010,714</u>	<u>21,950</u>	<u>14,810,924</u>	<u>33,843,588</u>	<u>163,260</u>
Total liabilities	<u>21,144,056</u>	<u>80,416</u>	<u>15,673,944</u>	<u>36,898,416</u>	<u>290,986</u>
Net assets					
Invested in capital assets, net of related debt	13,230,526	193,105	(263,031)	13,160,600	1,715,288
Unrestricted	11,706,670	921,619	1,679,570	14,307,859	6,812,721
Total net assets	<u>\$ 24,937,196</u>	<u>\$ 1,114,724</u>	<u>\$ 1,416,539</u>	<u>27,468,459</u>	<u>\$ 8,528,009</u>

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

	50,104
Net assets of business-type activities	\$ 27,518,563

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business type activities - enterprise funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Operating Revenues:					
Water sales	\$ 10,101,775	\$ -	\$ -	\$ 10,101,775	\$ -
Environmental fees	-	1,208,747	-	1,208,747	-
Sewer fees	-	-	1,750,240	1,750,240	-
Information technology charges	-	-	-	-	1,067,589
Motor pool charges	-	-	-	-	1,469,895
Fire line fees	229,964	-	-	229,964	-
Meter installation fees	43,582	-	-	43,582	-
Late fees	69	-	-	69	-
Antenna rentals and other	139,846	-	-	139,846	-
Grant revenue	-	18,551	-	18,551	-
Total operating revenues	<u>10,515,236</u>	<u>1,227,298</u>	<u>1,750,240</u>	<u>13,492,774</u>	<u>2,537,484</u>
Operating expenses:					
General and administrative	655,696	154,463	164,835	974,994	8,284
Management information systems	-	-	-	-	1,353,526
Utility billing	440,335	611	-	440,946	-
Customer service	402,875	-	-	402,875	-
Sales promotion	14,160	-	-	14,160	-
Source and supply	2,943,016	-	-	2,943,016	-
Production and storage	507,877	-	-	507,877	-
Transmission and distribution	1,423,143	-	-	1,423,143	-
Street sweeping	-	145,434	-	145,434	-
Environmental services	-	241,217	-	241,217	-
Refuse collection	-	49,011	-	49,011	-
Industrial waste	-	232,634	-	232,634	-
Waste management	-	197,582	-	197,582	-
Central equipment	-	-	-	-	1,076,914
Depreciation	783,715	5,824	28,319	817,858	339,294
Total operating expenses	<u>7,170,817</u>	<u>1,026,776</u>	<u>193,154</u>	<u>8,390,747</u>	<u>2,778,018</u>
Operating income (loss)	<u>3,344,419</u>	<u>200,522</u>	<u>1,557,086</u>	<u>5,102,027</u>	<u>(240,534)</u>
Nonoperating revenues (expenses):					
Investment gain - Covina Irrigating Company	1,333,565	-	-	1,333,565	-
Investment earnings	30,296	2,037	38,263	70,596	6,842
Interest expense	(1,001,218)	-	(723,040)	(1,724,258)	-
Gain on sale and disposal of capital assets	-	-	-	-	10,105
Total nonoperating revenues (expenses)	<u>362,643</u>	<u>2,037</u>	<u>(684,777)</u>	<u>(320,097)</u>	<u>16,947</u>
Income (loss) before transfers	3,707,062	202,559	872,309	4,781,930	(223,587)
Transfers in	-	-	-	-	136,000
Transfers out	-	(6,653)	-	(6,653)	(314,000)
Change in net assets	3,707,062	195,906	872,309	4,775,277	(401,587)
Net assets at beginning of year	21,230,134	918,818	544,230	22,693,182	8,929,596
Net assets at end of year	<u>\$ 24,937,196</u>	<u>\$ 1,114,724</u>	<u>\$ 1,416,539</u>	<u>\$ 26,468,459</u>	<u>\$ 8,528,009</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.

	15,762
Change in net assets of business-type activities	\$ 4,791,039

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business type activities - enterprise funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Cash flows from operating activities:					
Cash received from customers, users and grants	\$ 10,173,408	\$ 1,254,261	\$ 1,698,962	\$ 13,126,631	\$ 2,516,695
Cash paid to suppliers for goods and services	(3,687,054)	(638,691)	(139,008)	(4,464,753)	(1,672,943)
Cash paid to employees for services	(1,058,846)	(288,709)	(52,542)	(1,400,097)	(896,710)
Cash paid for interfund services-net	(1,047,427)	(122,777)	(57,664)	(1,227,868)	(56,623)
Net cash provided by (used for) operating activities	<u>4,380,081</u>	<u>204,084</u>	<u>1,449,748</u>	<u>6,033,913</u>	<u>(109,581)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,603,715)	-	(270,863)	(1,874,578)	(249,394)
Principal paid on capital lease	(232,868)	-	(65,444)	(298,312)	-
Interest paid on capital leases	(252,905)	-	(9,052)	(261,957)	-
Principal paid on revenue bonds	(425,000)	-	(250,000)	(675,000)	-
Interest paid on revenue bonds	(749,428)	-	(684,714)	(1,434,142)	-
Gain on sale and disposal of capital assets	-	-	-	-	10,105
Net cash used for capital and related financing activities	<u>(3,263,916)</u>	<u>-</u>	<u>(1,280,073)</u>	<u>(4,543,989)</u>	<u>(239,289)</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	-	-	136,000
Transfers to other funds	-	(6,653)	-	(6,653)	(314,000)
Net cash used for non-capital financing activities	<u>-</u>	<u>(6,653)</u>	<u>-</u>	<u>(6,653)</u>	<u>(178,000)</u>
Cash flows from investing activities:					
Interest received on investments	30,296	2,037	38,263	70,596	6,842
Net cash provided by investing activities	<u>30,296</u>	<u>2,037</u>	<u>38,263</u>	<u>70,596</u>	<u>6,842</u>
Net increase (decrease) in cash and cash equivalents	1,146,461	199,468	207,938	1,553,867	(520,028)
Cash and cash equivalents beginning of year	18,023,355	379,090	15,530,820	33,933,265	7,496,088
Cash and cash equivalents end of year	<u>\$ 19,169,816</u>	<u>\$ 578,558</u>	<u>\$ 15,738,758</u>	<u>\$ 35,487,132</u>	<u>\$ 6,976,060</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 3,344,419	\$ 200,522	\$ 1,557,086	\$ 5,102,027	\$ (240,534)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	783,715	5,824	28,319	817,858	339,294
Change in operating assets and liabilities:					
Decrease in other taxes receivable	-	167,984	-	167,984	-
Increase in accounts receivable	(421,069)	(136,541)	-	(557,610)	(20,790)
Increase in intergovernmental receivable	-	-	(80,234)	(80,234)	-
Increase in due from other funds	-	-	-	-	(590)
Decrease (increase) in due from other governments	-	990	28,957	29,947	(13,418)
Decrease (increase) in prepaid expenses	15,010	-	-	15,010	(1,328)
Increase in inventories	(2,798)	-	-	(2,798)	(14,716)
Increase (decrease) in accounts payable	583,487	(36,768)	(84,385)	462,334	(183,333)
Increase (decrease) in deposits payable	79,241	(5,470)	-	73,771	-
Increase in compensated absences payable	7,500	10,030	-	17,530	32,500
Increase (decrease) in accrued liabilities	(9,424)	(2,487)	5	(11,906)	(6,666)
Total adjustments	<u>1,035,662</u>	<u>3,562</u>	<u>(107,338)</u>	<u>931,886</u>	<u>130,953</u>
Net cash provided by (used for) operating activities	<u>\$ 4,380,081</u>	<u>\$ 204,084</u>	<u>\$ 1,449,748</u>	<u>\$ 6,033,913</u>	<u>\$ (109,581)</u>

See accompanying notes to the financial statements.

Continued

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business type activities - enterprise funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Noncash capital and related financing and investing activities					
Investment gain - Covina Irrigating Company	\$ 1,333,565	\$ -	\$ -	\$ 1,333,565	\$ -
Amortization of premium	5,632	-	-	5,632	-
Amortization of deferred loss on refunding	2,024	-	-	2,024	-
Amortization of deferred charges	12,708	-	23,217	35,925	-
Amortization of discount	-	-	(7,619)	(7,619)	-
Retirement of capital assets	(10,055)	-	-	(10,055)	(1,502,598)
Retirement of accumulated depreciation on capital assets	10,055	-	-	10,055	1,502,598

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Fiduciary Net Assets
June 30, 2012

	Agency Funds	SACRA Private Purpose Trust Fund
Assets:		
Cash and investments	\$ 9,977	\$ 24,722,141
Cash and investments - fiscal agent	-	1,418,391
Property taxes receivable	-	180,226
Accounts receivable	-	293
Notes receivable	-	32,940
Due from other funds	-	264,867
Land held for redevelopment	-	8,544,607
Deferred charges	-	1,054,948
Capital assets, not depreciated	-	267,371
Capital assets, depreciated	-	9,920,743
Total assets	\$ 9,977	\$ 46,406,527
 Liabilities:		
Accounts payable	\$ -	\$ 2,818,202
Deposits payable	-	8,800
Accrued liabilities	-	54,906
Due to other funds	-	185,799
Due to association	9,977	-
Deferred revenue	-	231,783
Interest payable	-	94,707
Long-term debt:		
Due within one year	-	2,668,701
Due in more than one year	-	29,906,293
Total liabilities	\$ 9,977	\$ 35,969,191
 Net assets:		
Held in trust for other purposes		\$ 10,437,336

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Changes in Fiduciary Net Assets
SACRA Private Purpose Trust Fund
For the Period February 1, 2012 through June 30, 2012

Additions:	
Property taxes	\$ 3,012,797
Charges for services	250,513
Investment earnings	3,008
Other	11,216
Total additions	3,277,534
 Deductions:	
Program expenses of former redevelopment agency	3,331,911
Administrative expenses	50,168
Interest and fiscal agency expenses of former redevelopment agency	1,132,196
Total deductions	4,514,275
Extraordinary gain from dissolution of the Covina Redevelopment Agency	11,674,077
Change in net assets	10,437,336
Net assets - beginning	-
Net assets - ending	\$ 10,437,336

See accompanying notes to the financial statements.

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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 (as of January 31, 2012), 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 Covina Redevelopment Agency was dissolved as of February 1, 2012 due to the Supreme Court ruling that upheld AB X1 26, Dissolution bill. At June 30, 2012, the City had two blended component units.

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. On June 28, 2011, Assembly Bill X1 26 (AB X1 26), the Dissolution bill was enacted. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. On January 11, 2012, the City adopted a resolution declaring its intent to serve as the Successor Agency and on January 30, 2012, the City Council adopted a resolution to retain the Housing assets and functions of the former redevelopment agency and the Housing Authority of the City will serve as the Housing Successor Agency. The Agency's financial data and transactions are included with the Low-Moderate Income Housing Special Revenue Fund, Tax Allocation Debt Service Fund and Redevelopment Agency Capital Projects Fund until the date of dissolution on February 1, 2012.

The Successor Agency to the Covina Redevelopment Agency (SACRA) was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The SACRA is a separate public entity from the City, subject to the direction of an Oversight Board. In general, the SACRA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the SACRA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Agency have been paid in full and all assets have been liquidated. Based upon the nature of the SACRA's custodial role, the SACRA is reported in a fiduciary fund (private-purpose trust fund).

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 the 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. On January 30, 2012, the City Council adopted a resolution to retain the Housing assets and functions of the dissolved Agency and the Housing Authority of the City will serve as the Housing Successor Agency.

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 Governmental Accounting Standards Board (GASB) 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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 fiduciary funds which include the private purpose trust fund and agency fund. The fiduciary 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 and fiduciary funds statements. With this measurement focus, all assets and all liabilities associated with the operation of the City are included on the statement of net assets. Net assets (assets less liabilities) are segregated into invested in capital assets (net of related debt), restricted and unrestricted components. The Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Under this determination, unbilled service receivables are recorded at year-end.

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

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Property taxes, charges for services, grant revenues 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 until February 1, 2012.

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 until February 1, 2012.

Redevelopment Agency Fund

The capital projects fund accounts for the financial resources that are restricted for economic development activities in the Agency until February 1, 2012.

Housing Authority Fund

The special revenue fund administers the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Environmental Fund

This enterprise fund accounts for the general and administrative, utility billing, street sweeping, environmental services, refuse collection, industrial waste 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.

Private Purpose Trust Fund

This fund is to account for custodial responsibilities that are assigned to SACRA with the passage of AB X1 26 and was established on February 1, 2012. The fund accounts for the receipt of property tax revenues pursuant to the dissolution of the Agency and expenses incurred pursuant to the recognized obligation payment schedule (ROPS) approved by the State Department of Finance. This fund follows 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, environmental service, and sewer 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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 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. New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2010, GASB issued Statement No.61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.” This statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this statement is effective for the City’s fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City’s fiscal year ending June 30, 2013.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2012—an amendment of GASB Statements No. 10 and No. 62, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City’s fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer’s past practice and future expectations of granting them indicate they are essentially automatic.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. The statement would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

G. 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.

H. 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 earnings in the financial statements.

I. 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.

J. 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

K. Capital Assets

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

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

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

L. Leased Property

The City 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	\$ 581
Sprint	P.O. Box 7977	Communication	Monthto month	\$ 1,005

M. Operating Leases

The City receives 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 3-5 years. The rent paid by each lessee is a set monthly amount determined by the lease agreement. All leases are cancellable.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

N. Capitalization of Leases

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

O. 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, 2012, 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.

P. Net Assets

Net assets in the statement of net assets are 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 enabling legislation. At June 30, 2012, the restricted net assets are \$10,950,627, of which, \$548,300 is restricted by enabling legislation.

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

Q. Extraordinary Items

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the former Agency's liabilities in excess of its assets as of February 1, 2012 from the City's governmental activities to the SACRA Private Purpose Trust Fund was recorded as an extraordinary loss in the City's government-wide financial statements and as an extraordinary gain or loss in the governmental funds. The receipt of these assets in excess of liabilities was reported in the SACRA Private Purpose Trust Fund financial statements as an extraordinary gain.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

2. RESTATEMENT OF BEGINNING NET ASSETS

The accompanying financial statements contain a restatement of beginning net assets at July 1, 2011 due to the following:

- Land in the amount of \$1,902,821 related to transfers of land held for resale from the former Agency to the City in a prior year that was not accurately reported in the financial statements.
- Loans receivable in the amount of \$1,592,156 related to loans receivable and associated accrued interest that were disbursed by the former Agency in prior years and were not previously reported in the financial statements.

Net assets at June 30, 2011, as previously stated	\$ 113,927,094
Capital assets, understated	1,902,821
Loans receivable, understated	<u>1,592,156</u>
Net assets at July 1, 2011, as restated	<u><u>\$ 117,422,071</u></u>

3. 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 \$21,239,302 which differs from “net assets” of \$101,194,283 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	\$ 152,917,799
Accumulated depreciation	<u>(75,075,573)</u>
	<u><u>\$ 77,842,226</u></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 receivable) are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with the long-term loans receivable is not included in the statement of net assets.

Adjustment of deferred revenue	\$ <u>2,289,860</u>
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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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	<u>\$6,192</u>
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Accrued Interest Payable

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

Accrued interest payable	<u>\$ (3,927)</u>
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Other Postemployment Benefits

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

\$ (28,636)

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	\$(2,604,150)
Claims and judgments payable	(4,818,000)
Capital lease payable	(212,881)
Revenue bonds payable (net of unamortized premium)	<u>(993,608)</u>
	<u><u>\$(8,628,639)</u></u>

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	<u>\$8,477,905</u>
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B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" decrease of \$37,586,869 for governmental funds differs from the "change in net assets" decrease of \$16,227,788 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)
For the Fiscal Year Ended June 30, 2012

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	\$ 2,744,828
Adjustment to capital assets	(2,687)
Depreciation expense	(4,625,320)
	\$ (1,883,179)

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	\$ (70,634)
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Property Taxes Revenue

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

Property taxes revenue	\$ (318,214)
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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.

Change in interest on long-term debt	\$ 221,145
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Other Postemployment Benefit

Change in postemployment benefits other than pension on a pay as you go basis	\$ 3,503
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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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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	\$ 3,017,434
Amortization of bond premium	36,804
Amortization of deferred charges	(4,563)
Change in claims and judgments	152,000
Change in compensated absences	(280,005)
	\$ 2,921,670

Adjustment to the Extraordinary Loss

Adjustment to the extraordinary loss from the modified accrual to the accrual basis of accounting due to assets and liabilities transferred to the SACRA.

Transfer out of the former Agency's capital assets	\$ 10,267,021
Transfer out of the former Agency's deferred charges	1,142,860
Transfer out of the former Agency's long-term debt, net deferred amounts	(32,312,020)
	\$ (20,902,139)

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	\$ (417,349)
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4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2012, some expenditures exceeded appropriations.

Fund	Final Budget	Actual	Variance
Park Development	\$ 63,000	\$ 67,010	\$ (4,010)

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

B. Deficit Fund Equity

The Lighting Assessment District special revenue fund had a deficit fund balance of \$244,436 as of June 30, 2012. This fund incurs more expenses than it collects for services rendered. The City tried to pass a City-wide Lighting District assessment to address the deficit fund balance during 2011-12, however, it failed to pass. Staff will explore this option again in the near future. In the meantime, the General Fund will continue to fund these expenditures. The Community Facilities District (CFD) special revenue fund had a deficit fund balance of \$14,781 as of June 30, 2012. The fund incurred initial costs for the creation of the CFD. Future collection of assessments from the CFD will pay for the initial costs.

5. 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 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, 2012, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds		Total
			SACRA	Agency	
Statement of net assets:					
Cash and investments	\$ 22,052,002	\$ 7,695,170	\$ 24,722,141	\$ 9,977	\$ 54,479,290
Cash and investments - fiscal agent	272,357	27,791,962	1,418,391	-	29,482,710
Total cash and investments	<u>\$ 22,324,359</u>	<u>\$ 35,487,132</u>	<u>\$ 26,140,532</u>	<u>\$ 9,977</u>	<u>\$ 83,962,000</u>
Cash and investments as of June 30, 2012, consist of the following:					
Cash on hand	\$ 8,185	\$ 150	\$ -	\$ -	\$ 8,335
Deposits with financial institutions	13,013,702	445,809	4,635,317	-	18,094,828
Investments	9,302,472	35,041,173	21,505,215	9,977	65,858,837
Total cash and investments	<u>\$ 22,324,359</u>	<u>\$ 35,487,132</u>	<u>\$ 26,140,532</u>	<u>\$ 9,977</u>	<u>\$ 83,962,000</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:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment in One Issuer		Minimum Credit Rating	
	Covina		Covina		Covina		Covina	
	CGC	Policy	CGC	Policy	CGC	Policy	CGC	Policy
Mutual funds (money market funds)	N/A	N/A	20%	10%	10%	None	AAA	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. Treasury securities	5 years	5 years	None	30%	None	None	None	None
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 SACRA bond reserves are held in money market mutual funds.

Interest Rate Risk

Changes in interest rates could adversely affect the fair market values of an investment. The interest rate risk is monitored by the City 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. The following table provides information concerning interest rate risk as of June 30, 2012.

Investment type	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State investment pool	\$ 758,705	0.74
U.S. Agency securities	8,454,798	1.85
U.S. Treasury securities	24,614,783	1.69
Money market funds	2,456,943	0.13
Corporate notes	90,898	0.36
Held by bond trustee:		
State investment pool	5,567,431	0.74
Money market funds	23,915,279	0.11
Total	<u>\$ 65,858,837</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. Certain investments, such as obligations, which are backed by the full faith and credit of the United States Government, are exempt from credit rating disclosures. Presented

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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	AAA	AA+	A+	Not Required to be Rated or Not Rated
State investment pool	N/A	\$ -	\$ -	\$ -	\$ 758,705
U.S. Agency securities	N/A	-	8,454,798	-	-
U.S. Treasury securities	N/A	-	-	-	24,614,783
Money market funds	AAA	2,456,943	-	-	-
Corporate notes	AA-	-	70,287	20,611	-
Held by bond trustee:					
State investment pool	N/A	-	-	-	5,567,431
Money market funds	N/A	23,915,279	-	-	-
		<u>\$ 26,372,222</u>	<u>\$ 8,525,085</u>	<u>\$ 20,611</u>	<u>\$ 30,940,919</u>

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.

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.

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December, 31 2010 until January 1, 2013. During the two-year period, all noninterest-bearing account of all banks are covered. As such, \$18,094,828 of the City's deposits with financial institutions are fully insured under Dodd-Frank.

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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, 2012, \$21.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2012, had a balance of \$60.5 billion. Of that amount, 96.53% was invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities. The average maturity of PMIA investments was 270 days as of June 30, 2012.

6. 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, 2012:

Receivable Fund	Payable Fund	Amount
General	Non-major governmental funds	\$ 324,380
	SACRA	178,233
Housing Authority	SACRA	6,060
Non-major governmental funds	SACRA	1,508
SACRA	General	264,869
		<u>775,050</u>
Total		\$ <u><u>775,050</u></u>

B. Interfund Transfers

Transfers between funds are generally subsidies from one fund to another fund, funding of workers compensation and general liability reserves and reimbursement for expenditures incurred. The following are the interfund transfers for fiscal year ended June 30, 2012:

Transfers In Fund	Transfers Out Fund	Amount
General	Non-major governmental funds	\$ 200,000
	Internal Service funds	178,000
Housing Authority	Redevelopment Agency	3,715,963 *
Non-major governmental funds	General	33,817
	Environmental	6,653
Internal Service funds	Internal Service funds	136,000
		<u>4,270,433</u>
Total		\$ <u><u>4,270,433</u></u>

*Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, the former Agency transferred assets in the amount of \$3,715,963 to the Housing Authority on February 1, 2012.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

C. Advances To/Advances From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a nonspendable fund balance indication in applicable governmental funds to indicate they are not in spendable form. The following are advances to/from other funds as of June 30, 2012:

Receivable Fund	Payable Fund	Amount
General	Internal Service funds	\$ 15,000

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.

7. 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 after 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011 As Restated	Additions	Deletions	Transfer to SACRA	Adjustment	Balance June 30, 2012
Governmental activities						
Capital assets, not depreciated:						
Land	\$ 10,747,229	\$ -	\$ -	(267,371)	\$ -	\$ 10,479,858
Construction in progress	614,249	884,932	(1,277,279)	-	-	221,902
Total capital assets, not depreciated	<u>11,361,478</u>	<u>884,932</u>	<u>(1,277,279)</u>	<u>(267,371)</u>	<u>-</u>	<u>10,701,760</u>
Capital assets, depreciated:						
Buildings and structures	30,255,964	39,950	(4,698)	(10,116,774)	(93,044)	20,081,398
Improvements other than buildings	4,165,152	2,014,868	-	(1,951,868)	-	4,228,152
Public domain infrastructure	107,640,979	834,178	-	-	-	108,475,157
Sanitary sewer infrastructure	6,331,127	-	(2,937)	-	-	6,328,190
Machinery and equipment	10,027,166	497,572	(1,502,598)	(153,255)	93,044	8,961,929
Total capital assets, depreciated	<u>158,420,388</u>	<u>3,386,568</u>	<u>(1,510,233)</u>	<u>(12,221,897)</u>	<u>-</u>	<u>148,074,826</u>
Less accumulated depreciation for:						
Buildings and structures	(7,985,056)	(526,423)	4,698	2,177,286	7	(6,329,488)
Improvements other than buildings	(2,882,873)	(126,900)	-	2,979	-	(3,006,794)
Public domain infrastructure	(56,130,916)	(3,665,589)	-	-	2	(59,796,503)
Sanitary sewer infrastructure	(3,806,999)	(93,081)	2,937	-	-	(3,897,143)
Machinery and equipment	(7,178,407)	(552,621)	1,502,598	41,982	(2,696)	(6,189,144)
Total accumulated depreciation	<u>(77,984,251)</u>	<u>(4,964,614)</u>	<u>1,510,233</u>	<u>2,222,247</u>	<u>(2,687)</u>	<u>(79,219,072)</u>
Total capital assets, depreciated, net	<u>80,436,137</u>	<u>(1,578,046)</u>	<u>-</u>	<u>(9,999,650)</u>	<u>(2,687)</u>	<u>68,855,754</u>
Total capital assets, net	<u>\$ 91,797,615</u>	<u>\$ (693,114)</u>	<u>\$ (1,277,279)</u>	<u>\$ (10,267,021)</u>	<u>\$ (2,687)</u>	<u>\$ 79,557,514</u>

Depreciation expense was charged to the following categories.

Governmental activities:	
General government	\$ 25,454
Public safety	218,504
Public works	3,813,083
Culture and recreation	191,270
Transit	251,983
Redevelopment and housing	125,026
Internal service funds charged to general government function	339,294
Total governmental activities	<u>\$ 4,964,614</u>

Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, capital assets in the amount of \$10,267,021 previously recorded in the former Agency's records were transferred to SACRA on February 1, 2012.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	491,015	1,828,886	(651,280)	1,668,621
Total capital assets, not depreciated	<u>868,423</u>	<u>1,828,886</u>	<u>(651,280)</u>	<u>2,046,029</u>
Capital assets, depreciated:				
Buildings and structures	4,911,406	38,925	-	4,950,331
Improvements other than buildings	152,908	6,767	-	159,675
Water system infrastructure	20,282,530	651,279	(10,055)	20,923,754
Machinery and equipment	1,585,130	-	-	1,585,130
Total capital assets, depreciated	<u>26,931,974</u>	<u>696,971</u>	<u>(10,055)</u>	<u>27,618,890</u>
Less accumulated depreciation for:				
Buildings and structures	(1,669,584)	(96,100)	-	(1,765,684)
Improvements other than buildings	(35,926)	(6,740)	-	(42,666)
Water system infrastructure	(5,922,896)	(598,273)	10,055	(6,511,114)
Machinery and equipment	(1,027,424)	(116,745)	-	(1,144,169)
Total accumulated depreciation	<u>(8,655,830)</u>	<u>(817,858)</u>	<u>10,055</u>	<u>(9,463,633)</u>
Total capital assets, depreciated, net	<u>18,276,144</u>	<u>(120,887)</u>	<u>-</u>	<u>18,155,257</u>
Total capital assets, net	<u>\$ 19,144,567</u>	<u>\$ 1,707,999</u>	<u>\$ (651,280)</u>	<u>\$ 20,201,286</u>

Depreciation expense was charged to the following categories.

Business-type activities	
Water utility	\$ 783,715
Environmental protection	5,824
Sewer	<u>28,319</u>
Total business-type activities	<u>\$ 817,858</u>

At June 30, 2012, \$16,883,909 is committed for capital projects related to the water system project. Also, \$7,494,440 is committed for capital projects related to the sewer system improvement project.

9. 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 14.877% for non-safety employees and 16.129% 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, 2011, actuarial valuation is as follows:

Entry		Underfunded			UAAL
Age Actuarial	Actuarial	Actuarial	Funded	Covered	as a %
Accrued	Asset	Accrued	Ratio	Payroll	of Covered
Liability	Value	Liability	Ratio	Payroll	Payroll
<u>Miscellaneous Plan</u>					
\$ 66,276,135	\$ 56,005,870	\$ 10,270,265	84.5%	\$ 7,701,414	133.4%

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 2011-2012, the City's annual pension cost of \$1,515,161 for miscellaneous and \$1,776,966 for safety for PERS was equal to the City's required and actual contributions. The principal assumptions and methods used to determine the annual required contribution, is based on the June 30, 2009 valuation, and the funded status, was based on the June 30, 2011 valuation. The assumptions for the Miscellaneous Plan are as follows:

Actuarial cost method	Entry age normal cost method.
Amortization method	Level percent of payroll.
Average remaining period	28 years as of the valuation date for June 30, 2011 and 25 years as of the valuation date for the June 30, 2009.
	Funded over closed period.
Asset valuation method	15 year smoothed market.
Discount Rate	7.50% (net of administrative expenses) for the valuation as of June 30, 2011 and 7.75% (net of administrative expenses) for the valuation date as of June 30, 2009.
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for the valuation date as of June 30, 2011. 3.55% to 14.45% depending on age, service and type of employment for the valuation date as of June 30, 2009.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Inflation	2.75% for the valuation date as of June 30, 2011 and 3.00% for the valuation date as of June 30, 2009.
Payroll growth	3.00% for the valuation date as of June 30, 2011 and 3.25% for the valuation date as of June 30, 2009.
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% for the valuation date as of June 30, 2011. 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% for the valuation date as of June 30, 2009.

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

TREND INFORMATION FOR PERS
Schedule of Employer Contributions
(\$ Amount in Thousands)

Miscellaneous Plan			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 1,243	100%	-
6/30/11	1,400	100%	-
6/30/12	1,515	100%	-

Safety Plan			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 982	100%	-
6/30/11	1,012	100%	-
6/30/12	1,777	100%	-

B. Defined Contribution Plan

The federal government enacted legislation in 1990 mandating Social Security coverage for previously uncovered governmental employees. Public Agency Retirement Services (PARS) provides this alternate retirement system for part-time, seasonal and temporary employees. The total contribution amounts to 7.5% of covered payroll compared to 12.4% under Social Security. Contribution rates are established by the City. The City began participating in PARS during fiscal year 2004-05. As of June 30, 2012, there were 135 plan participants and \$41,569 contributed for the year.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

10. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2012, was \$2,604,150. The short-term portion of \$404,940 and long-term portion of \$2,199,210 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 \$162,810, of which \$14,550 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 \$214,300, of which \$18,570 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

11. 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 \$3,678,000 and \$1,769,716, 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, 2012, total actual and estimated claims and judgments payable were as follows:

	Amount
General liability	\$ 1,546,000
Workers' compensation	3,272,000
Total	\$ 4,818,000

The current portion of \$168,000 and long-term portion of \$4,650,000 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 2012 and 2011:

	Fiscal Year Ended June 30	
	2012	2011
Claims and judgments, beginning of fiscal year	\$ 4,970,000	\$ 4,748,000
Claims incurred (including IBNRs)	1,240,874	706,415
Claims paid	(1,392,874)	(484,415)
Claims and judgments, end of fiscal year	\$ 4,818,000	\$ 4,970,000

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

12. 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, 2012, are as follows:

Year Ending June 30,	Amount
2013	\$ 649,464
2014	649,464
2015	462,228
2016	462,228
2017	462,228
2018-2022	2,311,138
2023-2026	1,617,796
Total minimum lease payments	6,614,546
Less amount representing interest	(1,736,474)
Present value of minimum lease payment	\$ 4,878,072

The value of the assets acquired by the capital lease was \$5,200,977 as of June 30, 2012, net of accumulated depreciation of \$380,202.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

13. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Transfer to SACRA	Balance June 30, 2012	Current Portion
Governmental activities						
Compensated absences (see note 10)	\$ 2,604,853	\$ 531,697	\$ (219,192)	\$ (150,398)	\$ 2,766,960	\$ 419,490
Claims and judgments (see note 11)	4,970,000	1,240,874	(1,392,874)	-	4,818,000	168,000
Postemployment benefit obligation (see note 19)	32,139	455,617	(459,120)	-	28,636	28,636
Notes payable	543,360	-	(69,563)	(473,797)	-	-
Capital lease payable (see note 12)	310,752	-	(97,871)	-	212,881	103,477
Tax allocation bonds payable	30,172,262	-	(2,425,000)	(27,747,262)	-	-
Accreted interest	3,435,684	-	-	(3,435,684)	-	-
Unamortized premium on tax allocation bonds	504,879	-	-	(504,879)	-	-
Subtotal tax allocation bonds	<u>34,112,825</u>	<u>-</u>	<u>(2,425,000)</u>	<u>(31,687,825)</u>	<u>-</u>	<u>-</u>
Revenue bonds payable	1,345,000	-	(425,000)	-	920,000	450,000
Unamortized premium on revenue bonds	110,412	-	(36,804)	-	73,608	-
Subtotal revenue bonds	<u>1,455,412</u>	<u>-</u>	<u>(461,804)</u>	<u>-</u>	<u>993,608</u>	<u>450,000</u>
Total long-term liabilities, net	<u>\$ 44,029,341</u>	<u>\$ 2,228,188</u>	<u>\$ (5,125,424)</u>	<u>\$ (32,312,020)</u>	<u>\$ 8,820,085</u>	<u>\$ 1,169,603</u>

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Current Portion
Business-type activities					
Compensated absences (see note 10)	\$ 196,770	\$ 32,208	\$ (14,678)	\$ 214,300	\$ 18,570
Capital lease payable (see note 12)	4,963,503	-	(298,312)	4,665,191	309,790
Revenue bonds payable	30,750,000	-	(675,000)	30,075,000	875,000
Unamortized premium on revenue bonds	168,934	-	(5,632)	163,302	-
Unamortized deferred loss on refunding	60,698	-	(2,024)	58,674	-
Unamortized discount on revenue bonds	(137,138)	-	7,619	(129,519)	-
Subtotal revenue bonds	<u>30,842,494</u>	<u>-</u>	<u>(675,037)</u>	<u>30,167,457</u>	<u>875,000</u>
Total long-term liabilities, net	<u>\$ 36,002,767</u>	<u>\$ 32,208</u>	<u>\$ (988,027)</u>	<u>\$ 35,046,948</u>	<u>\$ 1,203,360</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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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. \$ 920,000

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

Years Ending June 30,	Principal	Interest	Total
2013	\$ 450,000	\$ 47,125	\$ 497,125
2014	470,000	23,500	493,500
	<u>\$ 920,000</u>	<u>\$ 70,625</u>	<u>\$ 990,625</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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 \$23,162,866. Principal and interest paid for the current year and total customer net revenues were \$934,714 and \$1,623,668, respectively.

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.

\$ 15,500,000

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	695,000	598,363	1,293,363
2018-2022	3,875,000	2,579,609	6,454,609
2023-2027	4,800,000	1,606,881	6,406,881
2028-2030	<u>3,530,000</u>	<u>291,326</u>	<u>3,821,326</u>
	<u>\$ 15,500,000</u>	<u>\$ 7,662,686</u>	<u>\$ 23,162,686</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 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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Water Utility Enterprise Fund, the 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 \$28,435,719. Principal and interest paid for the current year and total customer net revenues were \$1,174,428 and \$4,158,430, 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.

\$ 14,575,000

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
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	290,000	698,713	988,713
2018-2022	1,640,000	3,292,463	4,932,463
2023-2027	2,055,000	2,863,153	4,918,153
2028-2032	2,635,000	2,259,853	4,894,853
2033-2037	3,425,000	1,448,013	4,873,013
2038-2040	3,480,000	395,726	3,875,726
	<u>\$ 14,575,000</u>	<u>\$ 13,860,719</u>	<u>\$ 28,435,719</u>

14. NOTES RECEIVABLE

The former Agency entered into agreement with Covina Gardens, KBS, L.P., a California Limited Partnership (Developer) to effectuate the Redevelopment Plan for the Covina Revitalization Project No. One by providing for the rehabilitation of residential rental housing development existing on a site acquired by the Developer which will maintain the supply and availability of low and moderate income housing, including very low income units. The former Agency provided assistance to the Developer in the form of notes secured by a second deed of trust in the amount not to exceed \$4,742,000. The interest rate range is 2% per year and notes receivable are due in 55 years. There is no allowance for notes receivable because management believes that they are fully collectible. As of June 30, 2012, the former Agency has disbursed \$3,716,143 of the notes. Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, notes receivable in the amount of \$3,716,143 previously recorded in the former Agency's records were transferred to the Housing Authority on February 1, 2012.

\$3,716,143

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

15. LOANS RECEIVABLE

The City's Community Development Block Grant program and the former 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 former 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 does not require monthly repayment. However, some of the loans for the first-time homebuyer and for down payment assistance bear interest from 1.5% to 6.875%. The first-time home buyer loan is forgiven after 45 consecutive years of occupying the home purchased, while the down payment assistance is forgiven after 20 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. Upon dissolution of the former Agency pursuant to AB X1 26 as disclosed in Note 1, loans receivable in the amount of \$1,813,845 previously recorded in the former Agency's records were transferred to the Housing Authority on February 1, 2012.

\$ 2,002,766

16. FUND BALANCES

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, 2012, 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

- *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.

17. 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.

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 for the fiscal year ended June 30, 2012 is as follows:

Operating revenues	\$ 4,478,888
Operating expenses	<u>3,875,794</u>
Operating income	<u>\$ 603,094</u>
Net income	<u>\$ 3,161,605</u>
Total assets	<u>\$18,995,690</u>
Total liabilities	<u>\$ 6,185,130</u>
Total fund equity	<u>\$12,810,560</u>
Total liabilities and fund equity	<u>\$18,995,610</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 184 eligible active employees and 65 enrolled eligible retirees at June 30, 2012. 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, 2012, the City contributed \$459,120 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 unfunded actuarial accrued liability as of June 30, 2011, the most recent actuarial valuation, was \$5,398,198. The Annual Required Contribution (ARC) for the year ended June 30, 2012, was \$455,684.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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, 2012
Annual required contribution (ARC)	\$ 455,684
Interest cost	1,205
ARC adjustment	(1,272)
Annual OPEB expense	455,617
Contributions made	(459,120)
Decrease in net OPEB obligation	(3,503)
Net OPEB Obligation, Beginning of Year	32,139
Net OPEB Obligation, End of Year	\$ 28,636

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 453,870	89%	\$ 37,302
6/30/11	455,684	101%	32,139
6/30/12	455,617	101%	28,636

Funding Status and Progress:

		Entry	Underfunded/			UAAL
Actuarial Valuation Date	Actuarial Asset Value	Age Actuarial Accrued Liability	Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	As a % of Covered Payroll
6/30/2011	\$ -	\$ 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 for the June 30, 2011 valuation 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%.

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, 2012 was \$990,000.

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 \$2,180,345 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 or assigned governmental fund balance.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

As of June 30, 2012, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 33,055
Nonmajor governmental fund	<u>23,615</u>
Total governmental funds	<u><u>56,070</u></u>

24. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld AB X1 26 that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

AB X1 26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with AB X1 26 as part of City resolution number 12-7041.

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

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

AB X1 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 AB X1 26.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the Low-Moderate Income Housing, Tax Allocation and Redevelopment Agency governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain or loss in the governmental fund financial

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the SACRA Private Purpose Trust Fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds -		
Increase to net assets of the SACRA Private Purpose Trust Fund	\$	32,576,216
Capital assets recorded in the government-wide financial statements- Increase to net assets of the SACRA Private Purpose Trust Fund		10,267,021
Deferred issuance costs reported in the government-wide financial statements- Increase to net assets of the SACRA Private Purpose Trust		1,142,860
Long-term debt reported in the government-wide financial statement- Decrease to net assets of the SACRA Private Purpose Trust Fund		<u>(32,312,020)</u>
Net increases to net assets of the SACRA Private Purpose Trust Fund upon dissolution of redevelopment agency - extraordinary loss	\$	<u>11,674,077</u>

A. Capital Assets Held by SACRA

	Balance February 1, 2012	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 267,371	\$ -	\$ -	\$ 267,371
Total capital assets, not depreciated	<u>267,371</u>	<u>-</u>	<u>-</u>	<u>267,371</u>
Capital assets, depreciated:				
Buildings and structures	10,116,774	-	-	10,116,774
Improvements other than buildings	1,951,868	29,998	-	1,981,866
Machinery and equipment	153,255	-	-	153,255
Total capital assets, depreciated	<u>12,221,897</u>	<u>29,998</u>	<u>-</u>	<u>12,251,895</u>
Less accumulated depreciation for:				
Buildings and structures	(2,177,286)	(84,264)	-	(2,261,550)
Improvements other than buildings	(2,979)	(21,727)	-	(24,706)
Machinery and equipment	(41,982)	(2,913)	-	(44,895)
Total accumulated depreciation	<u>(2,222,247)</u>	<u>(108,904)</u>	<u>-</u>	<u>(2,331,151)</u>
Total capital assets, depreciated, net	<u>9,999,650</u>	<u>(78,906)</u>	<u>-</u>	<u>9,920,744</u>
Total capital assets, net	<u>\$ 10,267,021</u>	<u>\$ (78,906)</u>	<u>\$ -</u>	<u>\$ 10,188,115</u>

Depreciation expense for five-month period ended June 30, 2012 was \$108,904.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

B. Summary of SACRA's Long-Term Debt

	Balance February 1, 2012	Additions	Deletions	Balance June 30, 2012	Current Portion
Compensated absences	\$ 150,398	\$ 997	\$ (135,285)	\$ 16,110	\$ 7,340
Notes payable	473,797	-	(50,551)	423,246	126,361
Tax allocation bonds	27,747,262	-	-	27,747,262	2,535,000
Accreted interest	3,435,684	486,692	-	3,922,376	-
Unamortized premium on tax allocation bonds	504,879	-	(38,879)	466,000	-
Subtotal tax allocation bonds	<u>31,687,825</u>	<u>486,692</u>	<u>(38,879)</u>	<u>32,135,638</u>	<u>2,535,000</u>
Total long-term liabilities, net	<u>\$ 32,312,020</u>	<u>\$ 487,689</u>	<u>\$ (224,715)</u>	<u>\$ 32,574,994</u>	<u>\$ 2,668,701</u>

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 accrue at a variable rate which was 5.404% per annum at June 30, 2012. Monthly payments were \$12,091 at June 30, 2012.

Total notes payable \$ 423,246

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.

\$ 1,180,000

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.

2,850,000

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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. The accreted interest on the capital appreciation bonds is \$3,922,376 as of June 30, 2012. 7,477,262

Tax Allocation Revenue Bonds of 2004 Series A and B

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. 12,790,000

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. 3,450,000

Total tax allocation bonds payable \$27,747,262

25. SUBSEQUENT EVENT

Due Diligence Review

Assembly Bill 1484, a trailer bill to the State's 2012-2013 Budget Act, requires Successor Agencies to determine the unencumbered cash available for distribution to taxing entities through an Agreed-Upon Procedures Report, or Due Diligence Review (Review). The Review takes place in two phases. The first Review determines the amount available for distribution from the assets transferred from the Low and Moderate Income Housing Fund (LMIHF) assets that are held by the Successor Agency. The second Review determines amount of cash available for distribution from the assets transferred from all other funds of the former Redevelopment Agency, excluding the Low and Moderate Income Housing Fund (LMIHF) assets that are held by the Successor Agency.

The result of the first Review identified two properties that were transferred to the City/Housing Authority where an enforceable obligation with a third party did not exist. Pursuant to AB 1484, the City/Housing Authority has requested a meet and confer with the State to resolve this issue. The meeting took place on November 28, 2012. The State has until December 15, 2012 to issue a final determination. Due to uncertainties surrounding the results of the meet and confer, the ultimate outcome of this issue cannot presently be determined, and accordingly, no adjustment that could result from the final determination has been recorded in the financial statements. The second Review was completed on December 10, 2012 and has been submitted to the State.

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 10,616,868	\$ 10,041,372	\$ 11,607,880	\$ 1,566,508
Resources (inflows):				
Property taxes	10,682,310	10,682,310	10,765,985	83,675
Sales taxes	5,282,170	5,282,170	5,323,574	41,404
Transient occupancy taxes	350,000	350,000	316,609	(33,391)
Property transfer taxes	120,000	120,000	124,226	4,226
Business license taxes	442,000	442,000	371,867	(70,133)
Utility user taxes	5,600,000	5,600,000	4,553,173	(1,046,827)
Franchise taxes	1,442,200	1,442,200	1,314,343	(127,857)
Licenses and permits	445,000	445,000	609,209	164,209
Intergovernmental	883,700	889,700	853,140	(36,560)
Charges for services	1,855,560	1,885,110	2,396,241	511,131
Fines and forfeits	961,000	961,000	824,561	(136,439)
Investment earnings	165,000	165,000	29,823	(135,177)
Miscellaneous	94,770	161,820	684,321	522,501
Transfers in	150,000	197,754	378,000	180,246
Amounts available for appropriation	28,473,710	28,624,064	28,545,072	(78,992)
Charges to appropriations (outflows):				
Current:				
General government	2,980,150	3,964,980	1,681,351	2,283,629
Public safety	20,832,060	20,849,022	21,872,013	(1,022,991)
Public works	546,070	546,070	1,199,563	(653,493)
Culture and recreation	3,391,080	3,457,511	3,756,943	(299,432)
Community development	423,840	1,284,325	890,511	393,814
Transit	200	200	-	200
Capital outlay	1,000	97,750	68,290	29,460
Debt service:				
Principal retirement	-	-	97,871	(97,871)
Interest and fiscal charges	-	-	14,870	(14,870)
Transfers out	291,510	418,510	33,817	384,693
Total charges to appropriations	28,465,910	30,618,368	29,615,229	1,003,139
Budgetary fund balance, June 30	\$ 10,624,668	\$ 8,047,068	\$ 10,537,723	\$ 2,490,655

See accompanying notes 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, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 8,299,872	\$ 3,507,543	\$ 6,758,491	\$ 3,250,948
Resources (inflows):				
Property taxes	1,706,800	1,706,800	815,994	(890,806)
Investment earnings	-	-	9,038	9,038
Miscellaneous	-	-	5,795	5,795
Amounts available for appropriation	<u>1,706,800</u>	<u>1,706,800</u>	<u>830,827</u>	<u>(875,973)</u>
Charges to appropriations (outflows):				
Current:				
Redevelopment and housing	1,704,420	1,984,420	395,810	1,588,610
Principal retirement	205,000	205,000	205,000	-
Interest and fiscal charges	190,720	190,720	95,277	95,443
Total charges to appropriations	<u>2,100,140</u>	<u>2,380,140</u>	<u>696,087</u>	<u>1,684,053</u>
Extraordinary loss	<u>-</u>	<u>-</u>	<u>(6,893,231)</u>	<u>(6,893,231)</u>
Budgetary fund balance, June 30	<u>\$ 7,906,532</u>	<u>\$ 2,834,203</u>	<u>\$ -</u>	<u>\$ (2,834,203)</u>

See accompanying notes to the required supplementary information.

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
Housing Authority Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Interest revenue	-	-	6,240	6,240
Transfers in	-	-	3,715,963	3,715,963
Amounts available for appropriation	-	-	3,722,203	3,722,203
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,722,203</u>	<u>\$ 3,722,203</u>

See accompanying notes to the required supplementary information.

CITY OF COVINA, CALIFORNIA
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

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.

CITY OF COVINA, CALIFORNIA
Notes to Required Supplementary Information (Continued)
For the Fiscal Year Ended June 30, 2012

B. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2012, charges exceeded appropriations as follows:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Park Development Fund	\$ 63,000	\$ 67,010	\$ (4,010)

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2012

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 Actuarial Accrued Liability (UAAL) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll $\{[(a)-(b)]/(c)\}$
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%
06/30/11 Miscellaneous	\$ 66,276	\$ 56,006	\$ 10,270	84.5%	\$ 7,701	133.4%

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 Actuarial Accrued Liability (UAAL) [(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	0.0%	\$ 7,677	65.3%
6/30/2011	\$ 5,398	\$ -	\$ 5,398	0.0%	\$ 11,998	45.0%

See accompanying notes 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, 2012

	Special Revenue Funds						
	Community Development Block Grant	Housing Authority	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality
Assets							
Cash and investments	\$ -	\$ -	\$ 339,001	\$ 205,118	\$ 1,306,303	\$ 1,863,736	\$ 287,436
Cash and investments - fiscal agent	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Accounts	-	-	44,803	-	-	19,161	-
Loans	188,921	-	-	-	-	-	-
Intergovernmental	159,394	-	221,323	-	139,213	44,004	15,000
Other taxes receivable	-	-	-	-	-	-	-
Due from other funds	1,508	-	-	-	-	-	-
Total assets	<u>\$ 349,823</u>	<u>\$ -</u>	<u>\$ 605,127</u>	<u>\$ 205,118</u>	<u>\$ 1,445,516</u>	<u>\$ 1,926,901</u>	<u>\$ 302,436</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 89,538	\$ -	\$ 17,181	\$ -	\$ -	\$ 93,885	\$ 363
Accrued liabilities	4,494	-	4,316	-	-	4,387	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	188,921	-	-	-	-	-	-
Due to other funds	66,865	-	-	8,200	-	-	-
Total liabilities	<u>349,818</u>	<u>-</u>	<u>21,497</u>	<u>8,200</u>	<u>-</u>	<u>98,272</u>	<u>363</u>
Fund balances:							
Restricted for:							
Community development	5	-	-	-	-	-	-
Law enforcement	-	-	583,630	196,918	-	-	-
Street projects	-	-	-	-	1,445,516	-	-
Transportation projects	-	-	-	-	-	1,828,629	-
Air Quality projects	-	-	-	-	-	-	302,073
Assessment districts	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Assigned to:							
Other capital projects	-	-	-	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-
Street resurfacing	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>5</u>	<u>-</u>	<u>583,630</u>	<u>196,918</u>	<u>1,445,516</u>	<u>1,828,629</u>	<u>302,073</u>
Total liabilities and fund balances	<u>\$ 349,823</u>	<u>\$ -</u>	<u>\$ 605,127</u>	<u>\$ 205,118</u>	<u>\$ 1,445,516</u>	<u>\$ 1,926,901</u>	<u>\$ 302,436</u>

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ 478,543	\$ -	\$ 46,794	\$ -	\$ 883	\$ -	\$ 279,723	\$ 4,807,537
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2	63,966
-	-	-	-	-	-	-	188,921
3,035	12,396	22,892	5,894	-	9,681	35,575	668,407
-	-	-	-	-	-	9,218	9,218
-	-	-	-	-	-	-	1,508
<u>\$ 481,578</u>	<u>\$ 12,396</u>	<u>\$ 69,686</u>	<u>\$ 5,894</u>	<u>\$ 883</u>	<u>\$ 9,681</u>	<u>\$ 324,518</u>	<u>\$ 5,739,557</u>
\$ 1,729	\$ 30,307	\$ 2,118	\$ -	\$ -	\$ 1,868	\$ 93,216	\$ 330,205
-	-	-	-	-	2,780	-	15,977
-	-	-	-	-	-	32	32
-	-	-	-	-	-	-	188,921
-	226,525	-	20,675	-	2,115	-	324,380
<u>1,729</u>	<u>256,832</u>	<u>2,118</u>	<u>20,675</u>	<u>-</u>	<u>6,763</u>	<u>93,248</u>	<u>859,515</u>
-	-	-	-	-	-	231,270	231,275
-	-	-	-	-	-	-	780,548
-	-	-	-	-	-	-	1,445,516
-	-	-	-	-	-	-	1,828,629
-	-	-	-	-	-	-	302,073
479,849	-	67,568	-	883	-	-	548,300
-	-	-	-	-	2,918	-	2,918
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(244,436)	-	(14,781)	-	-	-	(259,217)
<u>479,849</u>	<u>(244,436)</u>	<u>67,568</u>	<u>(14,781)</u>	<u>883</u>	<u>2,918</u>	<u>231,270</u>	<u>4,880,042</u>
<u>\$ 481,578</u>	<u>\$ 12,396</u>	<u>\$ 69,686</u>	<u>\$ 5,894</u>	<u>\$ 883</u>	<u>\$ 9,681</u>	<u>\$ 324,518</u>	<u>\$ 5,739,557</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Assets					
Cash and investments	\$ 353,181	\$ 499,536	\$ 1,287,927	\$ 2,140,644	\$ 6,948,181
Cash and investments - fiscal agent	-	-	272,357	272,357	272,357
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	-	-	63,966
Loans	-	-	-	-	188,921
Intergovernmental	-	4,120	116,603	120,723	789,130
Other taxes receivable	-	-	-	-	9,218
Due from other funds	-	-	-	-	1,508
Total assets	<u>\$ 353,181</u>	<u>\$ 503,656</u>	<u>\$ 1,676,887</u>	<u>\$ 2,533,724</u>	<u>\$ 8,273,281</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 330,205
Accrued liabilities	-	-	-	-	15,977
Due to other governments	-	-	434,390	434,390	434,422
Deferred Revenue	-	-	-	-	188,921
Due to other funds	-	-	-	-	324,380
Total liabilities	<u>-</u>	<u>-</u>	<u>434,390</u>	<u>434,390</u>	<u>1,293,905</u>
Fund balances:					
Restricted for:					
Community development	-	-	-	-	231,275
Law enforcement	-	-	-	-	780,548
Street projects	-	-	-	-	1,445,516
Transportation projects	-	-	1,242,477	1,242,477	3,071,106
Air Quality projects	-	-	-	-	302,073
Assessment districts	-	-	-	-	548,300
Library	-	-	-	-	2,918
Assigned to:					
Other capital projects	353,181	-	-	353,181	353,181
Parks & recreation	-	503,656	-	503,656	503,656
Street resurfacing	-	-	20	20	20
Unassigned	-	-	-	-	(259,217)
Total fund balances	<u>353,181</u>	<u>503,656</u>	<u>1,242,497</u>	<u>2,099,334</u>	<u>6,979,376</u>
Total liabilities and fund balances	<u>\$ 353,181</u>	<u>\$ 503,656</u>	<u>\$ 1,676,887</u>	<u>\$ 2,533,724</u>	<u>\$ 8,273,281</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, 2012

	Special Revenue Funds						
	Community Development Block Grant	Housing Authority	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-	-
Intergovernmental	670,335	-	342,502	8,194	1,376,829	1,192,471	60,281
Charges for services	-	-	62,476	-	-	287,568	-
Special assessments	-	-	286,733	-	-	-	-
Investment earnings	-	-	2,838	772	5,135	9,644	1,380
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>670,335</u>	<u>-</u>	<u>694,549</u>	<u>8,966</u>	<u>1,381,964</u>	<u>1,489,683</u>	<u>61,661</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	387,109	8,200	-	-	-
Public works	-	-	-	-	861,500	-	30,053
Culture and recreation	-	-	-	-	-	-	-
Transit	-	-	-	-	-	1,222,084	-
Redevelopment and housing	670,330	-	-	-	-	-	-
Capital outlay	-	-	208,245	-	-	324,441	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>670,330</u>	<u>-</u>	<u>595,354</u>	<u>8,200</u>	<u>861,500</u>	<u>1,546,525</u>	<u>30,053</u>
Excess (deficiency) of revenues over expenditures	<u>5</u>	<u>-</u>	<u>99,195</u>	<u>766</u>	<u>520,464</u>	<u>(56,842)</u>	<u>31,608</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	6,653
Transfers out	-	-	(150,000)	(16,667)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(16,667)</u>	<u>-</u>	<u>-</u>	<u>6,653</u>
Net change in fund balance	<u>5</u>	<u>-</u>	<u>(50,805)</u>	<u>(15,901)</u>	<u>520,464</u>	<u>(56,842)</u>	<u>38,261</u>
Fund balances at beginning of year (deficits)	-	-	634,435	212,819	925,052	1,885,471	263,812
Fund balances at end of year (deficits)	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 583,630</u>	<u>\$ 196,918</u>	<u>\$ 1,445,516</u>	<u>\$ 1,828,629</u>	<u>\$ 302,073</u>

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, 2012

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ 36,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,888
-	-	-	-	1,432	-	-	1,432
10	-	-	-	-	34,249	313,606	3,998,477
67,107	-	-	-	-	-	-	417,151
-	126,730	168,229	15,283	-	-	77,361	674,336
2,310	-	142	-	4	59	916	23,200
-	-	-	-	-	-	8,446	8,446
<u>106,315</u>	<u>126,730</u>	<u>168,371</u>	<u>15,283</u>	<u>1,436</u>	<u>34,308</u>	<u>400,329</u>	<u>5,159,930</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	395,309
120,360	270,104	127,868	-	1,130	-	200,579	1,611,594
-	-	-	-	-	65,611	-	65,611
-	-	-	-	-	-	-	1,222,084
-	-	-	4,863	-	-	87,475	762,668
-	-	-	-	-	-	-	532,686
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>120,360</u>	<u>270,104</u>	<u>127,868</u>	<u>4,863</u>	<u>1,130</u>	<u>65,611</u>	<u>288,054</u>	<u>4,589,952</u>
(14,045)	(143,374)	40,503	10,420	306	(31,303)	112,275	569,978
-	-	-	-	-	33,817	-	40,470
-	-	-	-	-	-	-	(166,667)
-	-	-	-	-	33,817	-	(126,197)
(14,045)	(143,374)	40,503	10,420	306	2,514	112,275	443,781
493,894	(101,062)	27,065	(25,201)	577	404	118,995	4,436,261
<u>\$ 479,849</u>	<u>\$ (244,436)</u>	<u>\$ 67,568</u>	<u>\$ (14,781)</u>	<u>\$ 883</u>	<u>\$ 2,918</u>	<u>\$ 231,270</u>	<u>\$ 4,880,042</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, 2012

	Capital Projects Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 36,888
Business license taxes	-	-	-	-	1,432
Intergovernmental	-	72,135	1,082,541	1,154,676	5,153,153
Charges for services	19,786	-	-	19,786	436,937
Special assessments	-	-	-	-	674,336
Investment earnings	2,776	2,495	6,543	11,814	35,014
Miscellaneous	-	-	-	-	8,446
Total revenues	<u>22,562</u>	<u>74,630</u>	<u>1,089,084</u>	<u>1,186,276</u>	<u>6,346,206</u>
Expenditures:					
Current:					
General government	138,244	-	-	138,244	138,244
Public safety	-	-	-	-	395,309
Public works	-	-	-	-	1,611,594
Culture and recreation	-	4,010	-	4,010	69,621
Transit	-	-	18,617	18,617	1,240,701
Redevelopment and housing	-	-	-	-	762,668
Capital outlay	39,419	63,000	456,011	558,430	1,091,116
Debt service:					
Principal retirement	-	-	425,000	425,000	425,000
Interest and fiscal charges	-	-	68,375	68,375	68,375
Total expenditures	<u>177,663</u>	<u>67,010</u>	<u>968,003</u>	<u>1,212,676</u>	<u>5,802,628</u>
Excess (deficiency) of revenues over expenditures	<u>(155,101)</u>	<u>7,620</u>	<u>121,081</u>	<u>(26,400)</u>	<u>543,578</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	40,470
Transfers out	(33,333)	-	-	(33,333)	(200,000)
Total other financing sources (uses)	<u>(33,333)</u>	<u>-</u>	<u>-</u>	<u>(33,333)</u>	<u>(159,530)</u>
Net change in fund balances	<u>(188,434)</u>	<u>7,620</u>	<u>121,081</u>	<u>(59,733)</u>	<u>384,048</u>
Fund balances at beginning of year	541,615	496,036	1,121,416	2,159,067	6,595,328
Fund balances at end of year	<u>\$ 353,181</u>	<u>\$ 503,656</u>	<u>\$ 1,242,497</u>	<u>\$ 2,099,334</u>	<u>\$ 6,979,376</u>

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CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Tax Allocation Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 380,821	\$ 1,251,431	\$ (416,483)	\$ (1,667,914)
Resources (inflows):				
Property taxes	6,863,200	6,863,200	2,082,460	(4,780,740)
Investment earnings	11,000	11,000	6,981	(4,019)
Amounts available for appropriation	<u>6,874,200</u>	<u>6,874,200</u>	<u>2,089,441</u>	<u>(4,784,759)</u>
Charges to appropriations (outflows):				
Current:				
Redevelopment and housing	1,399,170	1,399,170	862,397	536,773
Debt service:				
Principal retirement	2,384,048	2,384,048	2,289,563	94,485
Interest and fiscal charges	1,176,562	1,176,562	506,514	670,048
Transfers out	<u>2,725,330</u>	<u>2,725,330</u>	<u>-</u>	<u>2,725,330</u>
Total charges to appropriations	7,685,110	7,685,110	3,658,474	4,026,636
Extraordinary gain	<u>-</u>	<u>-</u>	<u>1,985,516</u>	<u>1,985,516</u>
Budgetary fund balance, June 30	<u>\$ (430,089)</u>	<u>\$ 440,521</u>	<u>\$ -</u>	<u>\$ (440,521)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Redevelopment Agency Capital Project Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 42,903,285	\$ 27,227,711	\$ 34,280,955	\$ 7,053,244
Resources (inflows):				
Charges for services	692,080	692,080	348,206	(343,874)
Investment earnings	221,210	221,210	156,666	(64,544)
Miscellaneous	16,000	16,000	16,181	181
Transfers in	2,500,000	2,500,000	-	(2,500,000)
Amounts available for appropriation	<u>3,429,290</u>	<u>3,429,290</u>	<u>521,053</u>	<u>(2,908,237)</u>
Charges to appropriations (outflows):				
Current:				
Redevelopment and housing	4,404,220	7,100,871	1,859,857	5,241,014
Capital outlay	-	1,757,470	1,557,687	199,783
Transfers out	-	-	3,715,963	(3,715,963)
Total charges to appropriations	<u>4,404,220</u>	<u>8,858,341</u>	<u>7,133,507</u>	<u>1,724,834</u>
Extraordinary loss	-	-	(27,668,501)	(27,668,501)
Budgetary fund balance, June 30	<u>\$ 41,928,355</u>	<u>\$ 21,798,660</u>	<u>\$ -</u>	<u>\$(21,798,660)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 100	\$ (95,344)	\$ -	\$ (95,344)
Resources (inflows):				
Intergovernmental	470,810	1,093,784	670,335	(423,449)
Amounts available for appropriation	470,810	1,093,784	670,335	(423,449)
Charges to appropriations (outflows):				
Current:				
Community development	54,630	54,630	-	54,630
Redevelopment and housing	470,820	1,093,794	670,330	423,464
Total charges to appropriations	525,450	1,148,424	670,330	478,094
Budgetary fund balance, June 30	\$ (54,540)	\$ (149,984)	\$ 5	\$ (149,989)

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Law Enforcement Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 514,571	\$ 273,869	\$ 634,435	\$ 360,566
Resources (inflows):				
Intergovernmental	100,000	180,478	342,502	162,024
Charges for services	36,000	36,000	62,476	26,476
Special assessments	194,220	194,220	286,733	92,513
Investment earnings	-	-	2,838	2,838
Transfers in	96,300	96,300	-	(96,300)
Amounts available for appropriation	<u>426,520</u>	<u>506,998</u>	<u>694,549</u>	<u>187,551</u>
Charges to appropriations (outflows):				
Current:				
Public safety	534,630	575,123	387,109	188,014
Capital outlay	-	222,626	208,245	14,381
Transfers out	150,000	150,000	150,000	-
Total charges to appropriations	<u>684,630</u>	<u>947,749</u>	<u>745,354</u>	<u>202,395</u>
Budgetary fund balance, June 30	<u>\$ 256,461</u>	<u>\$ (166,882)</u>	<u>\$ 583,630</u>	<u>\$ 750,512</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Narcotic Seizure Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 215,384	\$ 210,342	\$ 212,819	\$ 2,477
Resources (inflows):				
Intergovernmental	-	-	8,194	8,194
Investment earnings	-	-	772	772
Amounts available for appropriation	-	-	8,966	8,966
Charges to appropriations (outflows):				
Current:				
Public safety	-	8,200	8,200	-
Transfers out	-	16,667	16,667	-
Total charges to appropriations	-	24,867	24,867	-
Budgetary fund balance, June 30	<u>\$ 215,384</u>	<u>\$ 185,475</u>	<u>\$ 196,918</u>	<u>\$ 11,443</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 479,817	\$ 479,817	\$ 925,052	\$ 445,235
Resources (inflows):				
Intergovernmental	790,000	790,000	1,376,829	586,829
Investment earnings	9,900	9,900	5,135	(4,765)
Amounts available for appropriation	799,900	799,900	1,381,964	582,064
Charges to appropriations (outflows):				
Current:				
Public works	813,190	861,500	861,500	-
Total charges to appropriations	813,190	861,500	861,500	-
Budgetary fund balance, June 30	\$ 466,527	\$ 418,217	\$ 1,445,516	\$ 1,027,299

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 881,880	\$ 777,880	\$ 1,885,471	\$ 1,107,591
Resources (inflows):				
Intergovernmental	1,242,041	1,242,041	1,192,471	(49,570)
Charges for services	180,000	180,000	287,568	107,568
Investment earnings	-	-	9,644	9,644
Amounts available for appropriation	1,422,041	1,422,041	1,489,683	67,642
Charges to appropriations (outflows):				
Current:				
Public works	483,500	-	-	-
Transit	2,352,960	2,052,960	1,222,084	830,876
Capital outlay	-	872,000	324,441	547,559
Total charges to appropriations	2,836,460	2,924,960	1,546,525	1,378,435
Budgetary fund balance, June 30	\$ (532,539)	\$ (725,039)	\$ 1,828,629	\$ 2,553,668

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Air Quality Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive
Budgetary fund balance, July 1	\$ 153,789	\$ 153,789	\$ 263,812	\$ 110,023
Resources (inflows):				
Intergovernmental	59,500	59,500	60,281	781
Investment earnings	-	-	1,380	1,380
Transfers in	-	-	6,653	6,653
Amounts available for appropriation	<u>59,500</u>	<u>59,500</u>	<u>68,314</u>	<u>8,814</u>
Charges to appropriations (outflows):				
Current:				
Public works	<u>207,290</u>	<u>207,290</u>	<u>30,053</u>	<u>177,237</u>
Total charges to appropriations	<u>207,290</u>	<u>207,290</u>	<u>30,053</u>	<u>177,237</u>
Budgetary fund balance, June 30	<u>\$ 5,999</u>	<u>\$ 5,999</u>	<u>\$ 302,073</u>	<u>\$ 296,074</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Municipal Parking District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 177,907	\$ 118,995	\$ 493,894	\$ 374,899
Resources (inflows):				
Property taxes	24,312	24,312	36,888	12,576
Intergovernmental	10	-	10	10
Charges for services	98,540	98,540	67,107	(31,433)
Investment earnings	-	-	2,310	2,310
Amounts available for appropriation	<u>122,862</u>	<u>122,852</u>	<u>106,315</u>	<u>(16,537)</u>
Charges to appropriations (outflows):				
Current:				
Public works	<u>136,494</u>	<u>136,494</u>	<u>120,360</u>	<u>16,134</u>
Total charges to appropriations	<u>136,494</u>	<u>136,494</u>	<u>120,360</u>	<u>16,134</u>
Budgetary fund balance, June 30	<u><u>\$ 164,275</u></u>	<u><u>\$ 105,353</u></u>	<u><u>\$ 479,849</u></u>	<u><u>\$ 374,496</u></u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Lighting Assessment District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (36,912)	\$ (36,912)	\$ (101,062)	\$ (64,150)
Resources (inflows):				
Special assessments	122,500	122,500	126,730	4,230
Transfers in	73,500	200,500	-	(200,500)
Amounts available for appropriation	<u>196,000</u>	<u>323,000</u>	<u>126,730</u>	<u>(196,270)</u>
Charges to appropriations (outflows):				
Current:				
Public works	<u>244,660</u>	<u>371,660</u>	<u>270,104</u>	<u>101,556</u>
Total charges to appropriations	<u>244,660</u>	<u>371,660</u>	<u>270,104</u>	<u>101,556</u>
Budgetary fund balance, June 30	<u><u>\$ (85,572)</u></u>	<u><u>\$ (85,572)</u></u>	<u><u>\$ (244,436)</u></u>	<u><u>\$ (158,864)</u></u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Landscaping Assessment District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ (33,966)	\$ (33,966)	\$ 27,065	\$ 61,031
Resources (inflows):				
Special assessments	113,900	113,900	168,229	54,329
Investment earnings	1,200	1,200	142	(1,058)
Amounts available for appropriation	<u>115,100</u>	<u>115,100</u>	<u>168,371</u>	<u>53,271</u>
Charges to appropriations (outflows):				
Current:				
Public works	<u>149,540</u>	<u>149,540</u>	<u>127,868</u>	<u>21,672</u>
Total charges to appropriations	<u>149,540</u>	<u>149,540</u>	<u>127,868</u>	<u>21,672</u>
Budgetary fund balance, June 30	<u><u>\$ (68,406)</u></u>	<u><u>\$ (68,406)</u></u>	<u><u>\$ 67,568</u></u>	<u><u>\$ 135,974</u></u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Community Facilities District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 87,992	\$ 83,117	\$ (25,201)	\$ (108,318)
Resources (inflows):				
Special assessments	-	-	15,283	15,283
Amounts available for appropriation	-	-	15,283	15,283
Charges to appropriations (outflows):				
Current:				
Redevelopment and housing	-	18,600	4,863	13,737
Total charges to appropriations	-	18,600	4,863	13,737
Budgetary fund balance, June 30	<u>\$ 87,992</u>	<u>\$ 64,517</u>	<u>\$ (14,781)</u>	<u>\$ (79,298)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Shoppers Lane Parking District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ (4,250)	\$ (4,250)	\$ 577	\$ 4,827
Resources (inflows):				
Business license taxes	1,100	1,100	1,432	332
Investment earnings	-	-	4	4
Amounts available for appropriation	<u>1,100</u>	<u>1,100</u>	<u>1,436</u>	<u>336</u>
Charges to appropriations (outflows):				
Current:				
Public works	<u>4,250</u>	<u>4,250</u>	<u>1,130</u>	<u>3,120</u>
Total charges to appropriations	<u>4,250</u>	<u>4,250</u>	<u>1,130</u>	<u>3,120</u>
Budgetary fund balance, June 30	<u><u>\$ (7,400)</u></u>	<u><u>\$ (7,400)</u></u>	<u><u>\$ 883</u></u>	<u><u>\$ 8,283</u></u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Library Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,808	\$ (3,692)	\$ 404	\$ 4,096
Resources (inflows):				
Intergovernmental	-	15,000	34,249	19,249
Investment earnings	-	-	59	59
Miscellaneous	4,000	4,000	-	(4,000)
Transfers in	44,170	44,170	33,817	(10,353)
Amounts available for appropriation	<u>48,170</u>	<u>63,170</u>	<u>68,125</u>	<u>4,955</u>
Charges to appropriations (outflows):				
Current:				
Culture and recreation	<u>48,170</u>	<u>73,219</u>	<u>65,611</u>	<u>7,608</u>
Total charges to appropriations	<u>48,170</u>	<u>73,219</u>	<u>65,611</u>	<u>7,608</u>
Budgetary fund balance, June 30	<u><u>\$ 1,808</u></u>	<u><u>\$ (13,741)</u></u>	<u><u>\$ 2,918</u></u>	<u><u>\$ 16,659</u></u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Other Grants Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 91,243	\$ (13,160)	\$ 118,995	\$ 132,155
Resources (inflows):				
Intergovernmental	246,174	321,045	313,606	(7,439)
Special assessments	45,000	45,000	77,361	32,361
Investment earnings	-	-	916	916
Miscellaneous	-	-	8,446	8,446
Amounts available for appropriation	<u>291,174</u>	<u>366,045</u>	<u>400,329</u>	<u>34,284</u>
Charges to appropriations (outflows):				
Current:				
Public works	226,750	356,045	200,579	155,466
Redevelopment and housing	-	-	87,475	(87,475)
Total charges to appropriations	<u>226,750</u>	<u>356,045</u>	<u>288,054</u>	<u>67,991</u>
Budgetary fund balance, June 30	<u>\$ 155,667</u>	<u>\$ (3,160)</u>	<u>\$ 231,270</u>	<u>\$ 234,430</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
General Projects Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 325,243	\$ 13,325,243	\$ 541,615	\$(12,783,628)
Resources (inflows):				
Charges for services	-	-	19,786	19,786
Investment earnings	-	-	2,776	2,776
Amounts available for appropriation	-	-	22,562	22,562
Charges to appropriations (outflows):				
Current:				
General government	-	336,600	138,244	198,356
Capital outlay	-	38,410	39,419	(1,009)
Transfers out	-	33,334	33,333	1
Total charges to appropriations	-	408,344	210,996	197,348
Budgetary fund balance, June 30	\$ 325,243	\$ 12,916,899	\$ 353,181	\$(12,563,718)

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Park Development Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 227,838	\$ 217,305	\$ 496,036	\$ 278,731
Resources (inflows):				
Intergovernmental	-	-	72,135	72,135
Investment earnings	1,200	1,200	2,495	1,295
Amounts available for appropriation	1,200	1,200	74,630	73,430
Charges to appropriations (outflows):				
Current:				
Culture and recreation	-	-	4,010	(4,010)
Capital outlay	-	63,000	63,000	-
Total charges to appropriations	-	63,000	67,010	(4,010)
Budgetary fund balance, June 30	\$ 229,038	\$ 155,505	\$ 503,656	\$ 348,151

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Transportation Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 838,010	\$ 572,489	\$ 1,121,416	\$ 548,927
Resources (inflows):				
Intergovernmental	655,150	655,150	1,082,541	427,391
Investment earnings	-	-	6,543	6,543
Amounts available for appropriation	<u>655,150</u>	<u>655,150</u>	<u>1,089,084</u>	<u>433,934</u>
Charges to appropriations (outflows):				
Current:				
Transit	526,120	2,302,737	18,617	2,284,120
Capital outlay	-	-	456,011	(456,011)
Debt service:				
Principal retirement	-	405,000	425,000	(20,000)
Interest and fiscal charges	-	78,500	68,375	10,125
Total charges to appropriations	<u>526,120</u>	<u>2,786,237</u>	<u>968,003</u>	<u>1,818,234</u>
Budgetary fund balance, June 30	<u>\$ 967,040</u>	<u>\$ (1,558,598)</u>	<u>\$ 1,242,497</u>	<u>\$ 2,801,095</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, 2012

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Assets					
Current assets:					
Cash and investments	\$ 467,515	\$ 1,037,545	\$ 3,693,000	\$ 1,778,000	\$ 6,976,060
Accounts receivable	-	21,838	-	-	21,838
Prepaid expenses	23,704	-	-	-	23,704
Inventories	-	82,105	-	-	82,105
Total current assets	<u>491,219</u>	<u>1,141,488</u>	<u>3,693,000</u>	<u>1,778,000</u>	<u>7,103,707</u>
Capital assets:					
Construction in progress	-	27,236	-	-	27,236
Machinery and equipment	1,417,529	4,414,022	-	-	5,831,551
Less accumulated depreciation	(929,828)	(3,213,671)	-	-	(4,143,499)
Total capital assets (net of accumulated depreciation)	<u>487,701</u>	<u>1,227,587</u>	<u>-</u>	<u>-</u>	<u>1,715,288</u>
Total assets	<u>978,920</u>	<u>2,369,075</u>	<u>3,693,000</u>	<u>1,778,000</u>	<u>8,818,995</u>
Liabilities					
Current liabilities:					
Accounts payable	41,063	38,307	-	8,284	87,654
Current portion of compensated absences payable	7,520	7,030	-	-	14,550
Accrued liabilities	13,052	12,470	-	-	25,522
Total current liabilities	<u>61,635</u>	<u>57,807</u>	<u>-</u>	<u>8,284</u>	<u>127,726</u>
Noncurrent liabilities:					
Compensated absences payable	65,550	82,710	-	-	148,260
Advances from other funds	-	-	15,000	-	15,000
Total noncurrent liabilities	<u>65,550</u>	<u>82,710</u>	<u>15,000</u>	<u>-</u>	<u>163,260</u>
Total liabilities	<u>127,185</u>	<u>140,517</u>	<u>15,000</u>	<u>8,284</u>	<u>290,986</u>
Net Assets					
Invested in capital assets	487,701	1,227,587	-	-	1,715,288
Unrestricted	364,034	1,000,971	3,678,000	1,769,716	6,812,721
Total net assets	<u>\$ 851,735</u>	<u>\$ 2,228,558</u>	<u>\$ 3,678,000</u>	<u>\$ 1,769,716</u>	<u>\$ 8,528,009</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, 2012

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Operating Revenues:					
Information technology charges	\$ 1,067,589	\$ -	\$ -	\$ -	\$ 1,067,589
Motor pool charges	-	1,469,895	-	-	1,469,895
Workers' compensation charges	-	-	-	-	-
Total operating revenues	<u>1,067,589</u>	<u>1,469,895</u>	<u>-</u>	<u>-</u>	<u>2,537,484</u>
Operating expenses:					
Administration	1,353,526	50,713	-	8,284	1,412,523
Central equipment:					
Vehicle and equipment operation	-	1,026,201	-	-	1,026,201
Depreciation	<u>198,308</u>	<u>140,986</u>	<u>-</u>	<u>-</u>	<u>339,294</u>
Total operating expenses	<u>1,551,834</u>	<u>1,217,900</u>	<u>-</u>	<u>8,284</u>	<u>2,778,018</u>
Operating income (loss)	<u>(484,245)</u>	<u>251,995</u>	<u>-</u>	<u>(8,284)</u>	<u>(240,534)</u>
Nonoperating revenues:					
Investment earnings	2,425	4,417	-	-	6,842
Gain on sale and disposal of capital assets	<u>92</u>	<u>10,013</u>	<u>-</u>	<u>-</u>	<u>10,105</u>
Total nonoperating revenues	<u>2,517</u>	<u>14,430</u>	<u>-</u>	<u>-</u>	<u>16,947</u>
Income (loss) before transfers	(481,728)	266,425	-	(8,284)	(223,587)
Transfers in	-	-	136,000	-	136,000
Transfers out	-	-	-	(314,000)	(314,000)
Change in net assets	(481,728)	266,425	136,000	(322,284)	(401,587)
Net assets at beginning 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>
Net assets at end of year	<u>\$ 851,735</u>	<u>\$ 2,228,558</u>	<u>\$ 3,678,000</u>	<u>\$ 1,769,716</u>	<u>\$ 8,528,009</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,068,048	\$ 1,448,647	\$ -	\$ -	\$ 2,516,695
Cash paid to suppliers for goods and services	(1,060,509)	(612,434)	-	-	(1,672,943)
Cash paid to employees for services	(498,747)	(397,963)	-	-	(896,710)
Cash received/(paid) for interfund services-net	31,215	(87,838)	-	-	(56,623)
Net cash provided by (used for) operating activities	<u>(459,993)</u>	<u>350,412</u>	<u>-</u>	<u>-</u>	<u>(109,581)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(112,980)	(136,414)	-	-	(249,394)
Proceeds from sale and disposal of capital assets	92	10,013	-	-	10,105
Net cash used for capital and related financing activities	<u>(112,888)</u>	<u>(126,401)</u>	<u>-</u>	<u>-</u>	<u>(239,289)</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	136,000	-	136,000
Transfers to other funds	-	-	-	(314,000)	(314,000)
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>136,000</u>	<u>(314,000)</u>	<u>(178,000)</u>
Cash flows from investing activities:					
Interest received on investments	2,425	4,417	-	-	6,842
Net cash provided by investing activities	<u>2,425</u>	<u>4,417</u>	<u>-</u>	<u>-</u>	<u>6,842</u>
Net increase (decrease) in cash and cash equivalents	(570,456)	228,428	136,000	(314,000)	(520,028)
Cash and cash equivalents beginning of year	1,037,971	809,117	3,557,000	2,092,000	7,496,088
Cash and cash equivalents end of year	<u>\$ 467,515</u>	<u>\$ 1,037,545</u>	<u>\$ 3,693,000</u>	<u>\$ 1,778,000</u>	<u>\$ 6,976,060</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (484,245)	\$ 251,995	\$ -	\$ (8,284)	\$ (240,534)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	198,308	140,986	-	-	339,294
Change in operating assets and liabilities:					
Decrease (increase) in accounts receivable	458	(21,248)	-	-	(20,790)
Increase in due from other funds	-	(590)	-	-	(590)
Increase in due from other governments	-	(13,418)	-	-	(13,418)
Increase in prepaid expenses	(1,328)	-	-	-	(1,328)
Increase in inventories	-	(14,716)	-	-	(14,716)
Increase (decrease) in accounts payable	(189,623)	(1,994)	-	8,284	(183,333)
Increase in compensated absences payable	20,070	12,430	-	-	32,500
Increase in accrued liabilities	(3,633)	(3,033)	-	-	(6,666)
Total adjustments	<u>24,252</u>	<u>98,417</u>	<u>-</u>	<u>8,284</u>	<u>130,953</u>
Net cash provided by (used for) operating activities	<u>\$ (459,993)</u>	<u>\$ 350,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (109,581)</u>
Noncash capital and related financing activities					
Retirement of capital assets	\$ (1,391,789)	\$ (110,809)	-	-	\$ (1,502,598)
Retirement of accumulated depreciation on capital assets	1,391,789	110,809	-	-	1,502,598

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, 2012

	<u>Downtown District</u>	<u>Prospero Park District</u>	<u>Total</u>
Assets			
Cash and investments	<u>\$ 9,480</u>	<u>\$ 497</u>	<u>\$ 9,977</u>
 Liabilities			
Due to association	<u>\$ 9,480</u>	<u>\$ 497</u>	<u>\$ 9,977</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Downtown District</u>				
Assets				
Cash and investments	\$ 1,500	\$ 7,980	\$ -	\$ 9,480
Liabilities				
Due to association	1,500	7,980	-	9,480
<u>Prospero Park District</u>				
Assets				
Cash and investments	1,250	8,293	(9,046)	497
Liabilities				
Due to association	1,250	8,293	(9,046)	497
<u>Total Agency Funds</u>				
Assets				
Cash and investments	2,750	16,273	(9,046)	9,977
Liabilities				
Due to association	\$ 2,750	\$ 16,273	\$ (9,046)	\$ 9,977

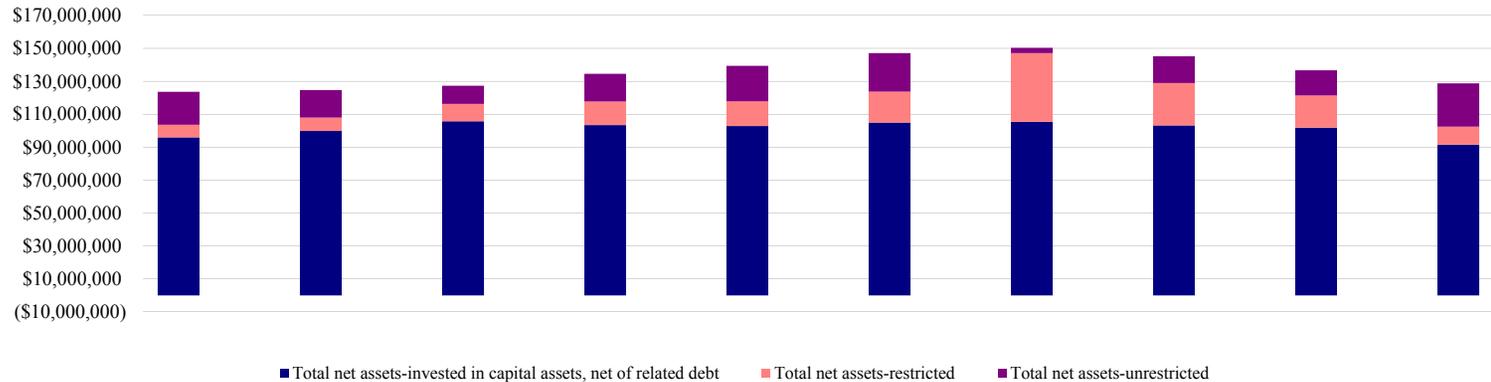
Statistical Section

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.

	<u>Page No.</u>
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	126
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the City’s significant local revenue source, the property tax.	133
<i>Debt Capacity</i>	
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.	139
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	145
<i>Operating Information</i>	
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.	147
<i>Debt Continuing Disclosure</i>	
These schedules contain information that complies with continuing disclosure requirements of each bond issued.	150

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 78,351,025
Restricted	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	10,950,627
Unrestricted	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	11,892,631
Total governmental activities net assets	<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>	<u>\$ 101,194,283</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 13,160,600
Restricted	-	-	-	-	-	242,609	194,200	1,588,002	2,901,716	-
Unrestricted	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	14,357,963
Total business-type activities net assets	<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>	<u>\$ 27,518,563</u>
Total net assts										
Invested in capital assets, net of related debt	\$ 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	\$ 91,511,625
Restricted	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	10,950,627
Unrestricted	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	26,250,594
Total net assets	<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>	<u>\$ 128,712,846</u>



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,154,723
Public safety	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	22,538,712
Public works	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	7,645,492
Culture and recreation	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	4,099,860
Community development	351,209	478,487	313,404	673,436	871,061	872,902	674,691	899,683	1,008,595	903,125
Transit	625,591	441,439	394,371	602,471	842,987	928,296	1,035,264	1,255,587	1,771,250	1,498,359
Redevelopment and housing	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	4,076,392
Nondepartmental	579,331	626,502	640,670	780,909	783,515	710,097	-	-	-	-
Interest on long-term debt	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	427,087
Total governmental activities expenses	<u>35,920,050</u>	<u>35,257,847</u>	<u>36,987,907</u>	<u>37,452,671</u>	<u>43,231,327</u>	<u>41,203,077</u>	<u>42,939,958</u>	<u>49,435,039</u>	<u>54,681,848</u>	<u>42,343,750</u>
Business-type activities:										
Water utility	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	8,156,273
Environmental protection	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	1,026,776
Sewer utility								1,306,386	1,246,067	916,194
Total business-type activities expenses	<u>7,338,975</u>	<u>7,469,780</u>	<u>7,227,601</u>	<u>8,107,284</u>	<u>8,107,833</u>	<u>9,300,694</u>	<u>8,574,780</u>	<u>10,332,032</u>	<u>12,656,920</u>	<u>10,099,243</u>
Total expenses	<u>\$ 43,259,025</u>	<u>\$ 42,727,627</u>	<u>\$ 44,215,508</u>	<u>\$ 45,559,955</u>	<u>\$ 51,339,160</u>	<u>\$ 50,503,771</u>	<u>\$ 51,514,738</u>	<u>\$ 59,767,071</u>	<u>\$ 67,338,768</u>	<u>\$ 52,442,993</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 437,555	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804	\$ 2,143,036	\$ 2,171,397	\$ 1,537,347
Public safety	885,777	858,591	957,742	1,163,481	972,892	1,108,955	402,084	630,996	630,938	1,552,076
Public works	358,318	532,976	551,203	497,797	801,087	720,499	1,010,808	469,403	488,132	764,276
Culture and recreation	795,442	645,007	663,789	646,731	842,336	625,015	670,775	703,840	1,084,791	776,590
Community development	577,026	624,850	686,359	996,218	906,443	837,228	305,459	733,112	669,205	820,232
Transit	60,819	60,739	56,872	105,717	203,242	223,334	229,107	220,813	239,177	287,568
Redevelopment and housing	804,372	831,398	868,867	860,536	857,920	873,523	1,002,471	959,081	979,816	389,969
Nondepartmental	122,156	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	4,827,008
Capital grants and contributions	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	1,154,676
Total governmental activities program revenues	<u>7,431,768</u>	<u>7,837,347</u>	<u>8,120,584</u>	<u>10,524,332</u>	<u>10,951,852</u>	<u>10,710,528</u>	<u>10,579,668</u>	<u>11,209,077</u>	<u>11,032,589</u>	<u>12,109,742</u>

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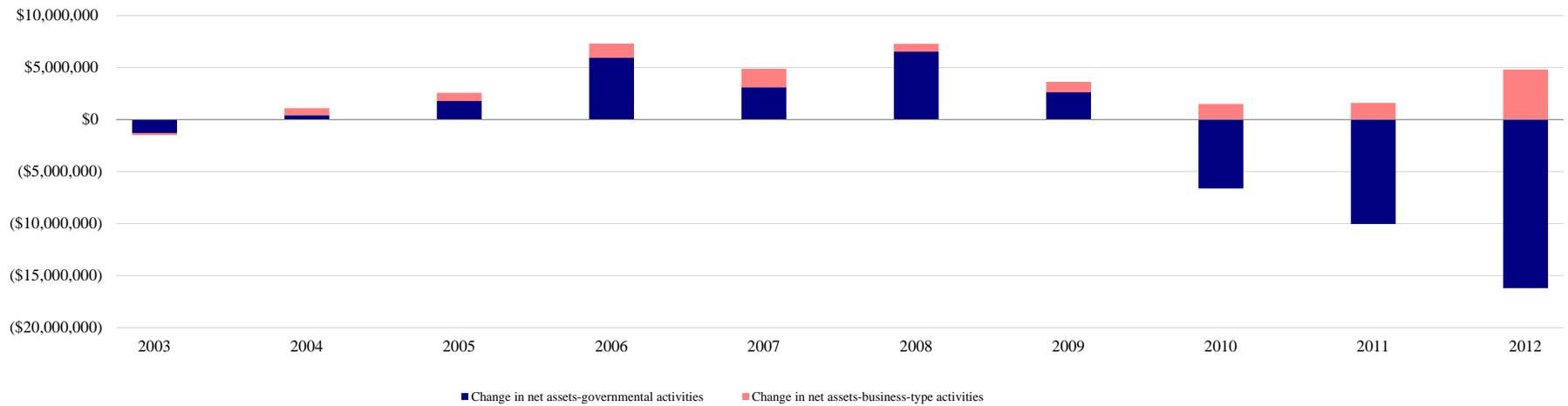
CITY OF COVINA, CALIFORNIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Water utility	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	10,515,236
Environmental protection	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	1,227,298
Sewer utility	-	-	-	-	-	-	-	970,717	1,464,430	1,750,240
Operating grants and contributions	34,960	29,095	70,307	13,425	26,326	26,138	9,797	-	-	-
Total business-type activities program revenues	<u>7,097,187</u>	<u>8,100,557</u>	<u>7,973,755</u>	<u>9,353,898</u>	<u>9,751,294</u>	<u>9,919,858</u>	<u>9,315,436</u>	<u>11,331,928</u>	<u>13,528,807</u>	<u>13,492,774</u>
Total program revenues	<u>\$ 14,528,955</u>	<u>\$ 15,937,904</u>	<u>\$ 16,094,339</u>	<u>\$ 19,878,230</u>	<u>\$ 20,703,146</u>	<u>\$ 20,630,386</u>	<u>\$ 19,895,104</u>	<u>\$ 22,541,005</u>	<u>\$ 24,561,396</u>	<u>\$ 25,602,516</u>
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (30,234,008)
Business-type activities	(241,788)	630,777	746,154	1,246,614	1,643,461	619,164	740,656	999,896	871,887	3,393,531
Total net expense	<u>\$ (28,730,070)</u>	<u>\$ (26,789,723)</u>	<u>\$ (28,121,169)</u>	<u>\$ (25,681,725)</u>	<u>\$ (30,636,014)</u>	<u>\$ (29,873,385)</u>	<u>\$ (31,619,634)</u>	<u>\$ (37,226,066)</u>	<u>\$ (42,777,372)</u>	<u>\$ (26,840,477)</u>
General revenues										
Governmental activities:										
Property taxes	\$ 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	\$ 13,383,113
Sales taxes	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	5,323,574
Transient occupancy taxes	424,727	449,872	484,621	578,418	491,226	423,861	340,175	356,027	317,594	316,609
Property transfer taxes	177,504	223,353	307,612	296,459	324,113	158,340	113,113	133,114	92,818	124,226
Business license taxes	324,899	385,820	418,336	360,265	383,254	395,503	349,109	368,913	337,613	373,299
Utility user taxes	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	4,553,173
Franchise taxes	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	1,314,343
Intergovernmental	3,490,253	2,725,005	4,385,626	1,088,916	675,895	498,071	131,080	145,828	227,618	24,598
Investment earnings	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	250,604
Transfers in/out	-	-	-	-	-	-	45,913	(431,157)	(24,383)	6,653
Gain on sale of land held for resale	-	-	-	-	-	-	-	-	55,176	-
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	10,105
Miscellaneous	281,231	727,630	426,675	712,168	94,356	693,547	1,091,243	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	-	-	(11,674,077)
Total governmental activities	<u>27,180,807</u>	<u>27,832,756</u>	<u>30,635,154</u>	<u>32,859,328</u>	<u>35,359,373</u>	<u>37,000,805</u>	<u>34,965,389</u>	<u>31,584,864</u>	<u>33,583,648</u>	<u>14,006,220</u>
Business-type activities:										
Investment earnings	41,612	25,372	45,061	110,168	131,122	135,192	86,322	160,868	173,150	70,596
Investment earnings - CIC	-	-	-	-	-	446,587	219,257	(66,408)	506,864	1,333,565
Miscellaneous	-	-	-	-	-	-	-	(33,696)	-	-
Transfers in/out	-	-	-	-	-	-	(45,913)	431,157	24,383	(6,653)
Total general revenues	<u>\$ 27,222,419</u>	<u>\$ 27,858,128</u>	<u>\$ 30,680,215</u>	<u>\$ 32,969,496</u>	<u>\$ 35,490,495</u>	<u>\$ 37,582,584</u>	<u>\$ 35,225,055</u>	<u>\$ 32,076,785</u>	<u>\$ 34,288,045</u>	<u>\$ 15,403,728</u>

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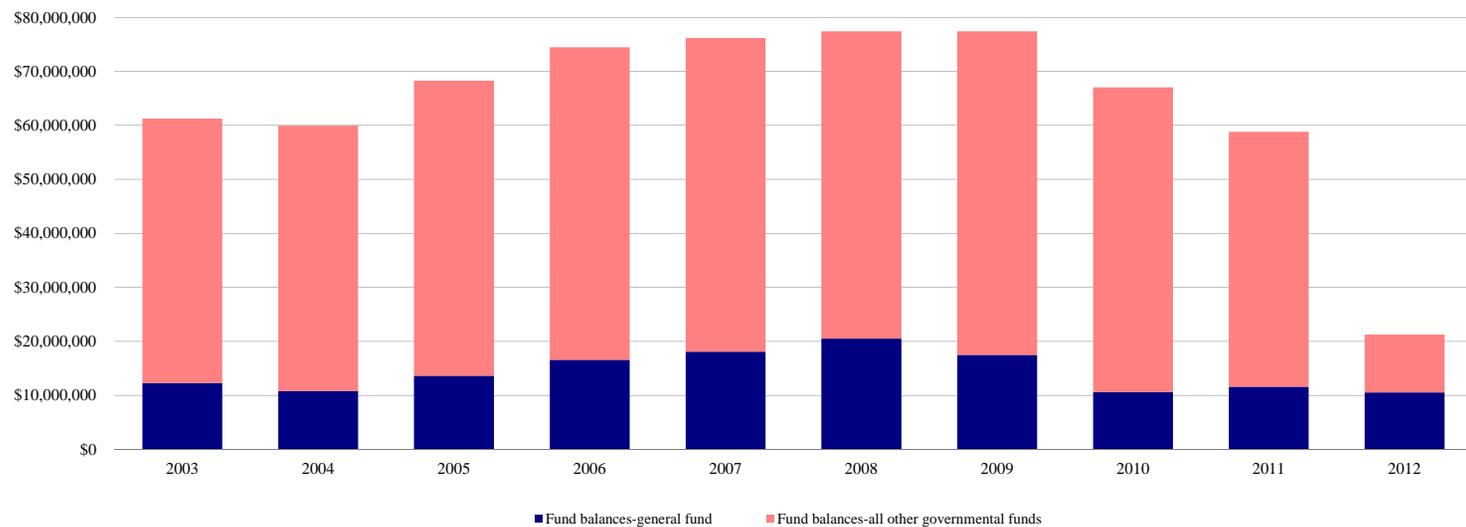
CITY OF COVINA, CALIFORNIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Change in net assets										
Governmental activities	\$ (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)	\$ (16,227,788)
Business-type activities	(200,176)	656,149	791,215	1,356,782	1,774,583	754,356	1,000,322	1,491,817	1,576,284	4,791,039
Total changes in net assets	<u>\$ (1,507,651)</u>	<u>\$ 1,068,405</u>	<u>\$ 2,559,046</u>	<u>\$ 7,287,771</u>	<u>\$ 4,854,481</u>	<u>\$ 7,262,612</u>	<u>\$ 3,605,421</u>	<u>\$ (5,149,281)</u>	<u>\$ (8,489,327)</u>	<u>\$ (11,436,749)</u>



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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399			
Unreserved	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	\$ 621,981
Restricted								-	-	20,259
Committed								6,385,473	172,777	234,540
Assigned								457,909	501,835	473,342
Unassigned								3,118,855	10,284,466	9,187,601
Total general fund	<u>\$ 12,273,206</u>	<u>\$ 10,811,737</u>	<u>\$ 13,625,802</u>	<u>\$ 16,593,915</u>	<u>\$ 18,076,074</u>	<u>\$ 20,498,756</u>	<u>\$ 17,490,330</u>	<u>\$ 10,608,489</u>	<u>\$ 11,607,880</u>	<u>\$ 10,537,723</u>
All other governmental funds										
Reserved	\$ 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	5,539,794	6,324,620	9,087,613	11,860,367	12,884,570	13,638,976	10,047,112			
Capital projects funds	20,958,335	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	10,103,939
Assigned								1,648,441	1,886,710	856,857
Unassigned								-	(1,961,140)	(259,217)
Total all other governmental funds	<u>\$ 48,993,240</u>	<u>\$ 49,110,055</u>	<u>\$ 54,641,802</u>	<u>\$ 57,892,304</u>	<u>\$ 58,119,341</u>	<u>\$ 56,917,629</u>	<u>\$ 59,945,498</u>	<u>\$ 56,426,408</u>	<u>\$ 47,218,291</u>	<u>\$ 10,701,579</u>



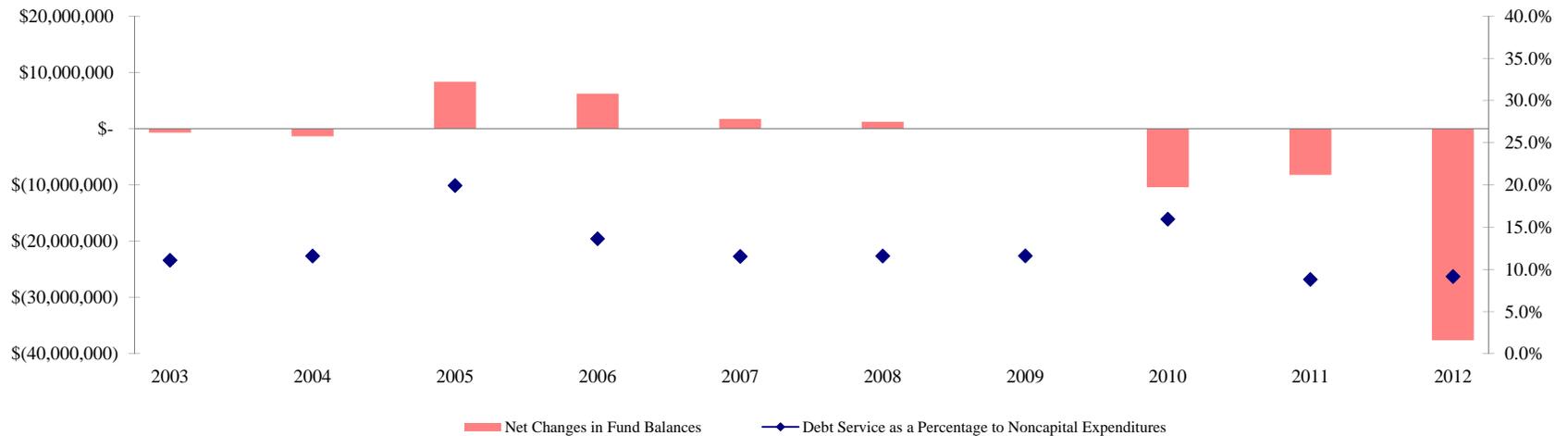
CITY OF COVINA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 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	\$ 25,706,551
Licenses and permits	468,629	454,286	547,173	711,271	476,306	444,730	210,009	408,891	538,623	609,209
Intergovernmental	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	6,006,293
Charges for services	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	3,181,384
Fines and forfeits	672,087	612,436	610,936	801,161	826,974	755,574	608,152	736,304	717,102	824,561
Special assessments	231,217	349,486	330,191	363,188	395,993	646,256	1,133,637	781,307	768,407	674,336
Investment earnings	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	243,762
Gain on land held for resale	-	-	-	-	-	-	-	-	55,176	-
Miscellaneous	281,231	712,631	426,675	712,168	94,356	693,547	1,091,243	449,220	426,682	714,743
Total revenues	34,453,345	35,585,531	38,678,198	43,196,032	46,123,040	47,465,854	45,279,518	38,930,244	44,510,982	37,960,839
Expenditures										
General government	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	1,819,595
Public safety	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	22,267,322
Public works	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	2,783,422
Culture and recreation	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	3,826,564
Community development	595,454	584,543	630,836	675,795	866,988	878,362	686,297	923,801	993,778	890,511
Transit	477,462	440,271	430,828	487,012	637,775	715,454	804,996	996,078	1,535,572	1,240,701
Redevelopment and housing	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	3,880,732
Nondepartmental	10,098	57,759	52,244	77,591	43,538	52,987	-	-	-	-
Capital outlay	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	2,744,828
Debt service:										
Principal	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	3,017,434
Interest and fiscal charges	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	685,036
Bond issuance costs	-	-	1,283,370	-	-	-	-	-	-	-
Payment to refunded bond account	-	-	1,735,000	-	-	-	-	-	-	-
Total expenditures	35,156,446	37,335,355	44,931,457	36,880,215	43,968,010	46,244,884	45,305,988	47,303,806	52,454,325	43,156,145
Excess of revenues over (under) expenditures	(703,101)	(1,749,824)	(6,253,259)	6,315,817	2,155,030	1,220,970	(26,470)	(8,373,562)	(7,943,343)	(5,195,306)

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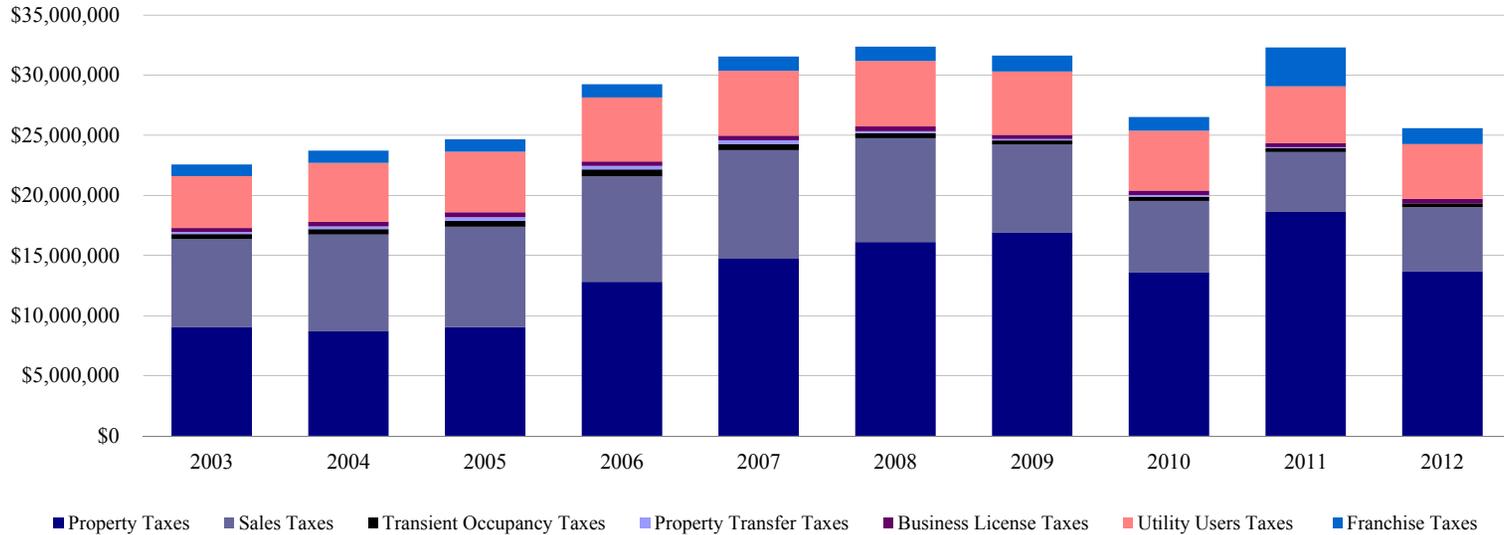
CITY OF COVINA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Other financing sources (uses)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transfers in	\$ 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	\$ 4,134,433
Transfers out	(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)	(3,949,780)
Capital leases	-	-	-	-	-	-	-	486,788	-	-
Loan Proceeds	-	-	-	-	-	-	-	2,310,000	-	-
Tax allocation bonds issued	-	-	26,850,000	-	-	-	-	-	-	-
Revenue bonds issued	-	-	3,725,000	-	-	-	-	-	-	-
Premium on bond debt	-	-	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)	-	405,170	14,599,271	(97,202)	(445,834)	-	45,913	(2,027,369)	(265,383)	184,653
Extraordinary loss from dissolution of the Covina Redevelopment Agency	-	-	-	-	-	-	-	-	-	(32,576,216)
Net changes in fund balances	\$ (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)	\$ (37,586,869)
 Debt service as a percentage of noncapital expenditures	11.1%	11.6%	19.9%	13.6%	11.5%	11.6%	11.6%	15.9%	8.8%	9.2%



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

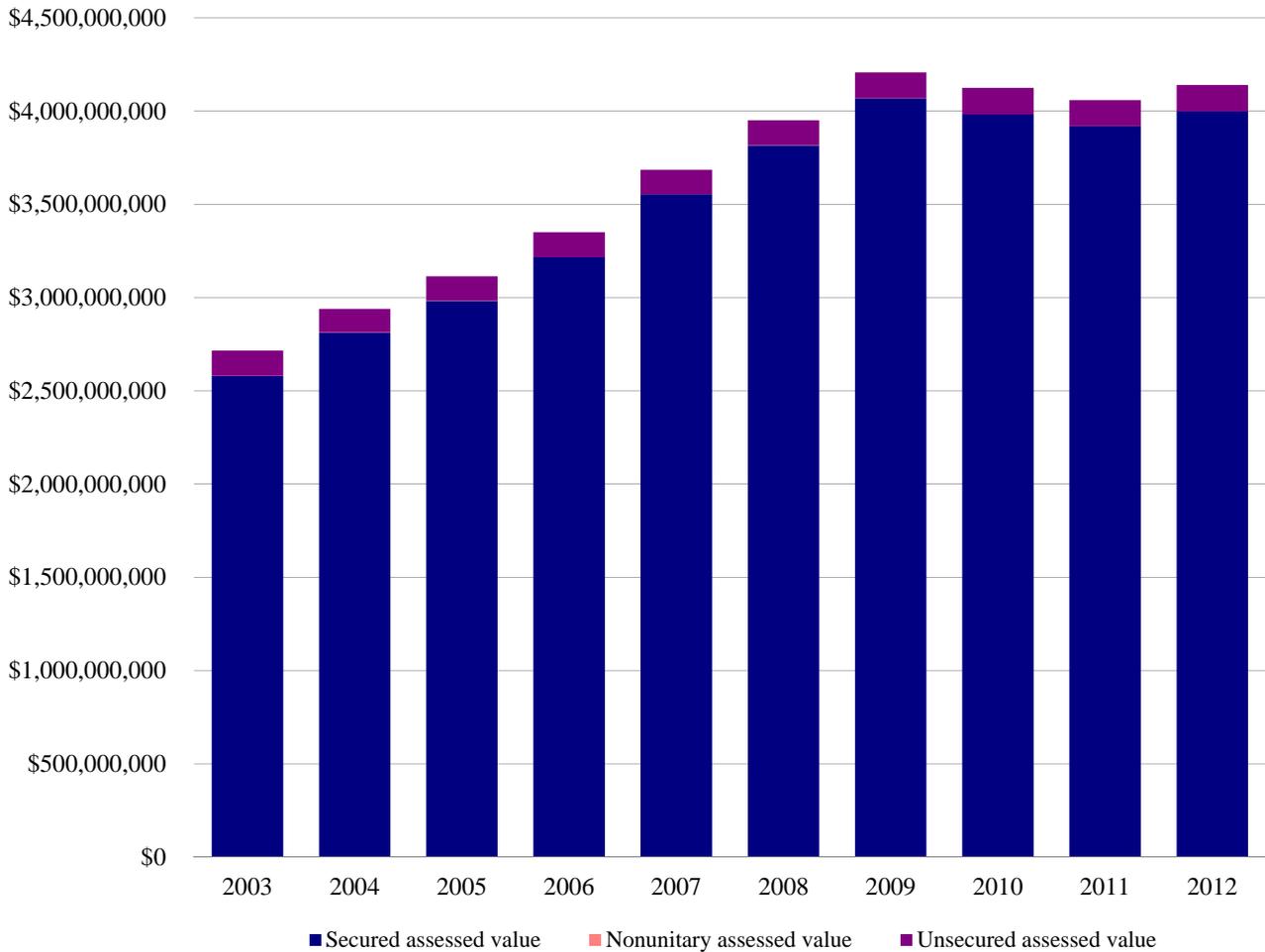
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2003	9,066,253	7,290,885	424,727	177,504	324,899	4,311,903	965,402	22,561,573
2004	8,693,770	8,053,254	449,872	223,353	385,820	4,887,082	1,031,016	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
2012	13,701,327	5,323,574	316,609	124,226	373,299	4,553,173	1,314,343	25,706,551



⁽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 Effective Rate (2)
	Secured	Nonunitary	Unsecured	Total	
2003	2,578,946,079	1,155,401	135,690,684	2,715,792,164	1.2705%
2004	2,811,124,444	1,341,807	127,121,867	2,939,588,118	1.2692%
2005	2,981,472,508	1,173,835	131,297,709	3,113,944,052	1.2875%
2006	3,216,896,758	689,018	132,900,062	3,350,485,838	1.3119%
2007	3,553,763,633	634,373	130,918,125	3,685,316,131	1.3467%
2008	3,815,860,520	381,710	134,528,469	3,950,770,699	1.3518%
2009	4,068,752,819	381,710	138,563,298	4,207,697,827	1.3422%
2010	3,981,772,274	381,710	142,877,822	4,125,031,806	1.3644%
2011	3,919,278,191	401,800	138,965,796	4,058,645,787	1.3943%
2012	3,998,495,677	401,800	141,788,741	4,140,686,218	1.3968%



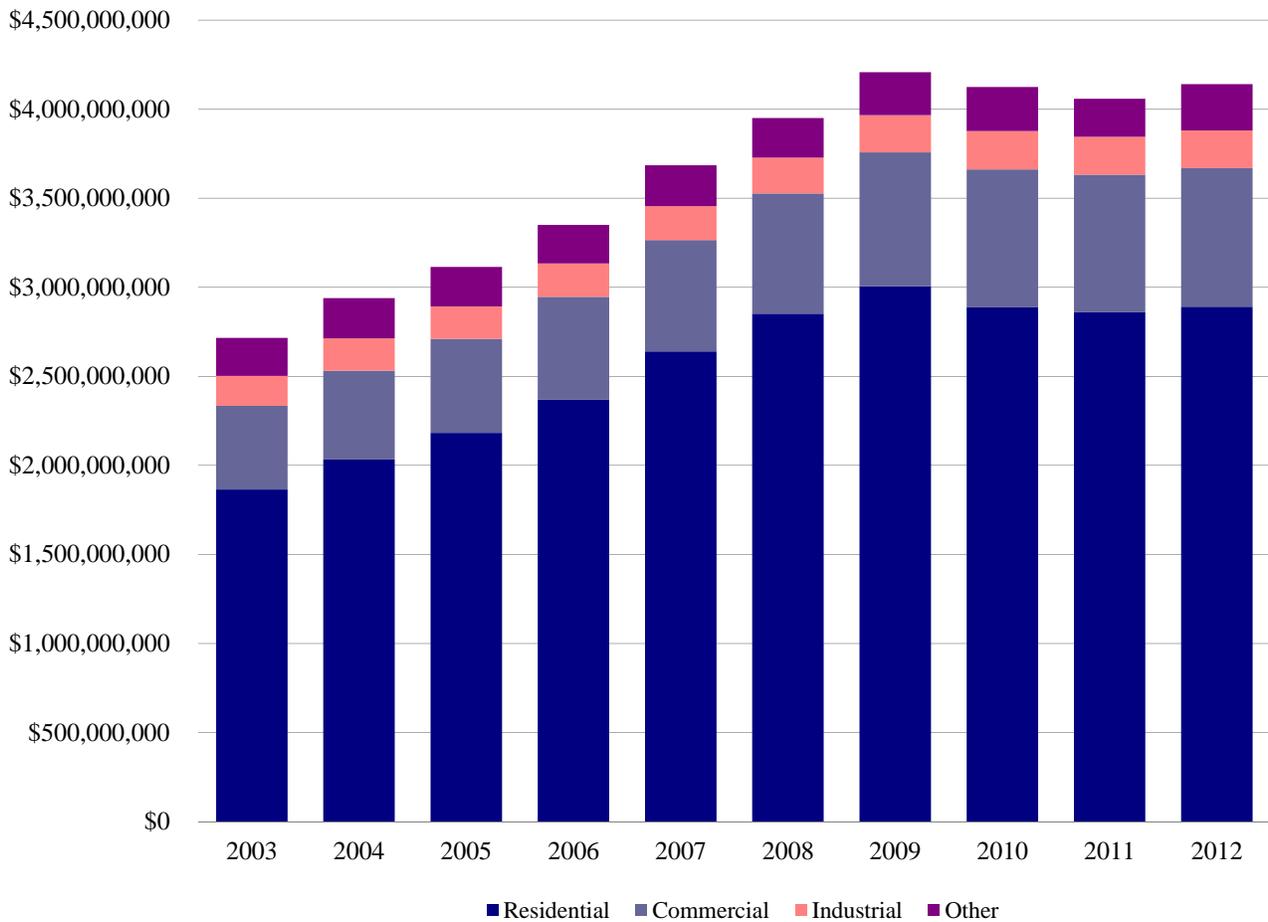
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Effective Rate (2)
	Residential	Commercial	Industrial	Other		
2003	1,864,162,218	469,980,635	168,547,933	213,101,378	2,715,792,164	1.2705%
2004	2,033,624,138	498,130,278	181,385,545	226,448,157	2,939,588,118	1.2692%
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	1.2875%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	1.3119%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	1.3467%
2008	2,851,328,670	675,399,224	201,466,528	222,576,277	3,950,770,699	1.3518%
2009	3,005,135,149	752,579,095	209,086,234	240,897,349	4,207,697,827	1.3422%
2010	2,887,006,374	774,649,712	215,229,621	248,146,099	4,125,031,806	1.3644%
2011	2,859,945,639	772,436,342	212,367,095	213,896,711	4,058,645,787	1.3943%
2012	2,890,966,936	778,029,259	211,825,282	259,864,741	4,140,686,218	1.3968%



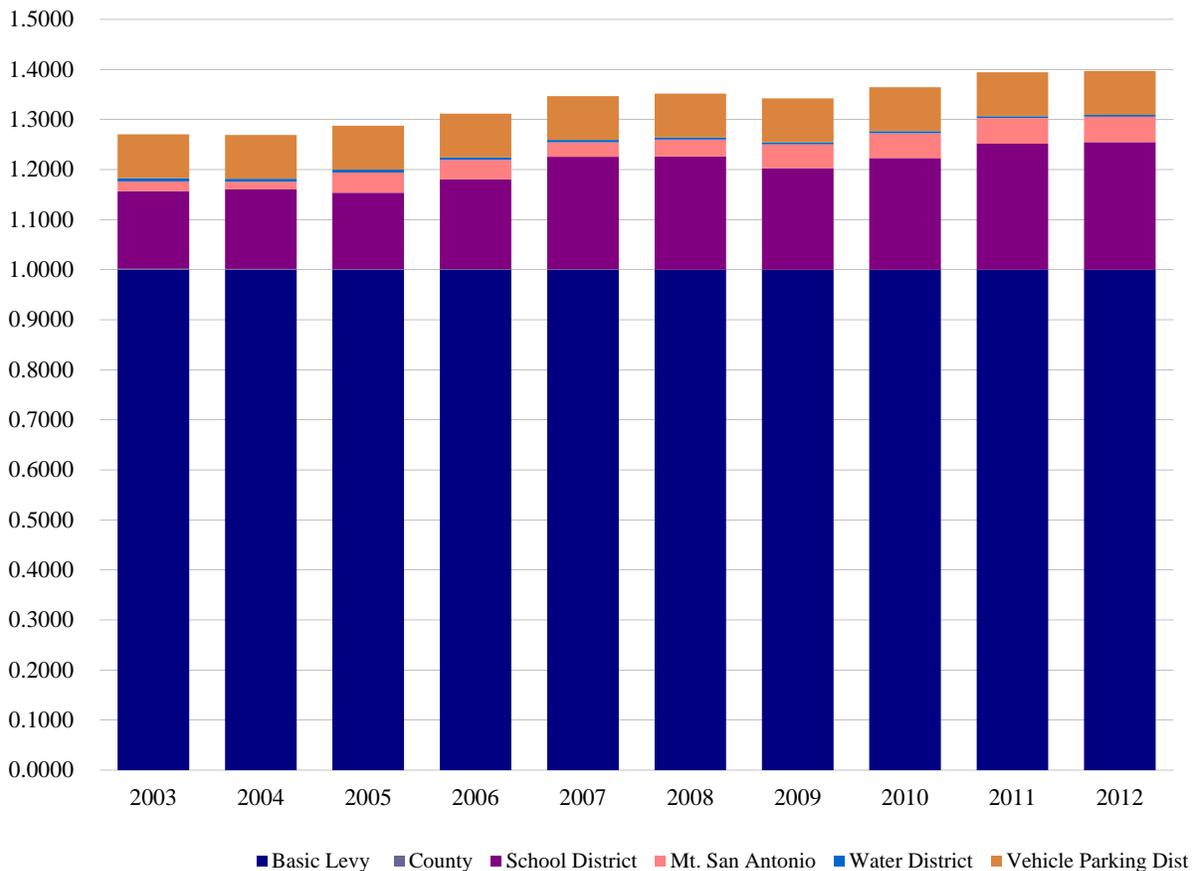
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.

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 College District ⁽⁴⁾	Water District	Vehicle Parking District	Total Effective Rate ⁽⁵⁾
		General	Flood Control	Total					
2003	1.0000	0.0010	0.0009	0.0019	0.1550	0.0195	0.0067	0.0875	1.2705
2004	1.0000	0.0010	0.0005	0.0015	0.1589	0.0153	0.0061	0.0875	1.2692
2005	1.0000	0.0009	0.0002	0.0011	0.1525	0.0406	0.0058	0.0875	1.2875
2006	1.0000	0.0008	0.0001	0.0009	0.1795	0.0389	0.0052	0.0875	1.3119
2007	1.0000	0.0007	0.0001	0.0008	0.2249	0.0289	0.0047	0.0875	1.3467
2008	1.0000	0.0000	0.0000	0.0000	0.2262	0.0336	0.0045	0.0875	1.3518
2009	1.0000	0.0000	0.0000	0.0000	0.2027	0.0477	0.0043	0.0875	1.3422
2010	1.0000	0.0000	0.0000	0.0000	0.2230	0.0497	0.0043	0.0875	1.3644
2011	1.0000	0.0000	0.0000	0.0000	0.2516	0.0515	0.0037	0.0875	1.3943
2012	1.0000	0.0000	0.0000	0.0000	0.2547	0.0509	0.0037	0.0875	1.3968

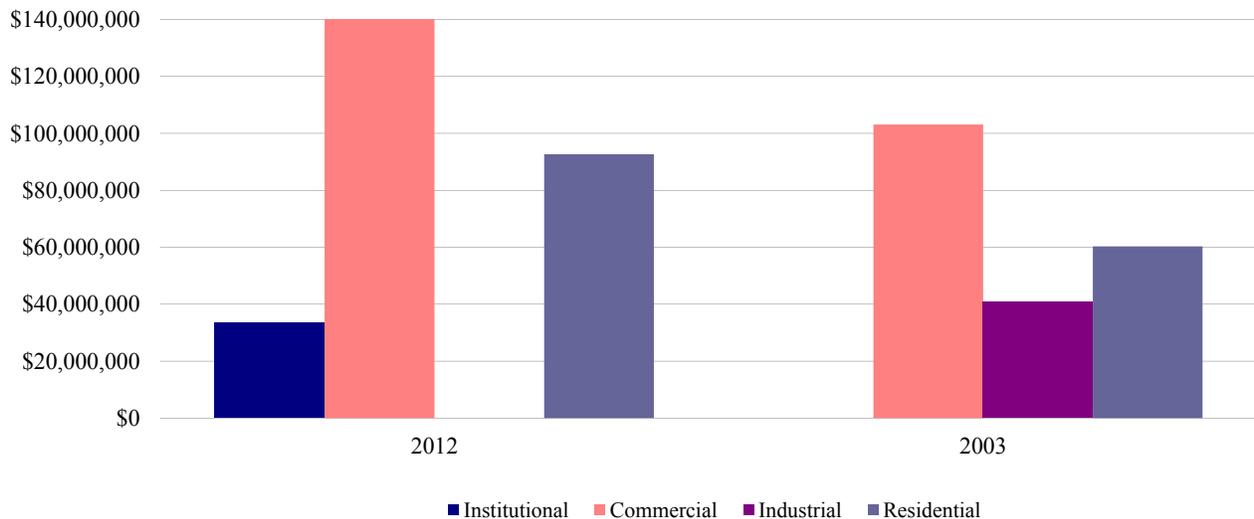


⁽¹⁾ Per \$100 of assessed value
⁽²⁾ Basic levy for City (\$0.154), County (\$0.338), Covina Valley Unified School District (\$0.184), Educational Revenue Augmentation Fund (\$0.242) and other agencies (\$0.082).
⁽³⁾ Azusa Unified School District, Charter Oak Unified School District and Covina Valley Unified School District .
⁽⁴⁾ Citrus Community College District and Mt. San Antonio Community College District .
⁽⁵⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.
Source: Los Angeles County/Hdl Companies .

CITY OF COVINA, CALIFORNIA
Principal Property Owners
June 30, 2012

Taxpayer	Primary Use	2012			2003		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Ikea Property Inc	Commercial	\$ 52,661,577	1	1.27%	\$ -	-	-
KIR Covina Limited Partnership	Commercial	45,449,129	2	1.10%	34,999,284	1	1.29%
PUR RB Covina Apartments LLC	Residential	37,034,347	3	0.89%	-	-	-
Vista Pointe Apartments LLC	Residential	36,644,338	4	0.88%	-	-	-
Citrus Valley Health Partners Inc	Institutional	33,549,346	5	0.81%	-	-	-
UIMC Covina LLC	Commercial	31,319,608	6	0.76%	-	-	-
FNL of Covina Partners LLC	Commercial	26,400,000	7	0.64%	-	-	-
Spirit SPE Covina LLC	Commercial	24,800,000	8	0.60%	-	-	-
Crystal Waterfalls LLC	Commercial	20,700,000	9	0.50%	-	-	-
Covina 023 Woods 206 LP	Residential	18,962,960	10	0.46%	-	-	-
Medsep Corporation	Industrial	-	-	-	26,158,166	2	0.96%
Transwestern JH Hallmark	Residential	-	-	-	22,491,700	3	0.83%
FR Covina Inc	Commercial	-	-	-	21,353,169	4	0.79%
Coastal Shadowhills LLC	Residential	-	-	-	19,900,168	5	0.73%
Covina Gardens LLC	Residential	-	-	-	17,918,299	6	0.66%
Granada Covina Racquet Club	Commercial	-	-	-	16,450,081	7	0.61%
Am Mark Label Inc.	Commercial	-	-	-	16,051,050	8	0.59%
Caco Pacific Corporation	Industrial	-	-	-	14,627,113	9	0.54%
Wal Mart Stores Inc	Commercial	-	-	-	14,241,732	10	0.52%
Total		\$ 327,521,305		7.91%	\$ 204,190,762		7.53%

Principal Property Owners

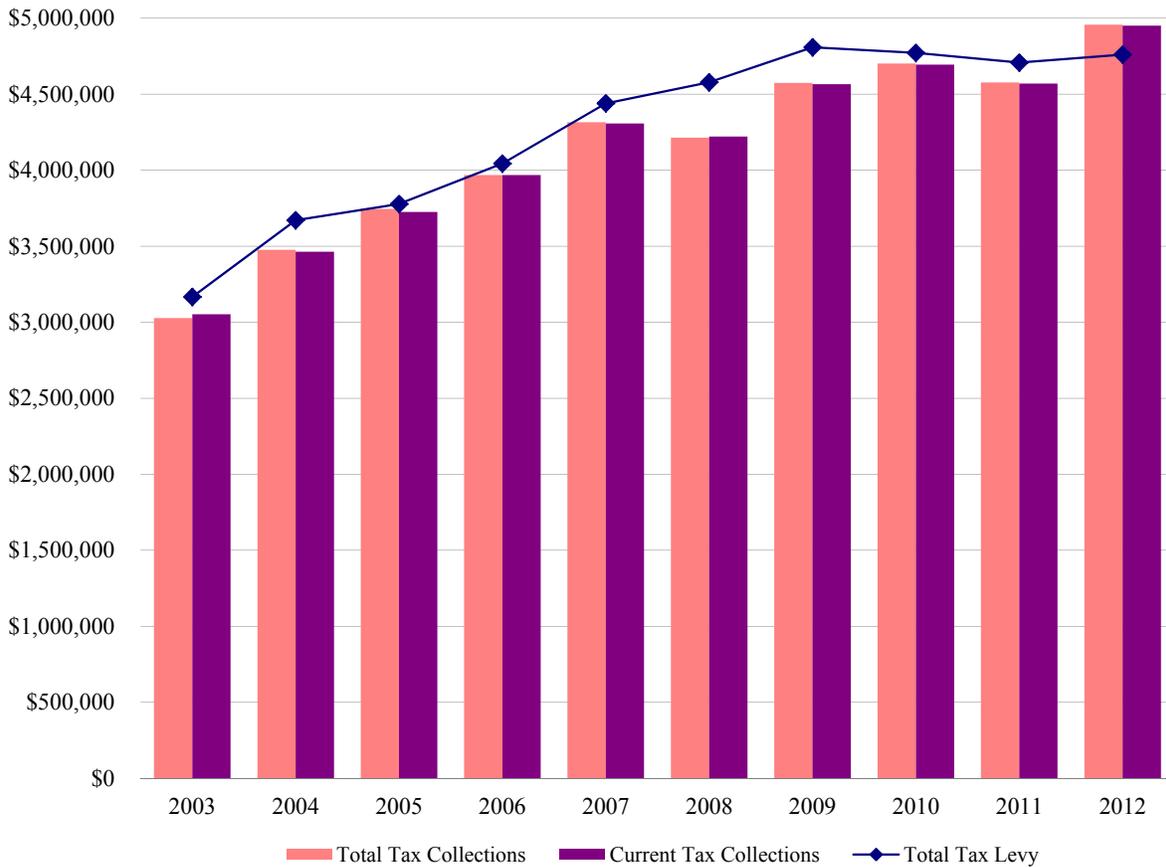


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions .

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Property Tax Levies and Collection⁽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
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%
2012	4,760,340	4,950,652	104.0%	6,559	4,957,211	104.1%



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

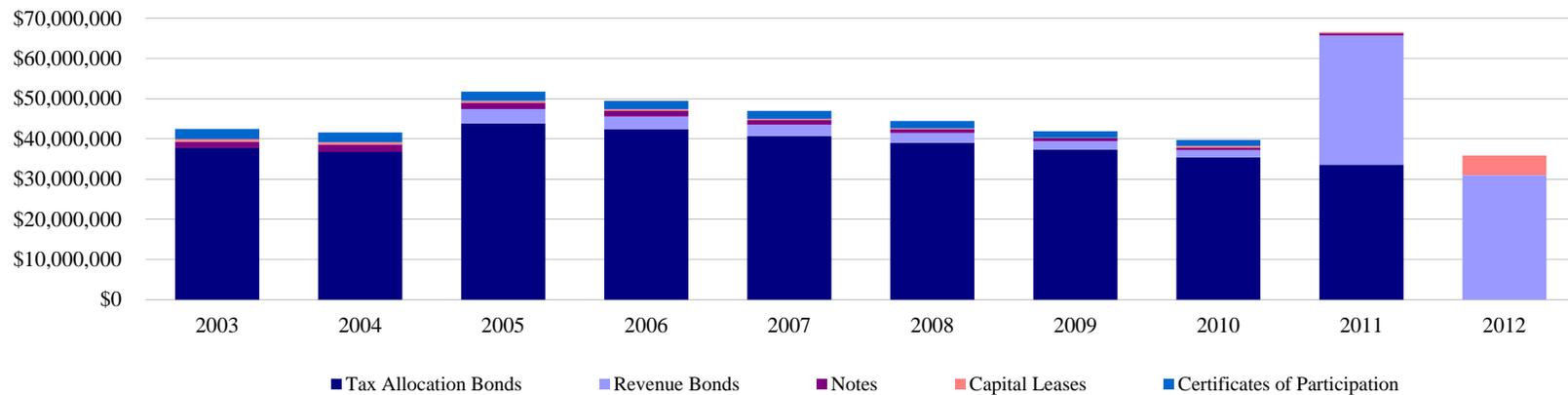
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

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			
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	0.74%	0.09%
2011	33,607,946	1,345,000	543,360	310,752	-	30,750,000	4,963,503	71,520,561	*	0.07%
2012	-	920,000	-	212,881	-	30,075,000	4,665,191	35,873,072	*	0.13%

Outstanding Debt by Type-Last Ten Fiscal Years



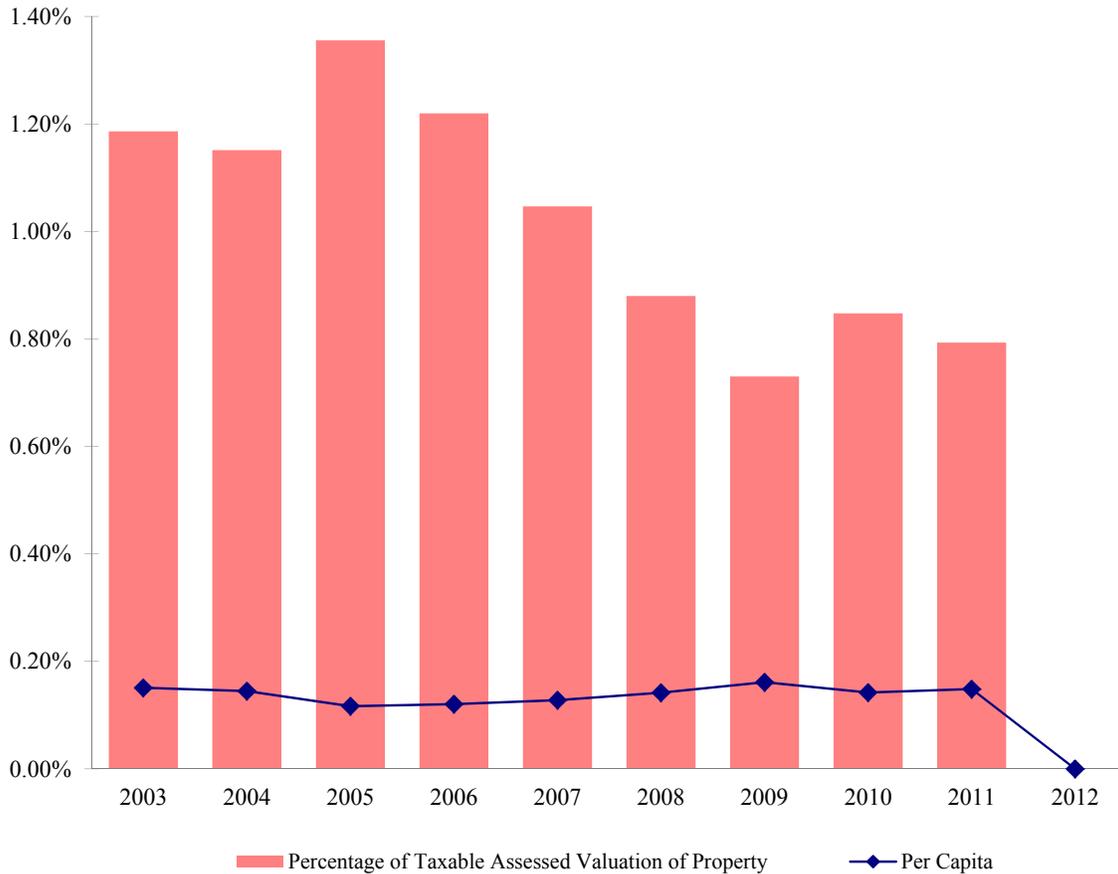
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic and Economic Statistics on page 145.

* Information not available

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

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
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%
2012	-	-	-	0.00%	0.00%



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

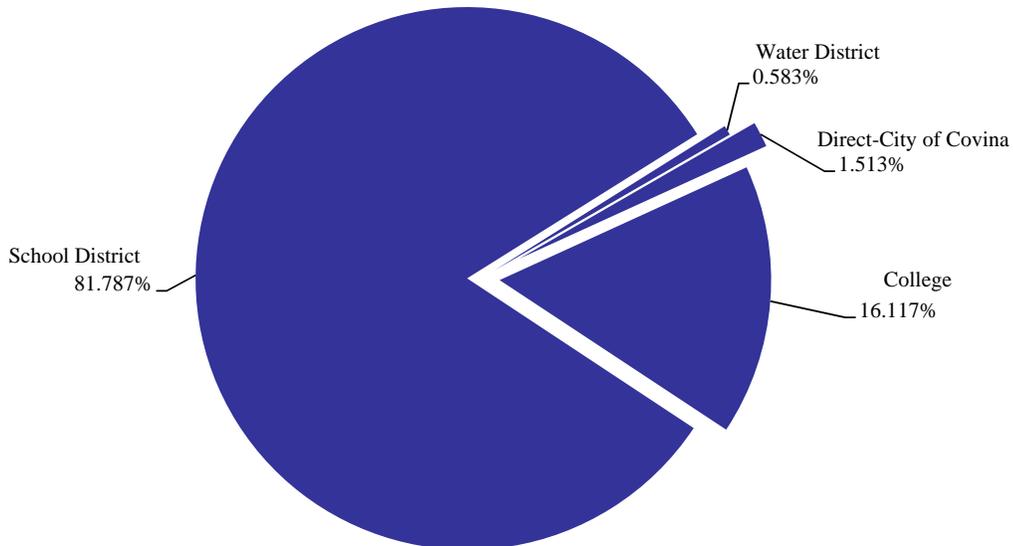
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 134.

⁽²⁾ See Demographic and Economic Statistics on page 145.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2012

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina ⁽²⁾	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 920,000	100.000%	\$ 920,000
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	94,031,705	0.377%	354,500
College:			
Citrus-2004 Series A Debt Service	14,670,000	0.431%	63,228
Citrus-2007 Series B Debt Service	35,270,000	0.431%	152,014
Citrus-2004 2009 Series C Debt Service	29,995,302	0.431%	129,280
Mt. San Antonio-2004 Series B Debt Service	6,200,000	5.991%	371,442
Mt. San Antonio-2005 & 2012 Refunding Bond	48,600,843	5.991%	2,911,677
Mt. San Antonio-2006 Series C Debt Service	79,212,694	5.991%	4,745,632
Mt. San Antonio-2008 Series D Debt Service	23,827,409	5.991%	1,427,500
School District:			
Azusa Unified 2002 Series A Bonds Debt Service	2,818,763	1.810%	51,020
Azusa Unified 2002 Series 2007 & 2011 Refunding	62,188,490	1.810%	1,125,612
Charter Oak Unified 2000 Series B	520,000	37.056%	192,691
Charter Oak Unified 2000 Series C 2005	7,980,000	37.056%	2,957,069
Charter Oak Unified 2000 Series D 2006	9,806,431	37.056%	3,633,871
Charter Oak Unified 2000 Series E Refund 2006	3,679,575	37.056%	1,363,503
Covina Valley Unified 2001 Series A	425,000	42.538%	180,787
Covina Valley Unified 2001 Series B	19,798,402	42.538%	8,421,844
Covina Valley Unified 2006	44,570,000	42.538%	18,959,187
Covina Valley Unified 2006,2007 Ser B & 2011	30,207,106	42.538%	<u>12,849,499</u>
Subtotal overlapping debt			<u>59,890,354</u>
Total direct and overlapping debt			<u>\$ 60,810,354</u>

Amount Applicable to City of Covina



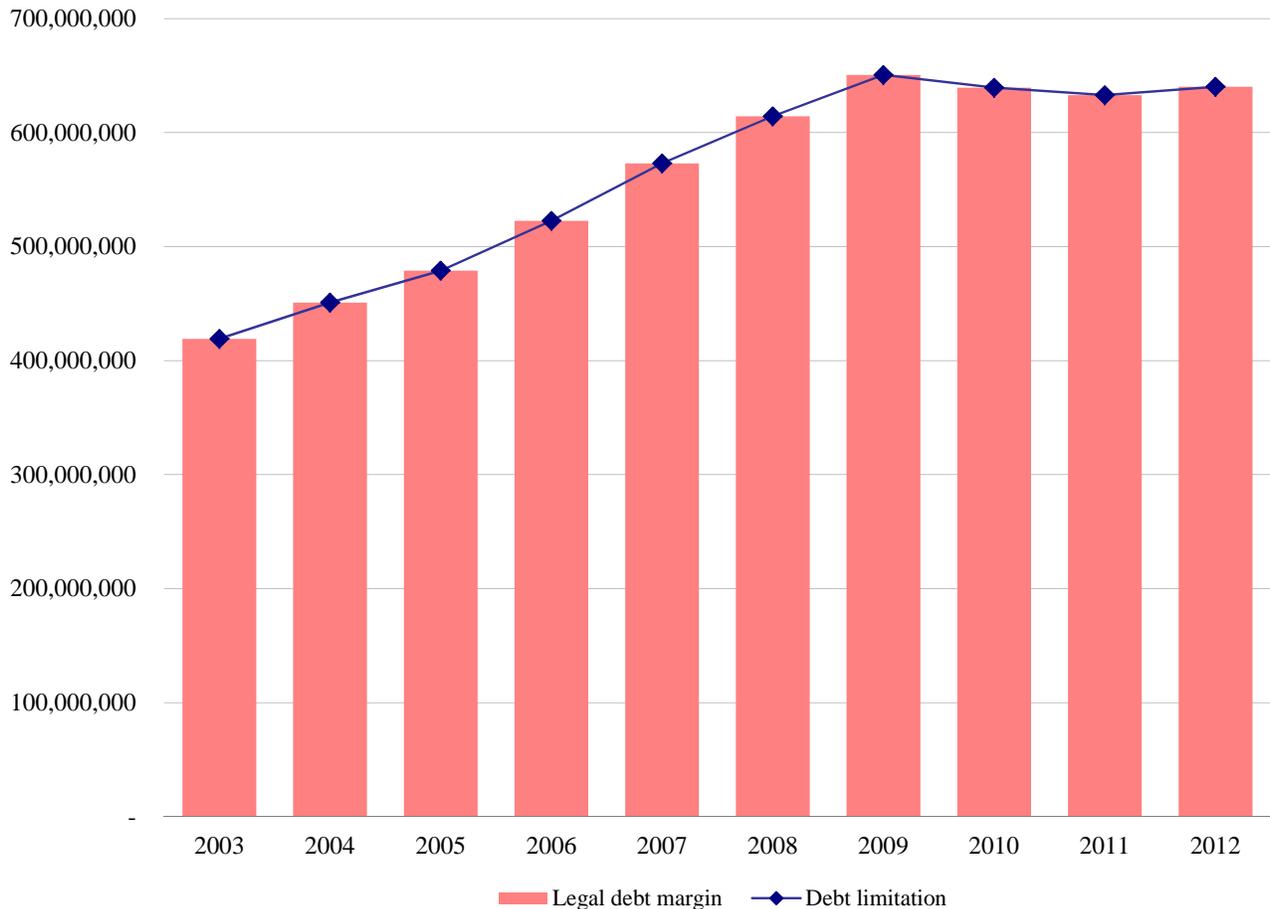
⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 139.

⁽²⁾ The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: Los Angeles County/Hdl Companies

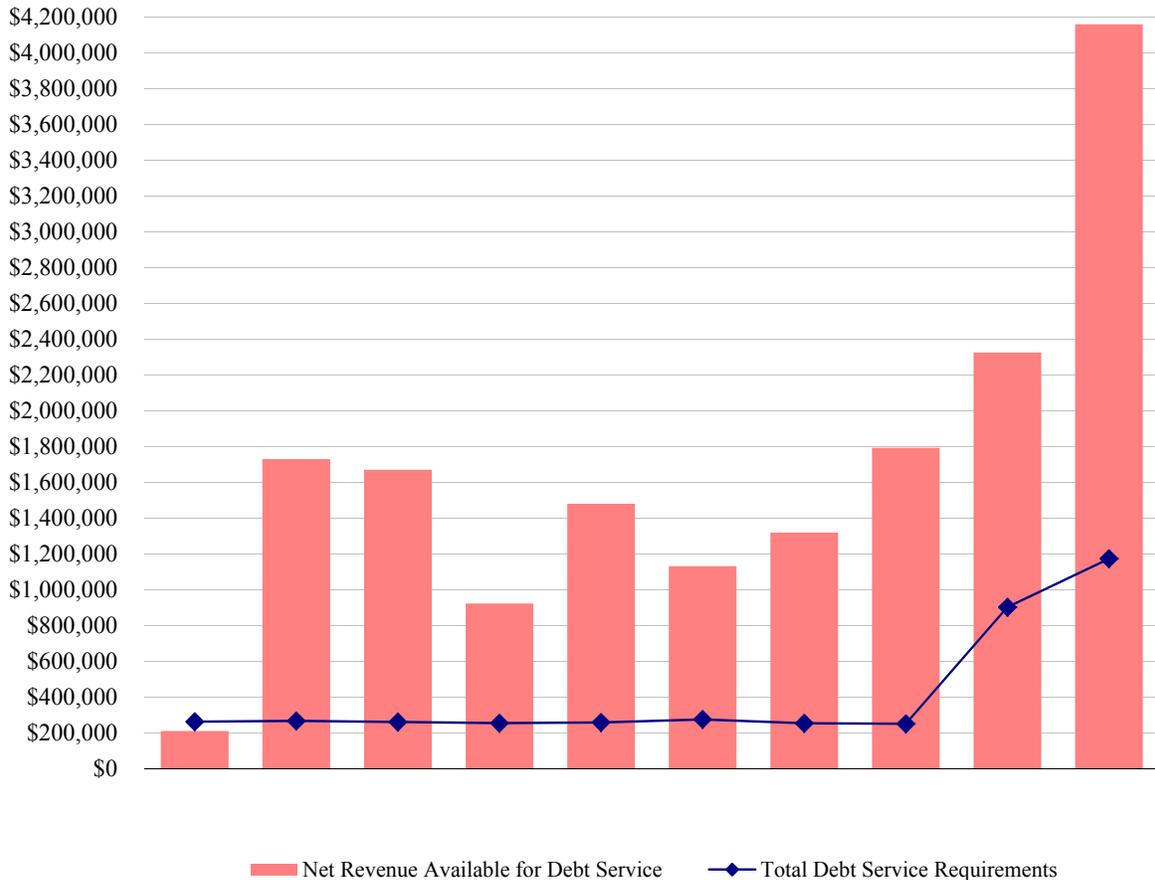
CITY OF COVINA, CALIFORNIA
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation- 15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
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
2012	4,140,686,218	127,379,664	4,268,065,882	640,209,882	-	640,209,882



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

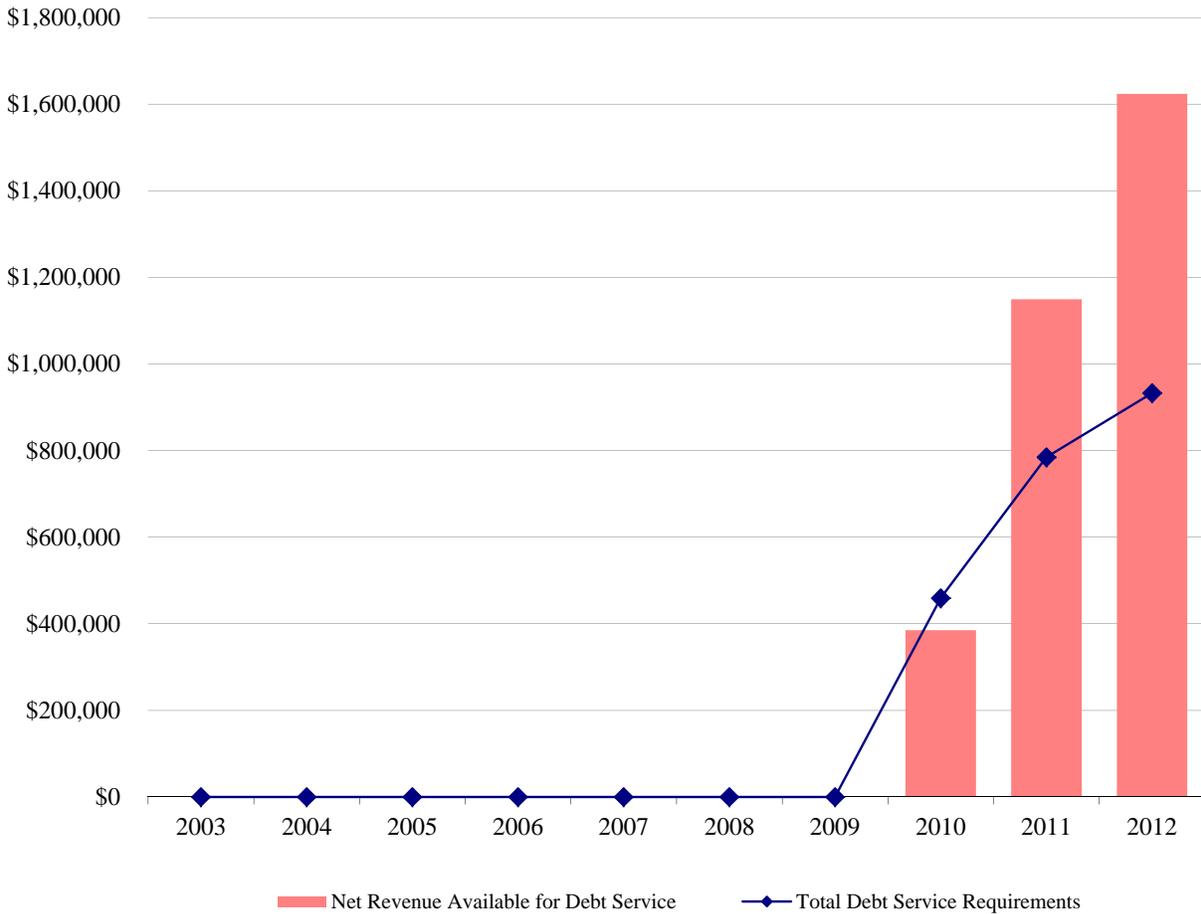
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	4,354,917	4,143,789	211,128	135,000	127,586	262,586	0.80
2004	5,238,474	3,509,173	1,729,301	145,000	122,218	267,218	6.47
2005	5,118,717	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
2012	10,545,532	6,387,102	4,158,430	425,000	748,263	1,173,263	3.54



⁽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	
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
2012	1,788,503	164,835	1,623,668	250,000	682,806	932,806	1.74

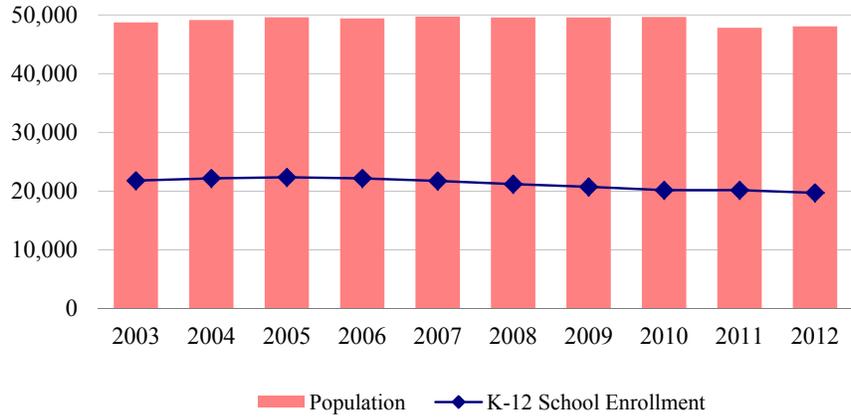


⁽¹⁾ Total revenues (including investment earnings) excluding gain on sale of capital assets.
⁽²⁾ Total operating expenses exclusive of depreciation.

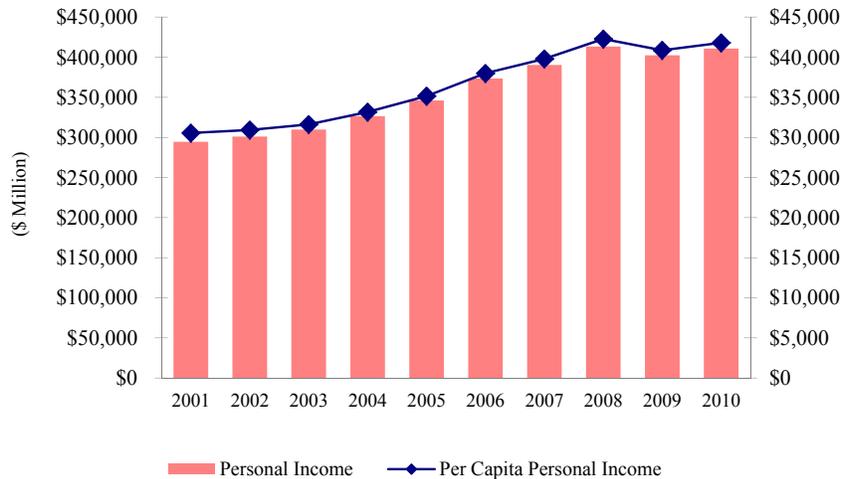
CITY OF COVINA, CALIFORNIA Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
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
2012	48,038	19,659

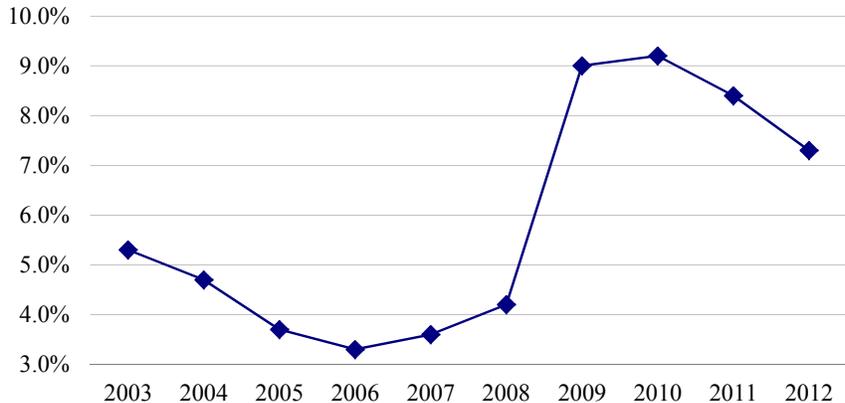


Year	Los Angeles County ⁽³⁾	
	Personal Income (\$ Million)	Per Capita Personal Income
2001	294,508	30,541
2002	301,003	30,924
2003	309,827	31,611
2004	326,403	33,167
2005	346,053	35,147
2006	373,322	37,991
2007	390,296	39,794
2008	413,317	42,265
2009	402,459	40,867
2010	410,675	41,791



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
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%
2012	7.3%



⁽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, 2012

Employer	2012			2006		
	Employees	Rank	of Total City	Employees	Rank	of Total City
Citrus Valley Health Partners	3,500	1	20.03%	845	2	4.98%
Covina Valley Unified School District	1,882	2	10.77%	2,494	1	14.70%
Charter Oak Unified School District	541	3	3.10%	249	4	1.47%
City of Covina	314	4	1.80%	307	3	1.81%
Wal-Mart	269	5	1.54%	205	10	1.21%
Vitas Innovative Hospice Care	248	6	1.42%	218	8	1.28%
Magan Medical Clinic	234	7	1.34%	277	5	1.63%
Med Legal Inc	185	8	1.06%	-		0.00%
Composites Horizons Inc	185	9	1.06%	-		0.00%
Haemonetics Manufacturing, Inc	185	10	1.06%	-		0.00%
Bert's Mega Mall	-		0.00%	249	6	1.47%
Pall Medical	-		0.00%	241	7	1.42%
Land America Tax & Flood Services	-		0.00%	206	9	1.21%
	<u>7,543</u>		<u>43.17%</u>	<u>5,291</u>		<u>31.18%</u>

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

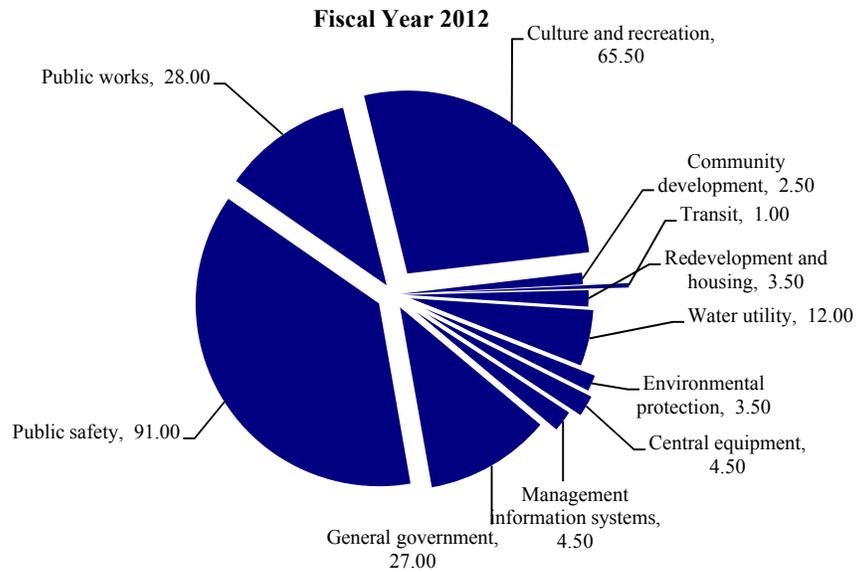
Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

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

	2006	2007	2008	2009	2010	2011	2012
	Total						
General government	22.31	21.06	21.06	30.00	25.00	26.00	27.00
Public safety	100.50	101.00	101.00	104.00	94.50	93.50	91.00
Public works	18.00	18.00	17.00	22.00	20.00	26.50	28.00
Culture and recreation	45.54	43.88	43.88	65.00	41.50	38.50	65.50
Community development	15.95	15.95	15.95	17.00	8.50	2.00	2.50
Transit	1.35	1.50	1.50	2.00	1.50	1.50	1.00
Redevelopment and housing	3.50	3.50	3.50	7.00	8.00	5.50	3.50
Water utility	13.25	13.25	13.25	11.00	12.50	12.50	12.00
Environmental protection	3.75	3.75	3.75	3.00	3.00	3.00	3.50
Central equipment	3.50	4.00	4.00	3.00	3.50	4.50	4.50
Management information systems	3.00	3.00	3.00	4.00	1.50	4.50	4.50
Total full-time equivalent positions	230.65	228.89	227.89	268.00	219.50	218.00	243.00

(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 Seven Fiscal Years

	2012	2011	2010	2009	2008	2007	2006
Public safety							
Police:							
Physical arrests	3,070	3,041	3,160	3,157	3,265	4,231	3,455
Parking violations	11,786	11,900	15,537	16,096	13,458	19,893	21,775
Traffic violations	5,772	5,874	6,976	7,174	6,896	8,091	8,019
Fire:							
Number of calls answered	3,996	3,856	3,919	3,537	3,951	3,477	3,511
Inspections	802	1,066	2,250	1,512	2,287	2,521	2,630
Culture and recreation							
Parks and recreation:							
Leaders-in-Training participants	73	67	61	70	70	70	70
Youth sports participants	2,240	2,594	2,890	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	6,398	7,350	7,900	7,450	7,212	7,946	7,867
Cultural excursion program participants	494	530	478	380	347	436	390
Summer evening event attendees	25,950	27,250	25,950	23,650	10,005	6,013	10,500
Senior service participants	22,681	19,095	18,060	13,434	14,350	10,836	10,211
Senior nutrition program meals served	15,522	15,920	15,530	12,300	10,074	12,075	10,871
Special events	53,000	53,000	53,000	53,000	53,000	28,000	53,200
Aquatic participants	8,244	7,911	7,780	5,400	4,115	9,630	15,132
Library:							
Circulation							
Books/Audiobooks/CDs	134,775	144,535	151,051	149,068	149,766	153,758	164,199
Videos/DVDs	11,255	13,351	12,740	13,787	14,601	15,887	18,545
Total Circulation	146,030	157,886	163,791	162,855	164,367	169,645	182,744
Computer Services							
Number of hours	14,787	16,172	22,804	24,437	20,816	24,424	32,117
Number of users	19,860	20,941	24,194	24,365	22,444	23,687	28,344
Library Cards Issued							
City Residents	2,219	2,221	2,558	2,663	2,421	2,278	2,753
Non-City Residents	2,580	2,202	2,327	2,809	2,492	2,328	2,687
Library materials added							
Books	2,797	2,729	5,236	3,858	4,250	3,373	5,256
CDs	112	183	287	35	148	182	369
Audiobooks	97	131	185	106	91	99	127
DVDs	232	263	394	346	282	529	490
Total Materials Added	3,238	3,306	6,102	4,345	4,771	4,183	6,242
Library Programs/Services							
Storytime participants	4,318	1,911	1,297	1,476	983	1,089	930
Adult/Young Adult program participants	700	690	1,260	485	311	525	531
Children's program participants	1,602	1,486	1,693	1,289	992	1,742	1,113
Summer Reading Program participants	890	1,096	859	902	837	864	1,072
Joint Summer Reading program participants	951	671					
Homework Help Tutors	35	24					
Homework Help volunteer hours	990	713					
Number of participants	1,132	677					
Literacy							
Number of tutors	37						
Number of volunteer hours	10,464	10,113	8,640	15,611	2,448	6,157	8,495
Number of adults served	91						
Number of children served	46						
Reference Questions							
Adult	9,808	11,354	17,985	21,592	14,851	18,400	18,512
Childrens	9,135	8,005	14,396	10,116	10,157	10,617	11,758
Total Reference Questions	18,943	19,359	32,381	31,708	24,999	29,017	30,270
Planning							
Planning reviews	465	320	336	462	359	267	450
Permits issued	422	400	443	790	790	1,075	946
Inspections	3,399	3,400	3,682	3,115	4,249	7,378	3,788
Building							
Building reviews	336	320	336	462	359	267	450
Permits issued	1,080	400	443	707	790	1,075	946
Inspections	5,441	3,400	3,682	3,115	4,249	7,378	3,788
Transit							
Average daily parking customers (station & structure paid)	886	742	765	760	823	757	550
Dial-A-Cab participants (monthly average)	1,639	1,515	1,432	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	60	77	75	87	143	119	125
Code Enforcement							
Total Inspections	13,919	10,034	7,991	5,368	3,270	4,339	
Signs removed from public right of way	3,516	528	575	533	340	192	
Industrial Waste Inspections	488	593	12	0	0	0	
Water utility							
Average daily consumption (gallons)	4,816,719	5,445,095	5,510,880	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	101,008	54,423	51,926	50,039	50,509	50,509	50,509
Meter replacements	73	168	849	1,053	619	619	619
Consumer responses	7,298	1,715	2,593	2,889	5,888	5,888	5,888
Service line repairs	99	87	99	148	109	109	109
Main line repairs	46	43	48	53	72	72	72
Street Maintenance							
Traffic sign remove/replace/install	565	244	787	261	229	229	229
Potholes repaired	1,502	1,928	1,782	1,047	533	533	533
Curb painted (lf)	51,424	27,653	42,446	20,681	32,704	32,704	32,704
Utility cuts repaired	24	81	104	156	116	116	116
Trees trimmed	352	703	375	565	294	294	294
Equipment Maintenance							
Preventative maintenance service	568	478	359	309	336	336	336
Safety inspections	626	474	372	423	445	445	445
Daily demand repairs	1,210	1,043	993	936	1,045	1,045	1,045
Tire repairs	253	243	327	262	234	234	234
Environmental protection							
Refuse collected (tons/month)	2,601	2,559	2,642	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	198	192	193	202	211	226	290
Green waste collected (tons/month)	536	542	546	550	567	579	620
Compressed natural gas sold (gallon equivalents)	19,093	22,704	25,462	18,542	16,496	19,521	22,318

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

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

	<u>2012</u>	<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	1
Public safety							
Police:							
Stations	1	1	1	1	1	1	1
Patrol units	27	26	26	26	26	26	26
Fire stations	3	3	3	3	3	3	3
Public works							
Arterial streets (miles)	35	35	35	35	35	35	35
Residential streets (miles)	82	82	82	82	82	82	82
Curb and gutter (miles)	240	240	240	240	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,000,000
Traffic signals	60	60	60	60	58	58	56
Sanitary sewer (miles)	121	121	121	121	121	121	120
Storm water catch basins	71	71	71	71	72	65	65
Street trees	9,347	9,563	9,576	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	125	125	125	-	-
Culture and recreation							
Parks and recreation:							
Park acreage	53	53	53	57	57	57	57
Parks	8	8	8	9	9	9	9
Horse-walking trails	1	1	1	1	1	1	1
Nature trails	1	1	1	1	1	1	1
Playground areas	8	8	8	8	8	8	8
Swimming pools	2	2	2	2	2	2	2
Softball fields	3	3	3	3	3	4	4
Baseball fields	3	3	3	3	3	3	3
Basketball courts	10	10	10	10	10	5	5
Roller hockey rinks	2	2	2	2	2	2	2
Tennis courts	3	3	3	3	3	9	9
Buildings and centers	12	12	12	12	12	3	3
Library buildings	1	1	1	1	1	1	1
Transit							
Parking structure (vehicle spaces)	655	655	655	655	655	655	655
Parking lot (secured bicycle spaces)	36	36	36	36			
Transit vehicles	5	5	5	4			
Redevelopment and housing							
Transitional housing	1	1	1	1	1	1	1
Water utility							
Reservoirs	8	8	8	8	8	8	8
Pump stations	6	6	6	6	6	6	6
Water mains (miles)	102	102	102	102	102	102	102
Service meters	8,552	8,703	8,437	8,329	8,443	8,470	8,470
Fire hydrants	1,057	1,057	1,043	1,037	1,006	1,003	991

⁽¹⁾ Information provided by various departments for last seven 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⁾
6/30/2012	8,606
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	6/30/2012
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	10,515,236
Operating Expenses								
Source & supply	1,630,000	2,528,918	2,034,423	2,715,495	1,567,518	2,135,247	3,194,055	2,943,016
Production & storage	425,281	400,153	479,730	541,948	570,553	446,230	511,794	507,877
Transmission & distribution	468,530	473,949	586,448	786,324	925,845	960,513	1,207,591	1,423,143
Customer acct & collections	258,545	260,100	222,195	276,628	377,026	424,001	640,413	857,370
Administrative & general	665,889	753,549	846,941	834,117	784,365	921,618	1,026,874	655,696
Depreciation	362,098	379,948	392,624	411,491	443,133	464,462	1,056,167	783,715
Total Operating Expenses	3,810,343	4,796,617	4,562,361	5,566,003	4,668,440	5,352,071	7,636,894	7,170,817
Net Revenues	1,263,313	432,704	956,042	589,128	792,022	1,273,732	1,235,954	3,344,419
1999 Bond Installment Payments	261,405	255,243	258,715	256,665	254,148	251,190	218,555	-
2010 Bond Installment Payments	-	-	-	-	-	-	192,308	1,173,262
Coverage	4.83	1.70	3.70	2.30	3.12	5.07	3.01	2.85

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):	1.18	1.65					
Single Family (0-16 ccf)			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
CITY OF COVINA	Commercial	228,075	2.17%
COVINA SCHOOL DISTRICT	Commercial	200,390	1.91%
INTER-COMM HEALTH SVC	Commercial	65,983	0.63%
RAYNE SOFT WATER SERVICE	Commercial	39,296	0.37%
IKEA CALIFORNIA, LLC #413	Commercial	33,585	0.32%
THE WASHINGTON HOTEL CORP.	Commercial	32,733	0.31%
FNL/COVINA PAMTERS LLC	Commercial	30,759	0.29%
MOBILAIRE ESTATES	Commercial	25,713	0.24%
SONRISE CHRISTIAN SCHOOL	Commercial	25,464	0.24%
FIFIELD MANORS	Commercial	24,465	0.23%

(1) Information obtained from Water information system
(2) Information obtained from Covina Comprehensive Annual Financial Report

CITY COVINA, CALIFORNIA
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	6/30/2012
<u>Operating Revenue</u>							
Special Assessments	135,464	169,745	263,576	532,693	970,717	1,464,430	1,750,240
<u>Operating Expenses</u>							
General & Administrative	97,064	406,489	864,689	270,453	688,638	435,948	164,835
Depreciation	-	-	-	-	12,527	25,461	28,319
Total Operating Expenses	97,064	406,489	864,689	270,453	701,165	461,409	193,154
Net Revenues	38,400	(236,744)	(601,113)	262,240	269,552	1,003,021	1,557,086
2009 Installment Payments	-	-	-	-	605,221	784,658	932,806
Coverage	-	-	-	-	0.45	1.28	1.67
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⁾	6/30/2012	Secured	Unsecured	Total
		Base Year	708,217,728	68,362,995
Net incremental assessed value	34,014,403	12,882,300	46,896,703	
Pending Appeals	674,203,325	55,480,695	729,684,020	
	(17,358,149)			

Project Area 2				
Assessed Values ⁽¹⁾	6/30/2012	Secured	Unsecured	Total
		Base Year	177,628,049	7,134,278
Net incremental assessed value	25,670,728	5,603,918	31,274,646	
Pending Appeals	151,957,321	1,530,360	153,487,681	
	(5,386,027)			

Top Ten Taxpayers Project Area 1 Assessed Value		Top Ten Taxpayers Project Area 2 Assessed Value	
KIR Covina LP	45,449,129	Vista Pointe Apartments LLC	36,644,338
Citrus Valley Health Partners	33,140,602	Grand Covina Plaza LLC	12,040,379
FNL Covina Partners LLC	26,400,000	RPC Village Green Apt LLC	7,670,997
UIMC Covina LLC	25,853,608	Fanon Realty LLC	5,929,577
Spirit SPE Covina LLC	24,800,000	Christopher Champion Family Trust	3,552,980
Brisam Covina LLC	20,700,000	Hassen Imports Partnership	3,335,506
Medsep Corporation	17,345,067	Mary N. Davis Trust	3,046,264
Walmart Real Estate Bus	14,896,859	Maria M Moreno	2,250,000
Covina Marketplace LLC	13,076,243	Citrus Development Corporation Ltd	2,031,972
New Albertson's Inc	12,935,442	Helen S. Christman Trust	1,613,022

Tax Increment Revenue ⁽¹⁾	Project Area 1	Project Area 2
Gross Tax Increment	2,304,037	594,417
Pass through to Low-Mod Housing	(668,754)	(147,240)
Less pass-through to County	(91,603)	(386,463)
AB1290 pass-through	(88,279)	(22,851)
Net Tax Increment Received	1,455,401	37,863

Debt Service Payments ⁽²⁾	Project Area 1	Project Area 2
1997A Bond Principal	-	80,000
1997A Bond Interest	-	68,586
1997B Bond Principal	330,000	-
1997B Bond Interest	157,350	-
2002A Bond Principal	320,000	-
2002A Bond Interest	121,834	-
2004A Bond Principal	710,000	-
2004A Bond Interest	569,121	-
2004B2 Bond Principal	780,000	-
2004B2 Bond Interest	18,408	-
Total Debt Service	3,006,713	148,586

Debt Service Coverage	0.48	0.25
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(1) Information obtained from Los Angeles County/HdL Companies

(2) Information obtained from Official Statements of bonds issued