



City of Covina, California



Comprehensive Annual Financial Report

Fiscal year ended June 2013



CITY OF COVINA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2013

Walter Allen III, Mayor

Peggy Delach
Mayor Pro Tem



John C. King
Council Member

Jorge A. Marquez
Council Member

Kevin Stapleton
Council Member

Daryl Parrish, City Manager

Prepared by the City of Covina Finance Department

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CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

December 16, 2013

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, 2013 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. Moss Levy & Hartzheim LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2013. 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 48,346 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).

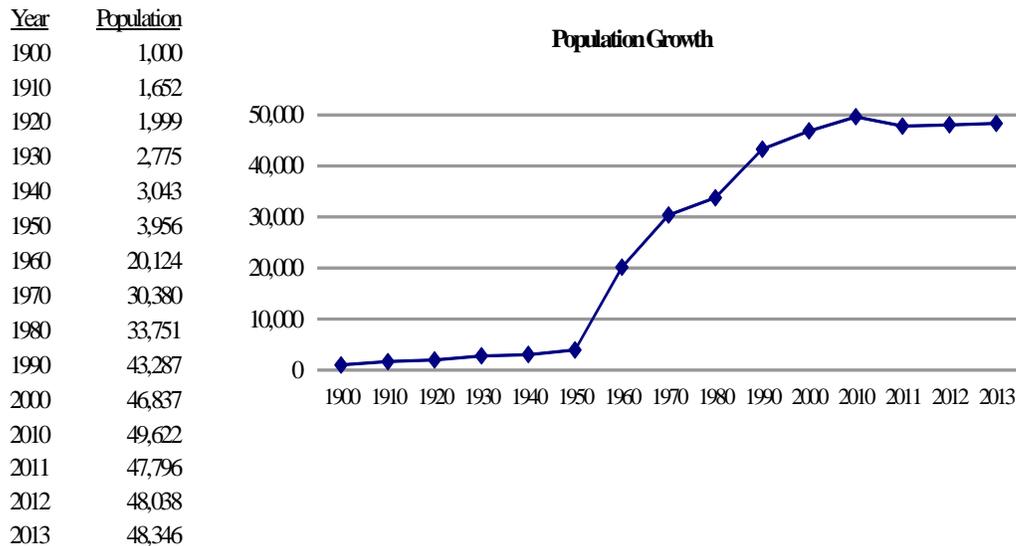
The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g., police patrol). Department heads may transfer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

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: U.S. Census Bureau.

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 2009 through October 2013:

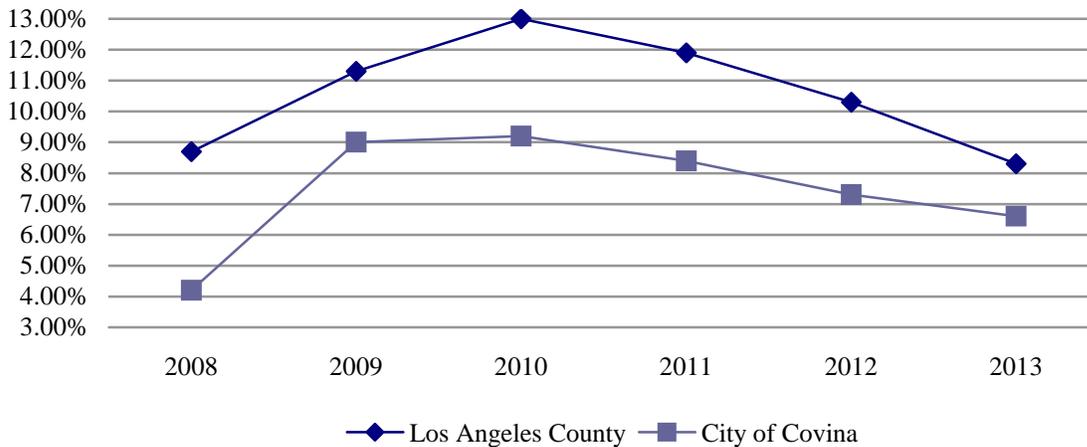
LOS ANGELES COUNTY AND CITY OF COVINA STATISTICAL AREA
 Civilian Labor Force, Employment, Unemployment and Unemployment Rate
 Annual Averages (000's) ⁽¹⁾

	2009		2010		2011		2012		2013	
	<u>County</u>	<u>City</u>								
Civilian Labor Force (2)	4,971	25.70	4,909	25.70	4,899	25.70	4,840	25.50	4,992	26.40
Employment	4,410	23.40	4,272	23.30	4,316	23.50	4,339	23.70	4,520	24.60
Unemployment	560	0.20	637	2.40	583	2.20	501	1.90	472	1.80
Unemployment Rate	11.30%	9.00%	13.00%	9.20%	11.90%	8.40%	10.30%	7.30%	9.50%	6.60%

⁽¹⁾ Not seasonally adjusted.

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

**Unemployment Rate
Covina versus LA County**



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

Long-term Financial Planning

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

Program - Base Budget

1. Appropriations

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

- 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*

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 of Covina received an unqualified opinion for the audit ending June 30, 2012 and received the Excellence in Financial Reporting award from the Government Finance Officers Association.

The Successor Agency to the Covina Redevelopment Agency, CDBG and Housing are activities of the Finance Department. Under CDBG Economic Development programs, three new businesses were awarded a total of \$125,000 in grants. Additionally grant dollars awarded in the prior fiscal year but disbursed in the 2012-13 fiscal year totaled \$208,799.

Under the CDBG Residential Rehabilitation activity, the program assisted four low income residents for a total of \$86,546.

Under the Housing activity, the City owned McGill transitional house assisted 5 adults and 12 children during the 2012-13 fiscal year.

Funded by bond proceeds, the Public Works Department undertook infrastructure improvement projects in both Water and Wastewater systems. During the fiscal year contracts for \$7.2 million were awarded for Wastewater system improvements and \$7.1 million for Water system improvements. The projects are ongoing and expected to be completed by June 30, 2014.

The City received a State Parks and Recreation Prop 84 grant of \$2,125,750 to construct a new recreational facility which will be named "Cougar Park".

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 the Joslyn Center project by June 2014.

During the 2012-13 fiscal year, the Human Resources Department started negotiations with the Unaffiliated groups, AFSCME-represented employees, and the Covina Police Association. Staff conducted 32 recruitments. The Risk Management Division managed 34 workers' compensation claims and coordinated various safety training sessions for employees. Another achievement that occurred in the 2012-13 fiscal year was working with different vendors to provide better services to city employees.

The Parks & Recreation department has continued to provide high quality community programs, services and events to the residents of Covina. The department, along with the Covina Christmas Parade Committee volunteers coordinated another very successful Covina Christmas Parade with 25,000 in attendance. The department also provided logistical coordination to the Covina Downtown Association to present the Thunderfest Car Show and Music Festival, which attracted over 25,000 people to Covina's downtown. The department continued to provide assistance to a number of community-based organization events. The Cougar Park project got underway, with a projected completion date of July 2014.

The Community Relations Division secured over \$18,000 in sponsorships for the Summer Evening Entertainment program, which was attended by over 25,000 people. The division also planned and coordinated many successful children's events for the Library, including puppet shows, craft and movie days, and a very popular Christmas Cookie House Decorating event. In honor of Black History Month, a display was developed for the Library, which featured the biographies of prominent African-Americans to promote awareness to the public. Each weekend in February also featured special events including a showcase of Aesop's Fables, a visit from

“Abraham Lincoln,” and a presentation on the Tuskegee Airmen. As liaison to the Cultural Arts Advisory Commission, the division coordinated the annual Dia De Los Muertos event with over 3,000 in attendance. The coordination of street banner hangings generated over \$3,500 in net revenue, which was used to enhance recreational programming.

In the Recreation Services Division, the Summer Day Camp program was attended by over 500 youth. The Leisure Lifestyle Classes program continued to expand with nearly 7,000 registrants and gross revenues exceeding \$250,000. 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) continues to provide volunteer service, as well as conduct fundraisers and other activities to benefit local charitable organizations. The division is also working on raising funds for a Community Garden project.

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 over 300 hours of assistance to the department’s recreation programs and special events. Two major service projects were facilitated, including a Girl Scout Silver project and an Eagle Scout project, both at Heritage Plaza.

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. The division has continued to seek sponsorships to offset event costs, and was successful in securing over \$3,000 this year.

In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served over 9,600 participants during the summer months.

The Vintage Years School Tour program facilitated 11 school tours for over 400 children. The tours are conducted by 18 volunteer docents.

The Library had over 230,000 visitors during the year, with over 136,000 items checked out and nearly 15,000 computer uses. Library and Literacy volunteers donated over 15,000 hours of service. The Homework Help program stayed steady, with attendance averaging 25 students a day and peer tutors giving nearly 800 hours of service. The Literacy program served 41 adults and 15 children over the course of the year with 37 volunteer tutors and 2 staff.

The Library continued to be successful as a Family Place Library. A series of workshops was held for parents and their 12-36 month old children. The workshops and materials have been enthusiastically received by parents and their children. The Family Place Area of the Library, which contains developmentally appropriate toys and books for young children as well as resource materials for parents and caregivers, continues to be a popular area for families to share together. My First Library Card, which is a library card specially designed for young children

ages 0-5 to encourage them to read, has also been successful. Over 450 children in this age group now have their own library 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 in April featured author Gaye Brandeis conducting a writing workshop for adults along with other activities held throughout the week and concluded with the Friends of the Library Book & Bake Sale. The Paws for Books program, where certified therapy dogs come once a week and children practice their reading skills by reading to the dogs, continued to grow with nearly 400 children participating this year. The story times also remained steady with over 2,300 participants.

The Library was a recipient of \$10,000 from the Books4U grant, and was able to purchase 749 new books for the collection spread amongst all categories with the biggest emphasis on Children's/Teen and Workforce Development materials. The Library also selected a new catalog system, Symphony to replace an outdated system. Symphony offers many features which will enhance customer service, such as online account services and easier catalog searches.

The Police Department provided excellent policing and customer service to the citizens of Covina. The communications division received 131,896 telephone calls which resulted in 42,689 dispatched calls for service. The average response time for Priority 1 calls for the year was 3:01 minutes. \$100,000 in grant money was received from the Citizens' Option for Public Safety (COPS) Program to fund two Community Services Officers and one part-time Community Services Specialist. The department also received the Edward Byrne Memorial Justice Assistance Grant (JAG) in the amount of \$12,477. 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 \$60,000. The funds were designated for DUI checkpoints and saturation patrols that were performed throughout the year.

Covina entered into a partnership (JPA) with other San Gabriel Valley agencies (Glendora, La Verne, Azusa, West Covina, and Irwindale) to design and install a regional UHF radio system to move closer to the goal of interoperability. Beta testing of the system should begin in December 2013. Chief Raney continued his participation as a board member for the countywide public safety radio interoperability project - LARICS.

The Covina Police Department continued to utilize technology to improve customer service and efficiency. We started an electronic crime prevention newsletter to disseminate information to the public via email and the police department website. Our 24 member volunteer program continued to be a huge success. In addition to performing clerical work, patrol and residential vacation checks, and staffing special events, a few volunteers were selected to assist in launching a program to better serve victims of identity theft. The program called CREDIT (Community Response to Eradicate and Deter Identity Theft) will utilize police volunteers to assist victims and further investigate certain types of identity theft cases.

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, 2012. This was the eleventh 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 and to the Department Directors for their cooperation and support during the annual audit.

Sincerely,



Daryl Parrish
City Manager



Dilu de Alwis
Finance Director



Government Finance Officers Association

**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

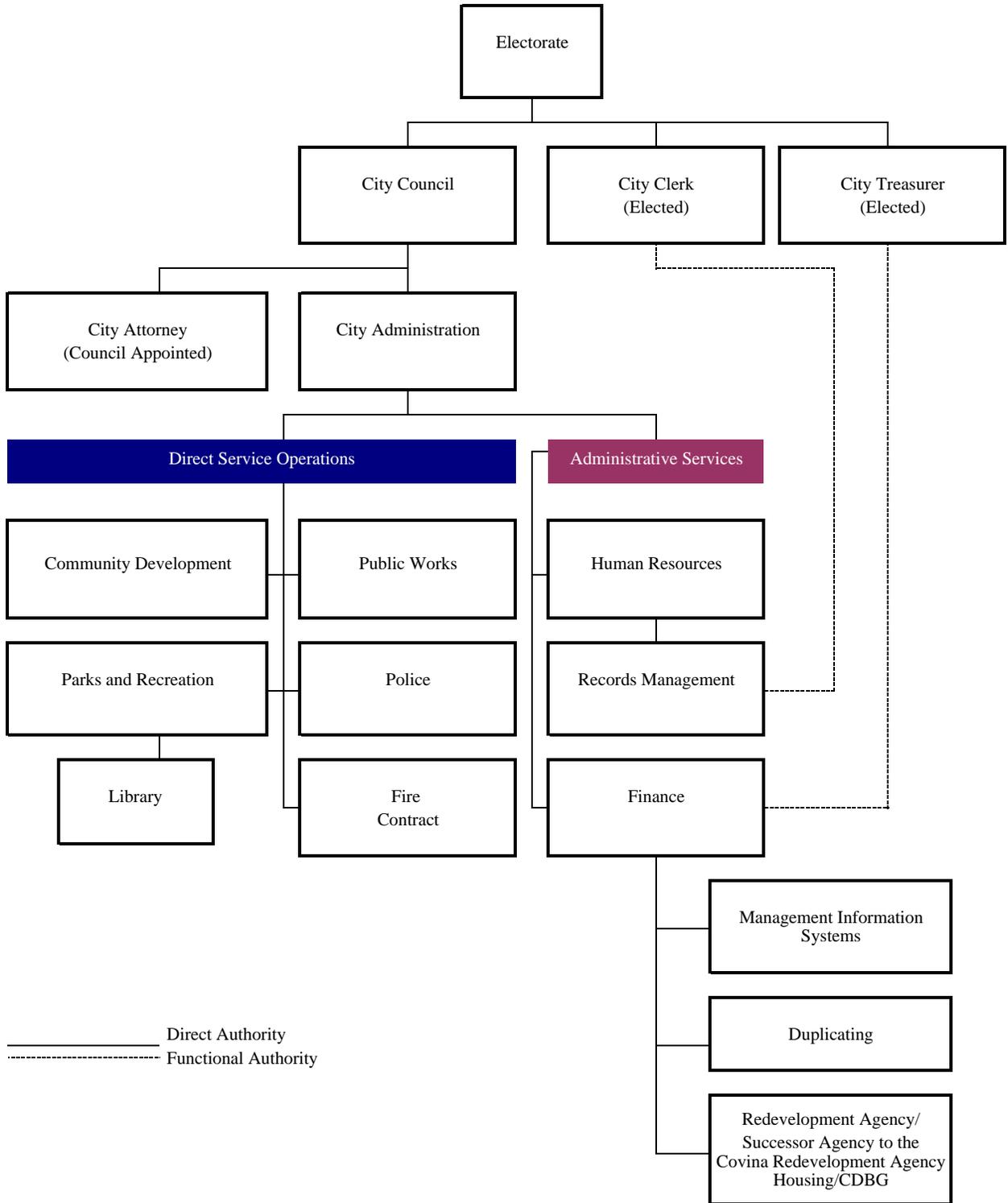
June 30, 2012

Executive Director/CEO

CITY OF COVINA, CALIFORNIA

Organizational Chart

June 30, 2013



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2012-2013

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Walter Allen III	March 2015
Mayor Pro Tem: Peggy A. Delach	March 2015
Council Members: John C. King Jorge A. Marquez Kevin Stapleton	March 2017 March 2017 March 2017
City Clerk: Mary Lou Walczak	March 2017
City Treasurer: Geoffrey Cobbett	March 2017
<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
Interim Public Works Director: Kalieh Honish	September 2012
Parks and Recreation Director: Amy Hall-McGrade	July 1983

* Appointed by City Council

** Appointed by Los Angeles County Fire District



PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
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FAX: 310.670.1689
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FAX: 310.670.1689
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Covina, California

Report on the Financial Statements

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 as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17-30 and 83-84 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covina, California's basic financial statements. The introductory section, combining and individual non-major, internal service, and agency fund financial statements, and statistical section, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual non-major, internal service, and agency fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major, internal service, and agency fund financial statements are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the City of Covina, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Covina, California's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 16, 2013

Management's Discussion and Analysis (Unaudited)

The following 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, 2013. This report is prepared in conjunction with the accompanying transmittal letter and basic financial statements and notes.

FINANCIAL HIGHLIGHTS

- * The assets of the City exceeded its liabilities at the close of the fiscal year by \$131,435,346. The Governmental Activities have unrestricted net position of \$11,385,702, which are available to meet the City's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net position of \$11,741,520.
- * The City's net position for governmental activities decreased by \$3,579,774 or 3.43% from the previous fiscal year from operations. The prior year net position previously reported at \$101,194,283 has been restated at \$104,464,795.
- * The total cost of all City activities was \$53,150,560 for the current fiscal year. Net cost of all activities was \$27,656,736.
- * During the current fiscal year, the City's expenses exceeded net revenues of the governmental activities by \$3,579,774.
- * In the City's business-type activities, revenues exceeded expenses by \$3,031,762.
- * The total fund balances of the City's governmental funds were \$19,316,737 at the close of the fiscal year. Of this amount, \$9,089,555 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.
- * General Fund revenues exceeded expenditures and other financing sources (uses) by \$1,107, 202 for the fiscal year.
- * The total fund balance of the General Fund was \$11,644,925 for the year. Of this amount, \$1,064,615 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion, and \$10,580,310 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.

Statement of Net Position

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless*

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

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, and Covina Housing Authority for which the City is financially accountable. These *component units* are therefore included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the general and housing authority, which are considered to be major funds. Information from the other non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information section of the report.

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

Proprietary Funds

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

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

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.

Fiduciary Funds

Fiduciary funds (private purpose trust fund) are used to account for the assets and activities for which the city acts as trustee.

The Statement of Fiduciary Net Position reports the Assets and Liabilities of the fund and the net position is reported as "held in trust for other governments".

The government-wide financial statements exclude fiduciary funds.

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 position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$131,435,346 at the close of the fiscal year.

The largest portion of the City's net position (70.82%) is in capital position (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 position (11.59%) represents resources that are subject to external restrictions on how it may be used; therefore \$15,229,058 may not 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 position for governmental funds decreased by \$3,579,774 or 3.43% during the fiscal year as a result of expenditures exceeding revenues year over year. The total cost of all City activities was \$53,150,560 for the fiscal year. Net cost of all activities was \$27,656,736.

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

Governmental Activities

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

Governmental Activities Net Position

	2013	2012*
Current and other assets	\$ 38,341,178	\$ 32,630,288
Capital assets	75,155,730	79,025,487
Total assets	<u>113,496,908</u>	<u>111,655,775</u>
Long-term liabilities outstanding	8,569,579	12,677,049
Other liabilities	4,042,308	2,227,859
Total liabilities	<u>12,611,887</u>	<u>14,904,908</u>
Net position:		
Net Investment in capital assets	74,270,261	73,907,609
Restricted	15,229,058	18,664,555
Unrestricted	11,385,702	11,892,631
Total net position	<u>\$ 100,885,021</u>	<u>\$ 104,464,795</u>

*Certain balances or amounts have been restated due to land that was incorrectly valued, an understatement of CalPERS safety members retirement side fund which was not previously recorded, loans that were not previously recorded, and an understatement of deferred revenue from a prior long-term note receivable.

The net position of the governmental activities represents 76.76% of the City's total net position. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, redevelopment and housing and transportation. Restricted net position decreased by \$3,579,774 or 34.26%.

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

Governmental Activities Change in Net Position

	2013	2012*
Revenues		
Program revenues:		
Charges for services	\$ 5,193,054	\$ 6,128,058
Operating grants and contributions	5,597,878	4,827,008
Capital grants and contributions	611,661	1,154,676
General revenues:		
Property taxes	13,323,781	13,383,113
Sales taxes - intergovernmental unrestricted	5,835,052	5,323,574
Utility users taxes	5,065,228	4,553,173
Other taxes	2,253,739	2,153,075
Investment earnings	337,358	250,604
Gain on sale of Capital Assets	6,614	10,105
Total revenues	38,224,365	37,783,386
Expenses		
General government	1,923,009	1,154,723
Public safety	24,363,654	22,538,712
Public works	6,246,958	7,645,492
Culture and recreation	4,322,897	4,099,860
Community development	1,738,855	903,125
Transit	1,393,213	1,498,359
Redevelopment and housing	1,792,779	4,076,392
Interest on long-term debt	49,654	427,087
Total expenses	41,831,019	42,343,750
Extraordinary Loss	-	(11,674,077)
Decrease in net position before transfers	(3,606,654)	(16,234,441)
Transfers in	26,880	6,653
Change in net position	(3,579,774)	(16,227,788)
Beginning net position	104,464,795	117,422,071
Prior Period Adjustments	-	3,270,512
Ending net position	\$ 100,885,021	\$ 104,464,795

*Certain balances or amounts have been restated due to the following prior period adjustments: deletion of land that was incorrectly valued in the amount of (\$532,027), CalPERS safety member's retirement side fund which was not previously recorded in the amount of \$3,856,964, and loans that were not previously recorded in the amount of (\$54,425).

The City's expenses exceeded net revenues of the governmental activities by \$3,606,654 before transfers resulting in a decrease of net position of \$3,579,774. Revenues overall show an increase of \$440,979 while expenses decreased by \$512,731.

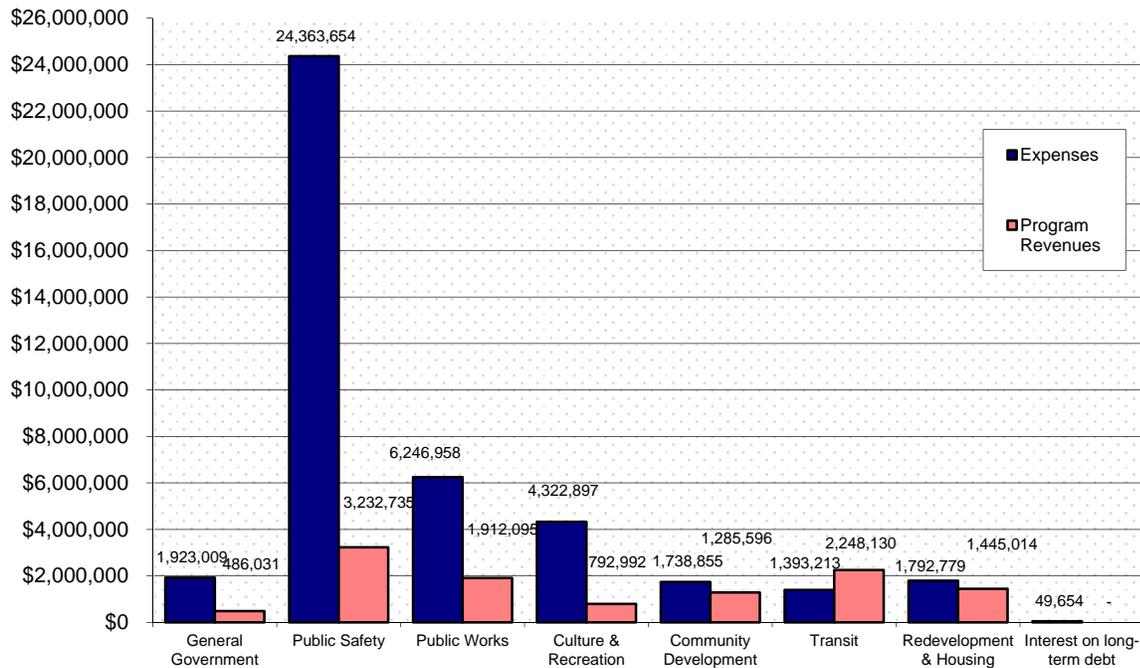
Management’s Discussion and Analysis (Continued)
(Unaudited)

A decrease in charges for services is mainly due to the change in the Public Liability and Workers Compensation funds to internal service funds beginning fiscal year 2013. Previously, this activity was recorded in the general fund. Operating grants and contributions increased for public safety, transit and public works. Public safety grants included a \$325,000 homeland security grant, and \$90,000 in AB109 realignment funds. Transit Prop A, Prop C and Measure R amounts all increased as a result of increased sales tax. Public works also received an MSRC grant in the amount of \$180,000. Sales tax and utility users tax increased 9.61% and 11.25 % respectively from the previous fiscal year. Property tax revenue included one-time payments of \$413,000 for residual property tax and \$469,000 for return of property tax administrative fees as a result of ABX1 26.

A net decrease in expenses of \$513,000 or 1.21% is reported from the previous fiscal year. The increase in general government is primarily due to an increase in OPEB and compensated absences. The net increase in public safety reflects an increase in the Los Angeles County fire contract of \$617,000, the amortization of the CalPERS side fund asset of \$578,000 and an increase of \$550,000 in indirect costs allocated. The increase in community development is primarily due to an increase of \$37,000 for legal fees, \$297,000 in personal services and \$395,000 in Indirect Cost Allocations. Redevelopment and housing expenses decreased in the amount of \$2,284,000 due to the dissolution of the former redevelopment agency on February 1, 2012 per ABX1 26. *Public works expense decrease is due to an adjustment for capital asset transfers posted in the GASB 34 conversion entries that were erroneously included as an expense of public works for fiscal year 2012 causing a net decrease of \$1,399,000 compared to the current fiscal year.

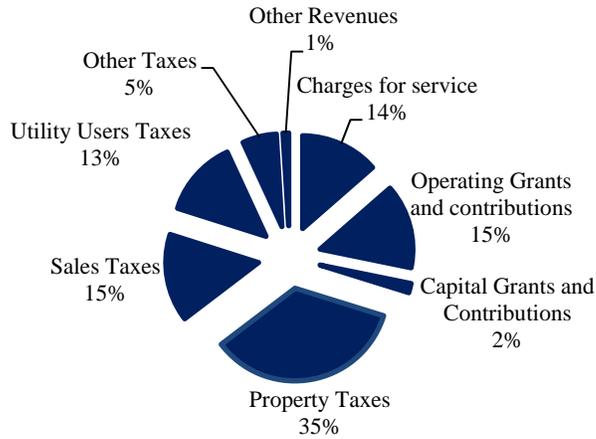
Net expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. The transit function recovered its expenses with program revenues. General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

Expenses and Program Revenues-Governmental Activities



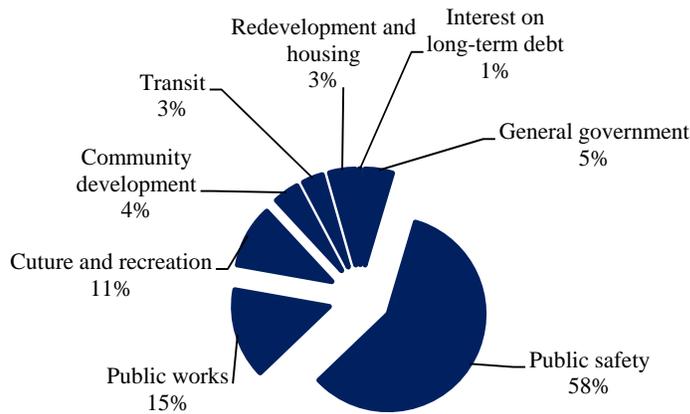
**Management’s Discussion and Analysis (Continued)
(Unaudited)**

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 73% of the programs of the governmental activities. This is consistent with the City’s highest priority of citizen safety and well being. Culture and recreation represent 11% of governmental activities as the City is committed to providing essential city services.

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

Business-type Activities

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

Business-Type Activities Net Position

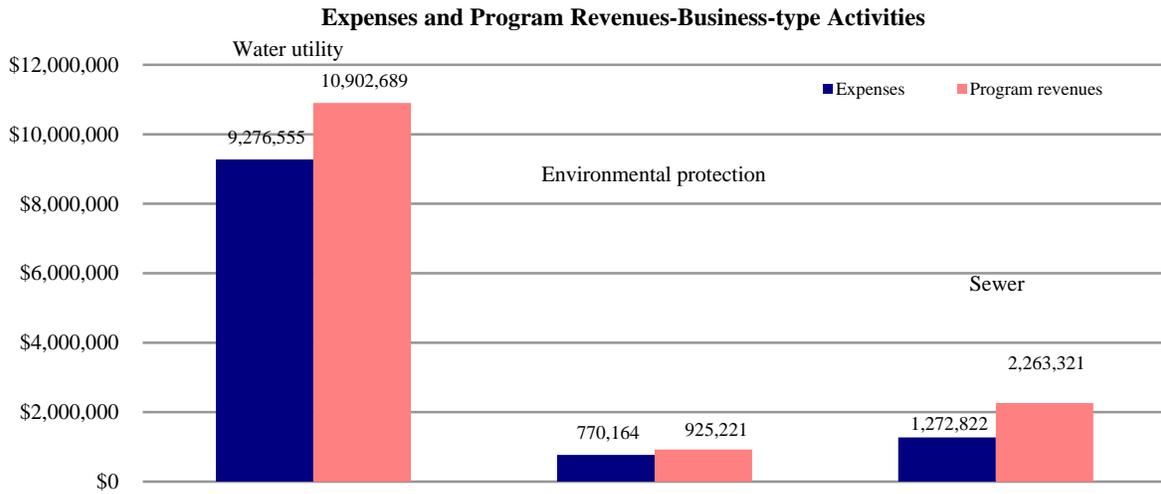
	2013	2012
Current assets and other assets	\$ 34,815,713	\$ 44,215,693
Capital assets, net	32,150,463	20,201,286
Total assets	66,966,176	64,416,979
Long-term liabilities outstanding	33,967,101	35,046,948
Other liabilities	2,448,750	1,851,468
Total liabilities	36,415,851	36,898,416
Net position:		
Net Investment in capital assets	18,808,805	13,160,600
Unrestricted	11,741,520	14,357,963
Total net position	\$ 30,550,325	\$ 27,518,563

The net position of the business-type activities represents 32.57% of the City's total net position. Business-type net position increased by \$3,031,762 from the previous year. The increase is primarily attributed to the increase in sewer charges for services.

Business-type Change in Net Position

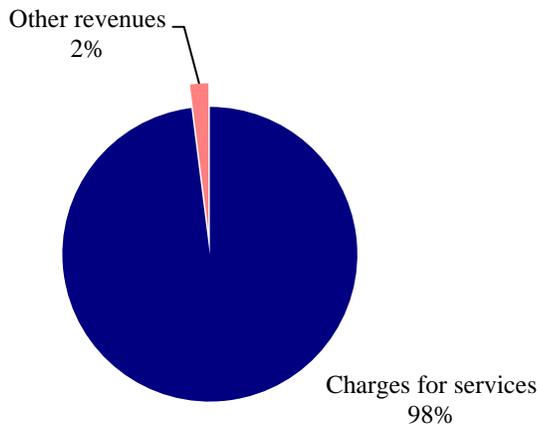
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 14,091,231	\$ 13,492,774
General revenues-other revenues	286,952	1,404,161
Total Revenues	14,378,183	14,896,935
Expenses		
Water Utility	9,276,555	8,156,273
Environmental Protection	770,164	1,026,776
Sewer	1,272,822	916,194
Total Expenses	11,319,541	10,099,243
Change in net position before transfers	3,058,642	4,797,692
Transfers in(Out)	(26,880)	(6,653)
Change in net position	3,031,762	4,791,039
Beginning net position	27,518,563	22,727,524
Ending position	\$ 30,550,325	\$ 27,518,563

**Management’s Discussion and Analysis (Continued)
(Unaudited)**



The City’s business-type program revenues exceeded expenses by \$2,771,690. Water and sewer utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services also recovered all operating expenses.

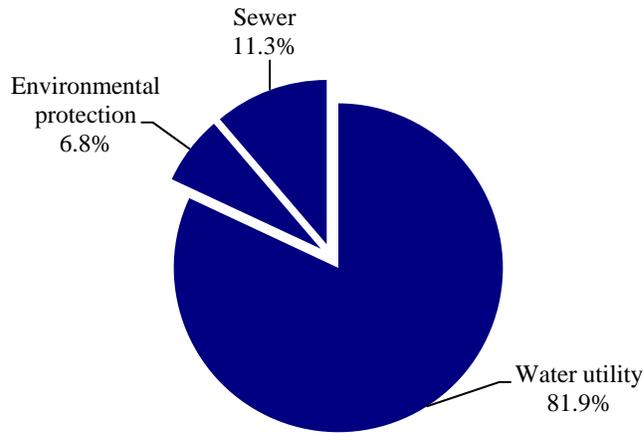
Revenues by Source-Business-type Activities



Total business-type revenues increased to \$14,091,231 from \$13,492,774 in the previous fiscal year. Charges for services are the major revenue source which provides for both operating and capital maintenance costs. Water utility charges for services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental protection charges include environmental fees for refuse and recycling services. Sewer charges include fees established to recover the cost of operating the sewer system throughout the City.

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

Functions/Programs - Business-type Activities



Total business-type expenses increased to \$11,319,541 from \$10,099,243 in the previous fiscal year. The majority of the increase in expenses is attributed to water utility operation, services which include general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution which increased by \$1,120,282. The sewer fund increase is due to increase in debt interest paid on the revenue bonds in the amount of \$335,934.38. Environmental protection expenses includes general and administrative, street sweeping, environmental services, refuse collection, industrial waste and waste management.

FINANCIAL ANALYSIS OF THE CITY FUNDS

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

Governmental Funds

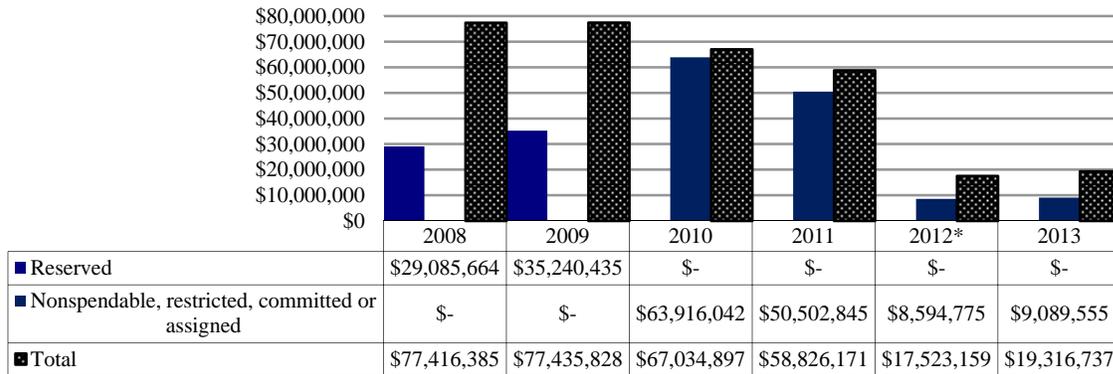
The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses the City's financing requirements. *Unassigned fund balance* is a measure of the City's net resources available for designation or spending at the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

As of June 30, 2013, the City's governmental funds reported combined fund balances of \$19,316,737, an increase of \$1,793,578 from the prior year. *Unassigned fund balance* of \$10,227,182 is available for designation and/or future spending at the City's discretion. The remainder of fund balance of \$9,089,555 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 2008-2013:

Fund Balances of Governmental Funds



*Certain balances have been restated due to prior period adjustments previously discussed in the analysis of governmental activities.

The general fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$11,644,925 of which \$10,580,310 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 37.8% of total general fund expenditures and unassigned fund balance represents 34.3% of total general fund expenditures.

The fund balance of the general fund increased by \$1,107,202 during the fiscal year. The increase in fund balance is attributed primarily to the following:

Expenses:

- Decrease in the general government function due to the reclassification of the workers compensation and public liability funds as internal service funds.

Revenues:

- Increase in tax revenues (sales, utility users and franchise)

The Housing Authority Special Revenue fund is a major fund of the City. The total fund balance of this fund is \$15,567 which is restricted and not *available for spending* at the City's discretion. The total fund balances decreased by \$1,793,578 during the fiscal year.

Proprietary Funds

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

Unrestricted net position of the water utility fund increased to \$12,833,725 in the fiscal year from \$11,706,670 in the prior year. Environmental fund unrestricted net position decreased to \$684,662 from \$921,619 in the prior year. The sewer enterprise fund has negative unrestricted net position in the amount of \$1,831,495 versus unrestricted net position in the prior year of \$1,679,570. Other factors concerning the finances of these two funds are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget are \$996,521 which represents a 3.21% increase. The most significant budgetary appropriation variances are as follows:

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

- **General Government.** Increased appropriations include \$15,000 for City Hall Roof, \$26,000 for the costs associated with repairing damaged and aged doors at city hall, \$140,000 increase in legal fees due to unanticipated litigation, \$18,000 consulting fees and \$20,000 for City Manager employment contract.
- **Public Safety.** Increased appropriations include \$30,000 for VHF radio project, \$28,000 for bank credit card fees for parking control, \$20,000 for landscaping at police memorial site, \$10,000 for the purchase of firearms which included a credit for employee buyback or a dealer trade equipment trade in. A carry over amount of amount of \$24,000 is also included for Access Control System and breach door and \$352,000 for year-end cost allocation adjustments.
- **Transfer Out.** Increased appropriation of \$200,000 for the General Fund to the CIP fund for the installation of a traffic signal at Cienega and Glendora streets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2013, is \$107,306,193 (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, 2013 and 2012:

	2013	2012
Capital Assets (net of depreciation)		
Governmental activities		
Land	\$ 9,834,268	\$ 10,479,858
Buildings and structures	13,357,205	13,751,910
Improvements other than buildings	1,095,862	1,221,358
Public domain infrastructure	45,029,656	48,678,654
Sanitary sewer infrastructure	2,337,966	2,431,047
Machinery and equipment	2,692,028	2,772,785
Construction in progress	808,745	221,902
Total governmental activities	75,155,730	79,557,514
Business-type activities		
Land	377,408	377,408
Buildings and structures	4,667,270	3,184,647
Improvements other than buildings	110,100	117,009
Water system infrastructure	14,923,831	14,412,640
Machinery and equipment	355,585	440,961
Construction in progress	11,716,269	1,668,621
Total business-type activities	32,150,463	20,201,286
Total capital assets	\$ 107,306,193	\$ 99,758,800

There was a net decrease in public domain infrastructure of \$3,648,998 during the current fiscal year primarily due to depreciation expense incurred. The net increase of \$10,047,648 in construction in progress is for water and sewer projects not completed during the fiscal year. The net increase in buildings and structures of \$1,482,623 is due to the addition of new water reservoirs. Please refer to Note 7 of the Notes to the Financial Statements for a more capital asset information.

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

At June 30, 2013, \$6,432,314 is committed for capital expenditures related to the water system project. Also, \$5,257,504 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 \$43,868,341. This includes compensated absences, claims and judgements, postemployment benefit obligation, capital lease, and revenue bonds payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2013 and 2012:
(net of unamortized charges)

	2013	2012
Governmental activities		
Compensated absences	3,678,213	2,766,960
Claims and judgements	5,211,990	4,818,000
Postemployment benefit obligation	394,829	28,636
Capital lease payable	109,404	212,881
Revenue bonds payable	506,804	993,608
Total governmental activities	9,901,240	8,820,085
Business-type activities		
Compensated absences	319,280	214,300
Capital lease payable	4,355,401	4,665,191
Revenue bonds payable	29,292,420	30,167,457
Total business-type activities	33,967,101	35,046,948
Total outstanding debt	\$ 43,868,341	\$ 43,867,033

The decrease in long-term debt from 2012 to 2013 in both governmental and business type activities is primarily due to principal payments which reduced outstanding debt in the amount of \$1,738,000 made during the fiscal year ended June 30, 2013.

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

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 \$648,226,507 which is also the current legal debt margin.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Covina experienced a modest \$2,963,066 or 10.3% revenue increase in 2013 over 2012. The primary contributing factors for this increase is \$2,118,711 in property tax and \$511,478 in sales tax. Of the property tax increase \$2,150,069 is one-time revenue as a result of the dissolution of the Covina Redevelopment Agency and the distribution of excess cash within those funds.

The City applied good budgeting practices and considered new residential and retail development in formulating the 2013 budget and will continue to do so in future years. Sales tax indicators showed growth even though they are modest and continue to be in the single digit range.

Conservative budget policies put in place by Council direction and emphasized by the City Manager and supported by staff have enabled the City of Covina to remain fiscally solvent. We continue to maintain an emergency contingency reserve of \$6,165,857 or 20% of General Fund Appropriations in addition to an undesignated fund balance of \$4,443,396 as proof of this discipline.

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:

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

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

- Net investment in capital assets
- Restricted
- Unrestricted

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 25,985,767	\$ 6,604,623	\$ 32,590,390
Cash and investments-fiscal agent	272,357	19,570,379	19,842,736
Receivables (net of allowances for uncollectibles):			
Interest	5,270	-	5,270
Accounts	1,390,112	1,787,134	3,177,246
Intergovernmental	2,015,833	24,801	2,040,634
Loans and notes	5,090,554	-	5,090,554
Internal balances	(54,628)	54,628	-
Inventories	54,215	51,220	105,435
Prepaid items	3,578,602	-	3,578,602
Deferred charges	3,096	735,784	738,880
Investment in Covina Irrigating Company	-	5,987,144	5,987,144
Capital assets, not depreciated	10,643,013	12,093,677	22,736,690
Capital assets, depreciated, (net of accumulated depreciation)	64,512,717	20,056,786	84,569,503
Total assets	<u>113,496,908</u>	<u>66,966,176</u>	<u>180,463,084</u>
Liabilities			
Accounts payable	905,096	1,666,090	2,571,186
Deposits payable	120,688	292,800	413,488
Accrued liabilities	890,255	64,691	954,946
Due to other governments	446,243	-	446,243
Accrued interest payable	2,370	425,169	427,539
Unearned revenue	335,741	-	335,741
Due to Successor Agency	10,254	-	10,254
Long-term liabilities:			
Due within one year	1,331,661	1,258,361	2,590,022
Due in more than one year (net of unamortized discount and premium)	8,569,579	32,708,740	41,278,319
Total liabilities	<u>12,611,887</u>	<u>36,415,851</u>	<u>49,027,738</u>
Net Position			
Net investment in capital assets	74,270,261	18,808,805	93,079,066
Restricted for:			
Public safety	4,171,604	-	4,171,604
Public works	2,890,438	-	2,890,438
Culture and recreation	24,729	-	24,729
Transit	3,036,114	-	3,036,114
Redevelopment and housing	5,106,173	-	5,106,173
Unrestricted (deficit)	11,385,702	11,741,520	23,127,222
Total net position	<u>\$ 100,885,021</u>	<u>\$ 30,550,325</u>	<u>\$ 131,435,346</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,923,009	\$ 356,673	\$ 129,358	\$ -	\$ (1,436,978)	\$ -	\$ (1,436,978)
Public safety	24,363,654	1,957,506	1,275,229	-	(21,130,919)	-	(21,130,919)
Public works	6,246,958	556,466	1,355,629	-	(4,334,863)	-	(4,334,863)
Culture and recreation	4,322,897	798,562	37,102	(42,672)	(3,529,905)	-	(3,529,905)
Community development	1,738,855	1,167,001	118,595	-	(453,259)	-	(453,259)
Transit	1,393,213	328,136	1,265,661	654,333	854,917	-	854,917
Redevelopment and housing	1,792,779	28,710	1,416,304	-	(347,765)	-	(347,765)
Interest on long-term debt	49,654	-	-	-	(49,654)	-	(49,654)
Total governmental activities	41,831,019	5,193,054	5,597,878	611,661	(30,428,426)	-	(30,428,426)
Business-type activities:							
Water utility	9,276,555	10,902,689	-	-	-	1,626,134	1,626,134
Environmental protection	770,164	925,221	-	-	-	155,057	155,057
Sewer utility	1,272,822	2,263,321	-	-	-	990,499	990,499
Total business-type activities	11,319,541	14,091,231	-	-	-	2,771,690	2,771,690
Total functions/programs	\$ 53,150,560	\$ 19,284,285	\$ 5,597,878	\$ 611,661	(30,428,426)	2,771,690	(27,656,736)
General revenues:							
Property taxes					13,323,781	-	13,323,781
Sales taxes, intergovernmental, unrestricted					5,835,052	-	5,835,052
Transient occupancy taxes					395,589	-	395,589
Property transfer taxes					132,670	-	132,670
Business license taxes					259,692	-	259,692
Utility user taxes					5,065,228	-	5,065,228
Franchise taxes					1,465,788	-	1,465,788
Investment earnings					337,358	60,157	397,515
Investment gain in Covina Irrigating Company					-	226,795	226,795
Gain on sale of capital assets					6,614	-	6,614
Transfers					26,880	(26,880)	-
Total general revenues and transfers					26,848,652	260,072	27,108,724
Change in net assets					(3,579,774)	3,031,762	(548,012)
Net position at beginning of fiscal year					101,194,283	27,518,563	128,712,846
Prior period adjustments					3,270,512	-	3,270,512
Net position at beginning of fiscal year, restated					104,464,795	27,518,563	131,983,358
Net position at end of fiscal year					\$ 100,885,021	\$ 30,550,325	\$ 131,435,346

See accompanying notes to the financial statements.

Governmental Fund Financial Statements

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

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

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

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

Housing Authority is a special revenue fund that was created to administer the housing assets, liabilities, duties and obligations related to housing activities retained by the City following the dissolution of the Covina Redevelopment Agency.

Budgetary comparison schedules for the General and major special revenue funds are included in the required supplementary section. Budgetary comparison schedules for the 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, 2013

	General Fund	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 10,355,868	\$ 22,076	\$ 7,829,505	\$ 18,207,449
Cash and investments-fiscal agent	-	-	272,357	272,357
Accrued interest receivable	5,270	-	-	5,270
Utility user taxes receivable	56,961	-	-	56,961
Accounts receivable	994,185	-	226,287	1,220,472
Loans receivable	-	1,423,530	281,715	1,705,245
Notes receivable	-	4,742,000	-	4,742,000
Due from other governments	1,632,461	-	383,372	2,015,833
Due from other funds	404,200	-	5,166	409,366
Due from successor agency	19,175	-	4,000	23,175
Prepaid expenditures	13,941	-	-	13,941
Advances to other funds	15,000	-	-	15,000
Total assets	<u>\$ 13,497,061</u>	<u>\$ 6,187,606</u>	<u>\$ 9,002,402</u>	<u>\$ 28,687,069</u>
Liabilities and fund balances				
Current Liabilities:				
Accounts payable	\$ 524,509	\$ 6,509	\$ 203,253	\$ 734,271
Deposits payable	120,688	-	-	120,688
Accrued liabilities	825,279	-	20,369	845,648
Due to other governments	11,319	-	434,924	446,243
Due to other funds	5,166	-	404,200	409,366
Due to successor agency	30,230	-	900	31,130
Unearned revenue	334,945	6,165,530	282,511	6,782,986
Total liabilities	<u>1,852,136</u>	<u>6,172,039</u>	<u>1,346,157</u>	<u>9,370,332</u>
Fund balances:				
Nonspendable	28,941	-	-	28,941
Committed	533,004	-	-	533,004
Restricted	24,564	15,567	7,055,415	7,095,546
Assigned	478,106	-	953,958	1,432,064
Unassigned	10,580,310	-	(353,128)	10,227,182
Total fund balances	<u>11,644,925</u>	<u>15,567</u>	<u>7,656,245</u>	<u>19,316,737</u>
Total liabilities and fund balances	<u>\$ 13,497,061</u>	<u>\$ 6,187,606</u>	<u>\$ 9,002,402</u>	<u>\$ 28,687,069</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

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

Fund balances-total governmental funds	\$	19,316,737
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net position includes those capital assets (net of accumulated depreciation) among the assets of the City as a whole.		73,648,223
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 unearned revenue in the governmental funds and not included in fund balance. Unearned revenue associated with these assets is not included in the statement of net position.		6,447,245
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.		3,096
CalPERS Side Fund asset is not an asset on the governmental funds as it is not available for use in the current period.		3,546,665
The City has loans receivable that are offset by unearned revenue in the governmental funds		(2,370)
These loans are contingent loans that are to be forgiven or reissued on the property for 55 years. This is an allowance for the future collectibility.		(1,356,691)
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.		(9,589,577)
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.		8,871,693
Net assets of governmental activities	\$	100,885,021

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, 2013

	General Fund	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 13,691,056	\$ -	\$ 88,919	\$ 13,779,975
Sales taxes, intergovernmental	5,835,052	-	-	5,835,052
Transient occupancy taxes	394,909	-	-	394,909
Property transfer taxes	132,670	-	-	132,670
Business license taxes	258,765	-	1,957	260,722
Utility user taxes	5,065,228	-	-	5,065,228
Franchise taxes	1,465,788	-	-	1,465,788
Licenses and permits	878,549	-	-	878,549
Intergovernmental	813,374	-	4,364,957	5,178,331
Charges for services	2,224,029	-	434,555	2,658,584
Fines and forfeits	871,237	-	-	871,237
Special assessments	-	-	645,752	645,752
Investment earnings	(42,792)	-	46,096	3,304
Miscellaneous	260,230	16,130	19,647	296,007
Total revenues	<u>31,848,095</u>	<u>16,130</u>	<u>5,601,883</u>	<u>37,466,108</u>
Expenditures:				
Current:				
General government	272,840	-	1,966	274,806
Public safety	23,405,548	-	437,272	23,842,820
Public works	1,105,580	-	1,342,714	2,448,294
Culture and recreation	4,133,026	-	129,399	4,262,425
Community development	1,762,768	-	-	1,762,768
Transit	-	-	1,125,086	1,125,086
Redevelopment and housing	-	6,623	484,917	491,540
Capital outlay	20,664	-	869,415	890,079
Debt service:				
Principal	103,477	-	450,000	553,477
Interest and fiscal charges	990	-	47,125	48,115
Total expenditures	<u>30,804,893</u>	<u>6,623</u>	<u>4,887,894</u>	<u>35,699,410</u>
Excess (deficiency) of revenues over expenditures	<u>1,043,202</u>	<u>9,507</u>	<u>713,989</u>	<u>1,766,698</u>
Other financing sources (uses):				
Transfers out	(200,000)	-	(317,528)	(517,528)
Transfers in	264,000	-	280,408	544,408
Total other financing sources (uses)	<u>64,000</u>	<u>-</u>	<u>(37,120)</u>	<u>26,880</u>
Net change in fund balances	<u>1,107,202</u>	<u>9,507</u>	<u>676,869</u>	<u>1,793,578</u>
Fund balances at beginning of fiscal year	10,537,723	3,722,203	6,979,376	21,239,302
Prior period adjustments	-	(3,716,143)	-	(3,716,143)
Fund balances at beginning of fiscal year restated	<u>10,537,723</u>	<u>6,060</u>	<u>6,979,376</u>	<u>17,523,159</u>
Fund balances at end of fiscal year	<u>\$ 11,644,925</u>	<u>\$ 15,567</u>	<u>\$ 7,656,245</u>	<u>\$ 19,316,737</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds	\$ 1,793,578
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. This is the amount by which depreciation expense exceeds capital outlay.	(3,506,933)
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. Net activity including establishment of an allowance.	(861,024)
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. This is net change.	1,557
Capital asset sales and disposal are not reflected in the governmental funds except for proceeds. In the government-wide statements the gain or loss is reported.	(155,043)
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.	(935,398)
Amortization of the CalPERS Side fund is an expenditure in the government-wide statement of activities. Also accrued interest on the Side fund asset is recognized as a revenue in the government-wide statement of activities. This is the amount by which the amortization (\$578,278) exceeds the earnings (\$267,979).	(310,299)
Internal service funds are used by management to charge the costs of the central equipment and management information systems activities to individual funds. The adjustments for internal service funds "closes" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	<u>393,788</u>
Change in net position of governmental activities	<u>\$ (3,579,774)</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 Position
- Statement of Revenues, Expenses, and Changes in Fund Net Position
- 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 position; statement of revenues, expenses, and changes in fund net position; 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 Position
Proprietary Funds
June 30, 2013

	Enterprise Funds				Gov. Activities
	Water Utility	Environmental	Sewer	Total	Internal Services Funds
Assets					
Current assets:					
Cash and investments	\$ 6,039,567	\$ 565,056	\$ -	\$ 6,604,623	\$ 7,778,318
Cash and investments-fiscal agent	7,428,032	-	12,142,347	19,570,379	-
Accounts receivable	1,560,127	227,007	-	1,787,134	112,679
Due from other funds	1,055,297	-	-	1,055,297	-
Due from other governments	-	748	24,053	24,801	-
Prepaid expenses	-	-	-	-	17,996
Inventories	51,220	-	-	51,220	54,215
Total current assets	<u>16,134,243</u>	<u>792,811</u>	<u>12,166,400</u>	<u>29,093,454</u>	<u>7,963,208</u>
Noncurrent assets:					
Investment in Covina Irrigating Company	5,987,144	-	-	5,987,144	-
Deferred charges	355,800	-	379,984	735,784	-
Capital assets not being depreciated	6,926,479	377,795	4,789,403	12,093,677	-
Capital assets net of accumulated depreciation	18,101,485	187,282	1,768,019	20,056,786	1,507,507
Total noncurrent assets	<u>31,370,908</u>	<u>565,077</u>	<u>6,937,406</u>	<u>38,873,391</u>	<u>1,507,507</u>
Total assets	<u>47,505,151</u>	<u>1,357,888</u>	<u>19,103,806</u>	<u>67,966,845</u>	<u>9,470,715</u>
Liabilities					
Current liabilities:					
Accounts payable	1,027,036	38,331	600,723	1,666,090	170,825
Deposits payable	274,356	18,444	-	292,800	-
Current portion of compensated absences payable	25,620	9,200	6,670	41,490	27,143
Accrued liabilities	45,063	10,134	9,494	64,691	44,607
Due to other funds	-	-	1,055,297	1,055,297	-
Due to successor agency	-	-	-	-	2,299
Accrued interest payable	259,155	-	166,014	425,169	-
Current portion of capital lease payable	256,390	-	65,444	321,834	-
Current portion of revenue bonds payable	255,000	-	640,000	895,000	-
Total current liabilities	<u>2,142,620</u>	<u>76,109</u>	<u>2,543,642</u>	<u>4,762,371</u>	<u>244,874</u>
Noncurrent liabilities:					
Compensated absences payable	228,400	32,040	17,350	277,790	284,520
Advances from other funds	-	-	-	-	15,000
Capital lease payable	4,033,567	-	-	4,033,567	-
Revenue bonds payable (net of unamortized discount)	14,284,320	-	14,113,100	28,397,420	-
Total noncurrent liabilities	<u>18,546,287</u>	<u>32,040</u>	<u>14,130,450</u>	<u>32,708,777</u>	<u>299,520</u>
Total liabilities	<u>20,688,907</u>	<u>108,149</u>	<u>16,674,092</u>	<u>37,471,148</u>	<u>544,394</u>
Net position					
Net investment in capital assets	13,982,519	565,077	4,261,209	18,808,805	1,507,507
Unrestricted	12,833,725	684,662	(1,831,495)	11,686,892	7,418,814
Total net position	<u>\$ 26,816,244</u>	<u>\$ 1,249,739</u>	<u>\$ 2,429,714</u>	<u>30,495,697</u>	<u>\$ 8,926,321</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.

	54,628
Net assets of business-type activities	\$ 30,550,325

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year ended June 30, 2013

	Enterprise Funds				Governmental Activities Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Operating Revenues:					
Water sales	\$ 10,439,003	\$ -	\$ -	\$ 10,439,003	\$ -
Environmental fees	-	900,690	-	900,690	-
Sewer fees	-	-	2,263,321	2,263,321	-
Motor pool charges	-	-	-	-	1,384,434
Insurance charges	-	-	-	-	1,848,702
Fire line fees	288,974	-	-	288,974	-
Meter installation fees	62,460	-	-	62,460	-
Antenna rentals and other	112,252	-	-	112,252	-
Information technology charges	-	-	-	-	1,186,296
Grant revenue	-	24,531	-	24,531	-
Total operating revenues	<u>10,902,689</u>	<u>925,221</u>	<u>2,263,321</u>	<u>14,091,231</u>	<u>4,419,432</u>
Operating expenses:					
Management information systems	-	-	-	-	1,247,233
Central equipment	-	-	-	-	1,180,425
General and administrative	835,384	157,899	522,657	1,515,940	42,075
Utility billing	625,058	-	-	625,058	-
Customer service	543,796	-	-	543,796	-
Sales promotion	13,296	-	-	13,296	-
Source and supply	3,325,059	-	-	3,325,059	-
Production and storage	645,858	-	-	645,858	-
Transmission and distribution	1,531,620	-	-	1,531,620	-
Street sweeping	-	155,250	-	155,250	-
Environmental services	-	274,384	-	274,384	-
Insurance services	-	-	-	-	1,203,373
Refuse collection	-	2,704	-	2,704	-
Industrial waste	-	8,248	-	8,248	-
Waste management	-	165,855	-	165,855	-
Depreciation	779,081	5,824	42,313	827,218	361,274
Total operating expenses	<u>8,299,152</u>	<u>770,164</u>	<u>564,970</u>	<u>9,634,286</u>	<u>4,034,380</u>
Operating income	<u>2,603,537</u>	<u>155,057</u>	<u>1,698,351</u>	<u>4,456,945</u>	<u>385,052</u>
Nonoperating revenues (expenses):					
Interest expense	(981,928)	-	(707,851)	(1,689,779)	-
Investment gain-CIC	226,795	-	-	226,795	-
Investment earnings	30,644	6,838	22,675	60,157	6,646
Transfer out	-	(26,880)	-	(26,880)	-
Gain on sale of capital assets	-	-	-	-	6,614
Total nonoperating revenues (expenses)	<u>(724,489)</u>	<u>(20,042)</u>	<u>(685,176)</u>	<u>(1,429,707)</u>	<u>13,260</u>
Change in net position	1,879,048	135,015	1,013,175	3,027,238	398,312
Net position at beginning of fiscal year	24,937,196	1,114,724	1,416,539	26,468,469	8,528,009
Net position at end of fiscal year	<u>\$ 26,816,244</u>	<u>\$ 1,249,739</u>	<u>\$ 2,429,714</u>	<u>\$ 29,495,707</u>	<u>\$ 8,926,321</u>

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

Change in net position of business-type activities 4,524
\$ 3,031,762

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2013

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Cash flows from operating activities:					
Cash received from customers, users and grants	\$ 10,985,527	\$ 1,122,174	\$ 2,319,502	\$ 14,427,203	\$ 4,328,591
Cash paid to suppliers for goods and services	(5,166,686)	(332,320)	(119,865)	(5,618,871)	(2,225,260)
Cash paid to employees for services	(1,214,980)	(285,618)	(58,149)	(1,558,747)	(1,160,840)
Cash paid for interfund services-net	(1,137,511)	(119,900)	(256,379)	(1,513,790)	-
Net cash provided by operating activities	<u>3,466,350</u>	<u>384,336</u>	<u>1,885,109</u>	<u>5,735,795</u>	<u>942,491</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(6,667,155)	(377,796)	(5,188,127)	(12,233,078)	(153,493)
Due to/from other funds	(1,055,297)	-	1,055,297	-	-
Proceeds from sale of capital assets	-	-	-	-	6,614
Capital lease payments	(244,346)	-	(65,444)	(309,790)	-
Revenue bonds issuance costs	(250,000)	-	(625,000)	(875,000)	-
Interest paid on revenue bonds	(982,413)	-	(680,921)	(1,663,334)	-
Net cash provided by (used for) capital and related financing activities	<u>(9,199,211)</u>	<u>(377,796)</u>	<u>(5,504,195)</u>	<u>(15,081,202)</u>	<u>(146,879)</u>
Cash flows from non-capital financing activities:					
Transfers to other funds	-	(26,880)	-	(26,880)	-
Net cash used by non-capital financing activities	<u>-</u>	<u>(26,880)</u>	<u>-</u>	<u>(26,880)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received on investments	30,644	6,838	22,675	60,157	6,646
Net increase (decrease) in cash and cash equivalents	(5,702,217)	(13,502)	(3,596,411)	(9,312,130)	802,258
Cash and cash equivalents beginning of fiscal year	19,169,816	578,558	15,738,758	35,487,132	6,976,060
Cash and cash equivalents end of fiscal year	<u>\$ 13,467,599</u>	<u>\$ 565,056</u>	<u>\$ 12,142,347</u>	<u>\$ 26,175,002</u>	<u>\$ 7,778,318</u>
Reconciliation of the statement of net position					
Cash and investments	\$ 6,039,567	\$ 565,056	\$ -	\$ 6,604,623	\$ 7,778,318
Cash and investments - fiscal agent	7,428,032	-	12,142,347	19,570,379	-
Total cash and investments	<u>\$ 13,467,599</u>	<u>\$ 565,056</u>	<u>\$ 12,142,347</u>	<u>\$ 26,175,002</u>	<u>\$ 7,778,318</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 2,603,537	\$ 155,057	\$ 1,698,351	\$ 4,456,945	\$ 385,052
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	779,081	5,824	42,313	827,218	361,274
Change in operating assets and liabilities:					
Decrease (increase) in accounts receivable	18,726	196,470	56,181	271,377	(90,841)
Decrease (increase) in due from other governments	-	(748)	-	(748)	-
Increase in prepaid expenses	-	-	-	-	5,708
Decrease (increase) in inventories	12,616	-	-	12,616	27,890
Increase (decrease) in accounts payable	(87,020)	10,200	54,755	(22,065)	83,171
Increase (decrease) in deposits payable	64,112	1,231	-	65,343	-
Increase in compensated absences payable	66,560	14,400	24,020	104,980	148,853
Increase in accrued liabilities	8,738	1,902	9,489	20,129	19,085
Increase (decrease) in due to other funds	-	-	-	-	2,299
Total adjustments	<u>862,813</u>	<u>229,279</u>	<u>186,758</u>	<u>1,278,850</u>	<u>557,439</u>
Net cash provided by operating activities	<u>\$ 3,466,350</u>	<u>\$ 384,336</u>	<u>\$ 1,885,109</u>	<u>\$ 5,735,795</u>	<u>\$ 942,491</u>
Noncash capital and related financing activities					
Investment gain-Covina Irrigating Company	\$ 226,795	\$ -	\$ -	\$ 226,795	\$ -
Amortization of discount	7,076	-	30,836	37,912	-
Accounts payable related to capital asset acquisition	-	-	543,317	543,317	-
Retirement of capital assets	-	-	-	-	133,359
Retirement of accumulated depreciation on capital assets	-	-	-	-	(133,359)
Net effect on noncash activities	<u>\$ 233,871</u>	<u>\$ -</u>	<u>\$ 574,153</u>	<u>\$ 808,024</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Fiduciary Financial Statements

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

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position

The fiduciary financial statements report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

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

Agency Funds is used to account for the receipt, temporary investment and remittance of fiduciary resources of the Downtown District and Prospero Park District.

Private Purpose Trust Fund accounts for the custodial responsibilities assigned to the Successor Agency to the Covina Redevelopment Agency.

CITY OF COVINA
Statement of Fiduciary Net Position
June 30, 2013

	Private- Purpose Trust	Agency Funds
Assets:		
Cash and investments	\$ 10,789,667	\$ 1,092
Cash and investments - fiscal agent	1,418,392	-
Accounts receivable	22,884	-
Notes receivable	9,697	-
Due from City of Covina	10,254	-
Deferred charges	967,036	-
Land held for resale	7,229,071	-
Capital assets, not being depreciated	245,698	-
Capital assets, deprectd (net)	9,607,958	-
Total assets	\$ 30,300,657	\$ 1,092
 Liabilities:		
Account payable	\$ 11,493	\$ -
Accrued liabilities	5,812	-
Due to Associates	-	1,092
Unearned revenue	9,697	-
Interest payable	76,096	-
Long-term debt:		
Due within one year	2,837,580	-
Due in more than one year	27,556,054	-
Total liabilities	30,496,732	\$ 1,092
 Net Position (Deficit)		
Held in trust for other governments	\$ (196,075)	

See accompanying notes to the financial statements.

CITY OF COVINA
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2013

	Private- Purpose Trust
Additions:	
Property taxes	\$ 4,946,608
Charges for services	782,606
Investment earnings	199,037
Total additions	5,928,251
 Deductions:	
General and administrative	249,960
Interest and fiscal charges	1,581,180
Program expenses	1,994,713
Depreciation	312,786
Total deductions	4,138,639
Change in net position before extraordinary loss	1,789,612
Extraordinary loss on asset transfer	(12,423,023)
Change in net position	(10,633,411)
Net position - beginning of the fiscal year	10,437,336
Net position (deficit) - end of the fiscal year	\$ (196,075)

See accompanying notes to the financial statements.

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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 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 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 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 two other component units are the same, the financial statements of the City and the two component units are blended.

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 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 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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 position. Net position (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 position. 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 fiscal 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 long-term debt, claims and judgments and compensated absences, which are recognized only when due and payable at fiscal year-end. General capital asset acquisitions and debt service principal payments are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

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.

Housing Authority Fund

The special revenue fund administers the housing assets, liabilities, duties, and obligations related to the housing activities retained by the City following the dissolution of the Covina Redevelopment Agency.

The City reports the following major proprietary funds:

Water Utility Fund

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

Environmental Fund

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

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 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal 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 Accounting Pronouncements

GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 61 – The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34”. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements (Continued)

For the fiscal year ended June 30, 2013, the City implemented GASB 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, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the City's financial statements are explained in Note 1 – O. Net Position.

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. See Note 15 for more information about the prepaid CalPERS Side Fund.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

The City owns and leases certain properties located in the City to various tenants. The following is a list of properties and tenants:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Leased Property (Continued)

<u>Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term</u>		<u>Monthly Rent</u>
				<u>Beginning/Ending</u>	
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	Month to month		\$ 1,005

M. Capitalization of Leases

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

N. Claims and Judgments

The accrual for workers' compensation and general liability claims is based upon an actuarial review of the past experience which has been modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2013, 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.

O. Net Position

Net position in the statement of net assets are categorized as net investment in capital assets, restricted and unrestricted.

Net investment in Capital Assets – 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 Position – 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, 2013, the restricted net position are \$15,229,058, of which, \$670,770 is restricted by enabling legislation.

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

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

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

“Total fund balances” of the City’s governmental funds is \$19,316,737 which differs from “net position” of \$100,885,021 in governmental activities reported in the statement of net position. 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	\$ 153,212,382
Accumulated depreciation	<u>(79,564,159)</u>
	<u><u>\$ 73,648,223</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 unearned revenue	\$ 6,447,245
Allowance for uncollectible loans/notes	<u>(1,356,691)</u>
	<u><u>\$ 5,090,554</u></u>

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

\$ 3,546,665

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><u>\$ 3,096</u></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><u>\$ (2,370)</u></u>
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CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

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.

Post-employment benefits	\$ (394,829)
Compensated absences payable	(3,366,550)
Claims and judgments payable	(5,211,990)
Capital lease payable	(109,404)
Revenue bonds payable (net of unamortized premium)	(506,804)
	<u>\$ (9,589,577)</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 fund assets and liabilities are included in governmental activities in the statement of net assets.

Net assets of internal service funds	<u>\$ 8,871,693</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" increase of \$1,793,578 for governmental funds differs from the "change in net position" decrease of \$(3,579,774) for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Assets

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

Capital outlay	\$ 992,793
Depreciation expense	(4,499,726)
	<u>\$ (3,506,933)</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

Capital Assets (Continued)

Capital asset sales and disposal are not reported in the governmental funds except for proceeds. In the government-wide statements, the gain or loss is reported

Loss on disposal of capital assets	<u><u>\$ (155,043)</u></u>
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Long-term Receivables

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

Change in operating expense	<u><u>\$ (255,716)</u></u>
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Property Taxes Revenue

Decrease in incremental property tax and changes for services 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.

Change in revenue	<u><u>\$ (605,308)</u></u>
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Interest on Long-term Debt

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

Change in interest on long-term debt	<u><u>\$ 1,557</u></u>
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Long-term Liabilities

Bonds issued are reported as other financing sources. Principal retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net position 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

Long-term Liabilities (Continued)

Change in post-retirement benefit	\$ (366,193)
CalPERS side fund payment	(310,299)
Principal retirement	553,477
Amortization of bond premium	36,804
Amortization of deferred charges	(3,096)
Change in claims and judgments	(393,990)
Change in compensated absences	(762,400)
	\$ (1,245,697)

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	\$ 393,788
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NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2013, there were no expenditures that exceeded appropriations.

B. Deficit Fund Equity

The Lighting Assessment District special revenue fund had a deficit fund balance of \$353,128 as of June 30, 2013. 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 Successor Agency private purpose trust fund had a deficit fund balance of \$196,075 as of June 30, 2013.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 4. CASH AND INVESTMENTS

The City is following the requirements associated with the Governmental Accounting and Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. More commonly referred to as GASB 40, this statement 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, 2013, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds		
			SACRA	Agency	Total
Statement of net assets:					
Cash and investments	\$ 25,985,767	\$ 6,604,623	\$ 10,789,667	\$ 1,092	\$ 43,381,149
Cash and investments - fiscal agent	272,357	19,570,379	1,418,392	-	21,261,128
Total cash and investments	<u>\$ 26,258,124</u>	<u>\$ 26,175,002</u>	<u>\$ 12,208,059</u>	<u>\$ 1,092</u>	<u>\$ 64,642,277</u>
Cash and investments as of June 30, 2013, consist of the following:					
Cash on hand	\$ 8,335	\$ 150	\$ -	\$ -	\$ 8,485
Deposits with financial institutions	5,470,300	106,388	4,081,342	1,092	9,659,122
Investments	20,779,489	26,068,464	8,126,717	-	54,974,670
Total cash and investments	<u>\$ 26,258,124</u>	<u>\$ 26,175,002</u>	<u>\$ 12,208,059</u>	<u>\$ 1,092</u>	<u>\$ 64,642,277</u>

Authorized Investments

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

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment in One Issuer		Minimum Credit Rating	
	CGC	Covina Policy	CGC	Covina Policy	CGC	Covina Policy	CGC	Covina Policy
Mutual funds (money market funds)	N/A	N/A	20%	10%	10%	None	AAA	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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 4. CASH AND INVESTMENTS (Continued)

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 and the State of California Local Investment Pool.

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, 2013.

Investment type	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State investment pool	\$ 11,264,006	0.76
U.S. Agency securities	2,139,096	2.24
U.S. Treasury securities	17,841,276	1.56
Money market funds	2,469,164	0.35
Held by bond trustee:		
State investment pool	5,585,763	0.76
Money market funds	15,675,365	1.02
Total	<u>\$ 54,974,670</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 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 fiscal year end for each investment type:

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 4. CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

	Minimum Credit Rating	AAA	AA+	A+	Not Required to be Rated or Not Rated
State investment pool	N/A	\$ -	\$ -	\$ -	\$ 11,264,006
U.S. Agency securities	N/A	-	2,139,096	-	-
U.S. Treasury securities	N/A	-	-	-	* 17,841,276
Money market funds	AAA	2,469,164	-	-	-
Held by bond trustee:					
State investment pool	N/A	-	-	-	5,585,763
Money market funds	N/A	15,675,365	-	-	-
		<u>\$ 18,144,529</u>	<u>\$ 2,139,096</u>	<u>\$ -</u>	<u>\$ 34,691,045</u>

* This amount exceeds the percentage allowed by the City's investment policy.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2013, \$9,779,121 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon our pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on LAIF accounting records, recorded on an amortized basis.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 5. INTERFUND TRANSACTIONS

A. Interfund Balances

Operating receivables between funds are classified as due from or due to other funds. Negative individual fund cash and investment balances are offset by a due from other funds in the General Fund with a due to other funds set up in those funds owing the General Fund. The following are due from and due to balances as of June 30, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General-major governmental fund	Non-major governmental	\$ <u>404,200</u>
Non-major governmental	General-major governmental fund	<u>5,166</u>
Water utility-major proprietary fund	Sewer-major proprietary fund	<u>1,055,297</u>
	Totals	<u>\$ <u>1,464,663</u></u>

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, 2013.

<u>Transfers In Fund</u>	<u>Transfers Out Fund</u>	<u>Amount</u>
General-major governmental fund	Non-major governmental funds	\$ <u>264,000</u>
	Non-major governmental funds	53,528
	Environmental-major proprietary fund	26,880
	General-major governmental fund	<u>200,000</u>
Non-major governmental funds		<u>280,408</u>
Total		<u>\$ <u>544,408</u></u>

B. 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, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General-major governmental fund	Internal Service funds	<u>\$ <u>15,000</u></u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 5. INTERFUND TRANSACTIONS (Continued)

C. Internal Balances

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

NOTE 6. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied in September and are payable in two installments on November 1 and February 1 and are delinquent 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.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2013
Governmental activities					
Capital assets, not depreciated:					
Land	\$ 10,479,858	\$ -	\$ (113,563)	\$ (532,027)	\$ 9,834,268
Construction in progress	221,902	628,323	(41,480)	-	808,745
Total capital assets, not depreciated	<u>10,701,760</u>	<u>628,323</u>	<u>(155,043)</u>	<u>(532,027)</u>	<u>10,643,013</u>
Capital assets, depreciated:					
Buildings and structures	20,081,398	6,681	-	-	20,088,079
Improvements other than buildings	4,228,152	-	-	-	4,228,152
Public domain infrastructure	108,475,157	-	-	-	108,475,157
Sanitary sewer infrastructure	6,328,190	-	(11,141)	-	6,317,049
Machinery and equipment	8,961,929	511,282	(133,359)	-	9,339,852
Total capital assets, depreciated	<u>148,074,826</u>	<u>517,963</u>	<u>(144,500)</u>	<u>-</u>	<u>148,448,289</u>
Less accumulated depreciation for:					
Buildings and structures	(6,329,488)	(401,386)	-	-	(6,730,874)
Improvements other than buildings	(3,006,794)	(125,496)	-	-	(3,132,290)
Public domain infrastructure	(59,796,503)	(3,648,998)	-	-	(63,445,501)
Sanitary sewer infrastructure	(3,897,143)	(93,081)	11,141	-	(3,979,083)
Machinery and equipment	(6,189,144)	(592,039)	133,359	-	(6,647,824)
Total accumulated depreciation	<u>(79,219,072)</u>	<u>(4,861,000)</u>	<u>144,500</u>	<u>-</u>	<u>(83,935,572)</u>
Total capital assets, depreciated, net	<u>68,855,754</u>	<u>(4,343,037)</u>	<u>-</u>	<u>-</u>	<u>64,512,717</u>
Total capital assets, net	<u>\$ 79,557,514</u>	<u>\$ (3,714,714)</u>	<u>\$ (155,043)</u>	<u>\$ (532,027)</u>	<u>\$ 75,155,730</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following categories.

Governmental activities:	
General government	\$ 25,794
Public safety	240,789
Public works	3,779,562
Culture and recreation	184,668
Transit	268,913
Internal service funds charged to general government function	361,274
Total governmental activities	<u>\$ 4,861,000</u>

	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
Business-type activities				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	1,668,621	12,767,759	(2,720,111)	11,716,269
Total capital assets, not depreciated	<u>2,046,029</u>	<u>12,767,759</u>	<u>(2,720,111)</u>	<u>12,093,677</u>
Capital assets, depreciated:				
Buildings and structures	4,950,331	-	1,594,670	6,545,001
Improvements other than buildings	159,675	-	-	159,675
Water system infrastructure	20,923,754	-	1,125,441	22,049,195
Machinery and equipment	1,585,130	8,636	-	1,593,766
Total capital assets, depreciated	<u>27,618,890</u>	<u>8,636</u>	<u>2,720,111</u>	<u>30,347,637</u>
Less accumulated depreciation for:				
Buildings and structures	(1,765,684)	(112,047)	-	(1,877,731)
Improvements other than buildings	(42,666)	(6,909)	-	(49,575)
Water system infrastructure	(6,511,114)	(614,250)	-	(7,125,364)
Machinery and equipment	(1,144,169)	(94,012)	-	(1,238,181)
Total accumulated depreciation	<u>(9,463,633)</u>	<u>(827,218)</u>	<u>-</u>	<u>(10,290,851)</u>
Total capital assets, depreciated, net	<u>18,155,257</u>	<u>(818,582)</u>	<u>2,720,111</u>	<u>20,056,786</u>
Total capital assets, net	<u>\$ 20,201,286</u>	<u>\$ 11,949,177</u>	<u>\$ -</u>	<u>\$ 32,150,463</u>

Depreciation expense was charged to the following categories.

Business-type activities	
Water utility	\$ 779,081
Environmental protection	5,824
Sewer	<u>42,313</u>
Total business-type activities	<u>\$ 827,218</u>

At June 30, 2013, \$6,432,314 is committed for capital projects related to the water system project. Also, \$5,257,504 is committed for capital projects related to the sewer system improvement project.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 8. RETIREMENT PLANS

A. Defined Benefit Pension Plan

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

Funding policy: Participants are required to contribute 7% (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 7% deducted from their payroll. The City is required to contribute at an actuarially determined rate: the current rate is 16.488% for non-safety employees and for safety employees, 12.250%, 16.542%, and 22.744% for PEPRA, First Tier, and Second Tier, 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, 2012 (most recent information available), actuarial valuation is as follows:

Entry	Underfunded			UAAL	
Age Actuarial	Actuarial	Actuarial			as a %
Accrued	Asset	Liability	Funded	Covered	of Covered
<u>Liability</u>	<u>Value</u>	<u>(UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Payroll</u>
		<u>Miscellaneous Plan</u>			
\$ 69,227,498	\$ 56,932,358	\$ 12,295,140	82.2%	\$ 7,912,727	155.4%

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 2012-2013, the City's annual pension cost of \$1,878,247 for miscellaneous and \$1,411,560 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, 2010 valuation, and the funded status, was based on the June 30, 2012 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	24 years as of the valuation date for June 30, 2012
	Funded over closed period.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 8. RETIREMENT PLANS (Continued)

A. Defined Benefit Pension Plan (Continued)

Asset valuation method	15 year smoothed market.
Discount Rate	7.50% (net of administrative expenses) for the valuation as of June 30, 2012.
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for the valuation date as of June 30, 2012.
Inflation	2.75% for the valuation date as of June 30, 2012.
Payroll growth	3.00% for the valuation date as of June 30, 2012.
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, 2012.

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</u>	Annual	Percentage of	Net Pension
<u>Year</u>	<u>Pension</u>	<u>APC Contributed</u>	<u>Obligation</u>
	Cost (APC)		\$
6/30/11	\$ 1,400	100%	-
6/30/12	1,515	100%	-
6/30/13	1,878	100%	-

Safety Plan			
<u>Fiscal</u>	Annual	Percentage of	Net Pension
<u>Year</u>	<u>Pension</u>	<u>APC Contributed</u>	<u>Obligation</u>
	Cost (APC)		\$
6/30/11	\$ 1,012	100%	-
6/30/12	1,777	100%	-
6/30/13	1,412	100%	-

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 8. RETIREMENT PLANS (Continued)

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, 2013, there were 162 plan participants and \$33,214 was contributed for the fiscal year.

NOTE 9. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2013, was \$3,366,550. The short-term portion of \$497,310 and long-term portion of \$2,869,240 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 \$311,663, of which \$27,143 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 \$319,280, of which \$41,490 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

NOTE 10. RISK MANAGEMENT

Workers' Compensation and General Liability:

The City has a program of insurance for any liability to City employees arising under the workers' compensation laws for the State of California. By this action, the City will pay all claims up to \$500,000. Amounts in excess of \$500,000, up to \$150,000,000, are covered through an excess commercial insurer. There are no claims that exceed insurance coverage over the last three years.

The City established general liability and workers' compensation internal service funds. The funds have a net position of \$1,791,055 and \$4,301,990, 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, 2013, total actual and estimated claims and judgments payable were as follows:

	<u>Amount</u>
General liability	\$ 1,643,000
Workers' compensation	<u>3,568,990</u>
Total	<u>\$ 5,211,990</u>

The current portion of \$191,000 and long-term portion of \$5,020,990 are not accounted in the governmental funds but are included in the governmental activities of the government-wide statements.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 10. RISK MANAGEMENT (Continued)

Workers' Compensation and General Liability: (Continued)

The following are changes in the claims and judgments liability for fiscal years 2013 and 2012:

	Fiscal Year Ended June 30	
	2013	2012
Claims and judgments, beginning of fiscal year	\$ 4,818,000	\$ 4,970,000
Claims incurred (including IBNRs)	983,012	1,240,874
Claims paid	<u>(589,022)</u>	<u>(1,392,874)</u>
Claims and judgments, end of fiscal year	<u>\$ 5,211,990</u>	<u>\$ 4,818,000</u>

NOTE 11. CAPITALIZED LEASE OBLIGATIONS

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, 2013, are as follows:

Fiscal Years Ending June 30,	Amount
2014	\$ 649,463
2015	462,228
2016	462,228
2017	462,228
2018	462,228
2019-2023	2,311,142
2024-2026	<u>1,155,563</u>
Total minimum lease payments	5,965,080
Less amount representing interest	<u>(1,500,275)</u>
Present value of minimum lease payment	<u>\$ 4,464,805</u>

The value of the assets acquired by the capital lease was \$5,023,796 as of June 30, 2013, net of accumulated depreciation of \$557,382.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 12. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Current Portion
Governmental activities					
Compensated absences	\$ 2,766,960	\$ 1,288,341	\$ (377,088)	\$ 3,678,213	\$ 524,453
Claims and judgments	4,818,000	983,012	(589,022)	5,211,990	191,000
Postemployment benefit obligation	28,636	830,000	(463,807)	394,829	-
Capital lease payable	212,881	-	(103,477)	109,404	109,404
Revenue bonds payable	920,000	-	(450,000)	470,000	470,000
Unamortized premium on revenue bonds	73,608	-	(36,804)	36,804	36,804
Total long-term liabilities, net	<u>\$ 8,820,085</u>	<u>\$ 3,101,353</u>	<u>\$ (2,020,198)</u>	<u>\$ 9,901,240</u>	<u>\$ 1,331,661</u>
	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Current Portion
Business-type activities					
Compensated absences	\$ 214,300	\$ 117,557	\$ (12,577)	\$ 319,280	\$ 41,490
Capital lease payable	4,665,191	-	(309,790)	4,355,401	321,834
Revenue bonds payable	30,075,000	-	(875,000)	29,200,000	895,000
Unamortized premium on revenue bonds	163,302	-	(5,632)	157,670	5,632
Unamortized deferred gain on refunding	58,674	-	(2,024)	56,650	2,024
Unamortized discount on revenue bonds	(129,519)	-	7,619	(121,900)	(7,619)
Total long-term liabilities, net	<u>\$ 35,046,948</u>	<u>\$ 117,557</u>	<u>\$ (1,197,404)</u>	<u>\$ 33,967,101</u>	<u>\$ 1,258,361</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, compensated absences, pension obligation, and OPEB obligation for the governmental activities are generally liquidated by the General Fund.

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. The outstanding balance as of June 30, 2013 was \$470,000.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	<u>\$ 470,000</u>	<u>\$ 23,500</u>	<u>\$ 493,500</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 12. LONG-TERM LIABILITIES (Continued)

Revenue Bonds Payable, Sewer Enterprise Fund

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

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

The bonds are secured by a pledge of the net revenues received by the City for the sewer fees. Total principal and interest remaining to be paid on the bonds is \$21,865,998. Principal and interest paid for the current year and total customer net revenues were \$1,296,868 and \$1,763,339, 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. The outstanding balance as of June 30, 2013 was \$14,875,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
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	598,362	1,293,362
2018	720,000	574,468	1,294,468
2019-2023	4,025,000	2,420,006	6,445,006
2024-2028	5,045,000	1,351,791	6,396,791
2029-2030	2,415,000	131,553	2,546,553
	<u>\$ 14,875,000</u>	<u>\$ 6,990,998</u>	<u>\$ 21,865,998</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 12. LONG-TERM LIABILITIES (Continued)

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 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 \$27,445,457. Principal and interest paid for the current year and total customer net revenues were \$990,262 and \$3,413,262, 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. The outstanding balance as of June 30, 2013 was \$14,325,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
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	300,000	685,412	985,412
2019-2023	1,710,000	3,221,648	4,931,648
2024-2028	2,160,000	2,753,375	4,913,375
2029-2033	2,775,000	2,117,896	4,892,896
2034-2038	3,610,000	1,254,551	4,864,551
2039-2040	2,680,000	226,326	2,906,326
	<u>\$ 14,325,000</u>	<u>\$ 13,120,457</u>	<u>\$ 27,445,457</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 13. 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. 1 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. The outstanding balance of the notes as of June 30, 2013 was \$4,742,000.

NOTE 14. LOANS RECEIVABLE

The City's Community Development Block Grant (CDBG) program provides low-income housing and economic assistance to qualifying households and businesses. Due to the long-term nature of the deferred loans, the City has deferred recognition of revenues until receipt and these amounts have been recorded as loans receivable and deferred revenue in the special revenue fund. The loans do not require monthly repayment. In addition to CDBG loans, first time homebuyer loans made by the former Covina Redevelopment Agency are now administered by the Housing Authority. 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 loans are 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. The outstanding balance as of June 30, 2013 of all loans was \$1,705,245. Due to the forgiveness feature of these loans the City has established an allowance for uncollectible loans in the amount of \$1,356,691 in the government wide statements.

NOTE 15. CALPERS SIDE FUND

Public Employees Retirement System Side Fund

During the 2005-06 fiscal year, the City was required to participate for its safety employees, in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing overfunding. The asset at June 30, 2013 was \$3,546,665. Also see Note 8 for further details.

NOTE 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, 2013, fund balances 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 16. FUND BALANCES (Continued)

- *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 through its fund balance policy the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted or committed.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

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

The City Council adopted a Reserve 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. City reserves are restricted for one-time purposes. The policy establishes minimum requirements for General Fund nondepartmental reserves, and provides guidelines for the use of these funds.

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 16. FUND BALANCES (Continued)

	General Fund	Housing Authority	Non-major Governmental	Totals
Nonspendable				
Advances	\$ 15,000	\$ -	\$ -	\$ 15,000
Prepaid expenses	13,941	-	-	13,941
Totals	<u>28,941</u>	<u>-</u>	<u>-</u>	<u>28,941</u>
Restricted				
Culture and recreation	24,564	-	165	24,729
Community development	-	-	284,457	284,457
Redevelopment and housing	-	15,567	-	15,567
Public safety	-	-	624,939	624,939
Public works	-	-	2,606,032	2,606,032
Transit	-	-	3,539,822	3,539,822
Totals	<u>24,564</u>	<u>15,567</u>	<u>7,055,415</u>	<u>7,095,546</u>
Committed - Community improvement	<u>533,004</u>	<u>-</u>	<u>-</u>	<u>533,004</u>
Assigned				
Public safety	96,408	-	-	96,408
Culture and recreation	346,296	-	387,159	733,455
Public works	35,402	-	-	35,402
Capital projects	-	-	566,799	566,799
Totals	<u>478,106</u>	<u>-</u>	<u>953,958</u>	<u>1,432,064</u>
Unassigned	<u>10,580,310</u>	<u>-</u>	<u>(353,128)</u>	<u>10,227,182</u>
Totals	<u>\$ 11,644,925</u>	<u>\$ 15,567</u>	<u>\$ 7,656,245</u>	<u>\$ 19,316,737</u>

NOTE 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.

NOTE 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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 18. JOINT VENTURE (Continued)

Complete financial statements for Covina Irrigating Company can be obtained from the Company. Summarized audited information for the fiscal year ended June 30, 2013 is as follows:

Operating revenues	\$ 5,036,718
Operating expenses	<u>4,411,585</u>
Operating income	<u>625,133</u>
Net income	<u>\$ 537,683</u>
Total assets	<u>\$20,711,593</u>
Total liabilities	<u>\$ 7,363,350</u>
Total fund equity	<u>\$13,348,243</u>
Total liabilities and fund equity	<u>\$20,711,593</u>

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

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

NOTE 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 172 eligible active employees and 150 enrolled eligible retirees at June 30, 2013. 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 fiscal year ended June 30, 2013, the City contributed \$463,807 to the plan.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 19. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy: (Continued)

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, 2013, the most recent actuarial valuation, was \$8,826,000. The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2013, was \$1,080,000.

The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	June 30, 2013
Annual required contribution (ARC)	\$ 831,000
Interest cost	1,000
ARC adjustment	(2,000)
Annual OPEB expense	830,000
Contributions made	(463,807)
Increase in net OPEB obligation	366,193
Net OPEB Obligation, Beginning of Fiscal Year	28,636
Net OPEB Obligation, End of Fiscal Year	\$ 394,829

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	\$ 455,684	101%	\$ 32,139
6/30/12	455,617	101%	28,636
6/30/13	830,000	55.88%	394,829

Funding Status and Progress:

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded/ Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Covered Payroll
6/30/2011	\$ -	\$ 5,398,198	\$ 5,398,198	0.0%	\$ 11,997,862	45.0%
6/30/2013	-	7,106,000	7,106,000	0.0%	14,780,000	48.1%

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 19. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Status and Progress: (Continued)

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

Actuarial Methods and Assumptions:

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

The actuarial assumptions for the June 30, 2013 valuation are as follows:

Amortization	Level dollars, closed period
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	5.0% to 8.3%
Payroll growth	3.5%
Inflation rates	3.0%
Benefit increases	4.5%-5% annually

NOTE 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, 2013 was \$770,000.

NOTE 21. REBATABLE ARBITRAGE

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 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 fiscal year, the City paid \$2,637,432 to the Covina Irrigating Company for the services of pumping, treating and delivery of water.

NOTE 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.

As of June 30, 2013, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$	46,941
Non-major governmental fund		<u>125,012</u>
Total governmental funds	\$	<u><u>171,953</u></u>

NOTE 24. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (SACRA)

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.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 24. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

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.

A. Capital Assets Held by SACRA

	Balance July 1, 2012	Additions	Deletions	Adjustments	Balance June 30, 2013
Capital assets, not depreciated:					
Land	\$ 267,371	\$ -	\$ -	\$ (21,673)	\$ 245,698
Total capital assets, not depreciated	<u>267,371</u>			<u>(21,673)</u>	<u>245,698</u>
Capital assets, depreciated:					
Buildings and structures	10,116,774	-	-	-	10,116,774
Improvements other than buildings	1,981,866	-	-	-	1,981,866
Machinery and equipment	153,255	-	-	-	153,255
Total capital assets, depreciated	<u>12,251,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,251,895</u>
Less accumulated depreciation for:					
Buildings and structures	(2,261,550)	(202,233)	-	-	(2,463,783)
Improvements other than buildings	(24,706)	(103,562)	-	-	(128,268)
Machinery and equipment	(44,895)	(6,991)	-	-	(51,886)
Total accumulated depreciation	<u>(2,331,151)</u>	<u>(312,786)</u>	<u>-</u>	<u>-</u>	<u>(2,643,937)</u>
Total capital assets, depreciated, net	<u>9,920,744</u>	<u>(312,786)</u>	<u>-</u>	<u>-</u>	<u>9,607,958</u>
Total capital assets, net	<u>\$ 10,188,115</u>	<u>\$ (312,786)</u>	<u>\$ -</u>	<u>\$ (21,673)</u>	<u>\$ 9,853,656</u>

Depreciation expense for the fiscal year ended June 30, 2013 was \$312,786.

B. Summary of SACRA's Long-Term Debt

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Current Portion
Compensated absences	\$ 16,110	\$ 7,978	\$ (4,018)	\$ 20,070	\$ 5,730
Notes payable	423,246	-	(126,717)	296,529	132,971
Tax allocation bonds	27,747,262	-	(2,535,000)	25,212,262	2,660,000
Accreted interest	3,922,376	515,276	-	4,437,652	-
Unamortized premium on tax allocation bonds	466,000	-	(38,879)	427,121	38,879
Total long-term liabilities, net	<u>\$ 32,574,994</u>	<u>\$ 523,254</u>	<u>\$ (2,704,614)</u>	<u>\$ 30,393,634</u>	<u>\$ 2,837,580</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 24. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

B. Summary of SACRA's Long-Term Debt (Continued)

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, 2013. Monthly payments were \$12,091 at June 30, 2013. The outstanding balance as of June 30, 2013 was \$296,529.

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. The outstanding principal balance as of June 30, 2013 was \$1,100,000.

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. The outstanding principal balance as of June 30, 2013 was \$2,500,000.

Tax Allocation Revenue Bonds of 2002, Series A

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 Revenue Bonds of 2002, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 4.75%. Payment of principal on the bonds started December 1, 2002, and they are due on December 1 each year until 2023. The accreted interest on the capital appreciation bonds is \$4,437,652 as of June 30, 2013. The outstanding principal balance as of June 30, 2013 was \$7,152,262.

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. The quarterly principal balance as of June 30, 2013 was \$11,225,000.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2013

NOTE 24. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)

B. Summary of SACRA's Long-Term Debt (Continued)

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. The outstanding principal balance as of June 30, 2013 was \$3,235,000.

The total outstanding balance as of June 30, 2013 was \$25,212,262.

C. Debt Service requirements to maturity with respect to SACRA's tax allocation bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 2,660,000	\$ 888,120	\$ 3,548,120
2015	2,770,000	762,695	3,532,695
2016	2,915,000	633,710	3,548,710
2017	3,030,000	497,046	3,527,046
2018	3,185,000	341,087	3,526,087
2019-2023	9,373,281	8,482,960	17,856,241
2024-2028	1,278,981	2,152,291	3,431,272
	<u>\$ 25,212,262</u>	<u>\$ 13,757,909</u>	<u>\$ 38,970,171</u>

NOTE 25. SUBSEQUENT EVENT

Management's review of subsequent events

In preparing the accompanying financial statements, Management has reviewed all known events that have occurred after June 30, 2013 and through December 16, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

NOTE 26. PRIOR YEAR ADJUSTMENTS

In the government-wide financial statements under governmental activities a prior period adjustment was made to delete the value of land that was incorrectly valued in the amount of (\$532,027).

In the Housing Authority major special revenue fund an adjustment was made in the amount of (\$3,716,143) to record a prior long-term deferred note receivable as deferred revenue.

A prior period adjustment of \$3,856,964 was made which affects the government-wide financial statement under governmental activities. In prior years the City did not record its asset for the CalPERS side fund for its safety employees' retirement plan.

A prior period adjustment was recorded in the government-wide statements – governmental activities for loans receivable that were not included in prior years in the amount of (\$54,425.)

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 10,537,723	\$ 10,537,723	\$ 10,537,723	\$ -
Resources (inflows):				
Property taxes	11,638,630	11,888,630	13,691,056	1,802,426
Sales taxes	5,428,000	5,578,000	5,835,052	257,052
Transient occupancy taxes	350,000	350,000	394,909	44,909
Property transfer taxes	120,000	120,000	132,670	12,670
Business license taxes	465,000	465,000	258,765	(206,235)
Utility user taxes	5,300,000	5,225,000	5,065,228	(159,772)
Franchise taxes	1,490,000	1,390,000	1,465,788	75,788
Licenses and permits	494,000	494,000	878,549	384,549
Intergovernmental	804,590	804,590	813,374	8,784
Charges for services	2,241,950	2,362,950	2,224,029	(138,921)
Fines and forfeits	811,000	811,000	871,237	60,237
Investment earnings	250,000	190,000	(42,792)	(232,792)
Miscellaneous	437,440	437,440	260,230	(177,210)
Transfers in	264,000	304,500	264,000	(40,500)
Amounts available for appropriation	30,094,610	30,421,110	32,112,095	1,690,985
Charges to appropriations (outflows):				
Current:				
General government	225,750	445,647	272,840	172,807
Public safety	22,892,940	23,355,124	23,405,548	(50,424)
Public works	1,159,450	1,165,146	1,105,580	59,566
Culture and recreation	4,030,610	4,068,359	4,133,026	(64,667)
Community development	1,704,770	1,723,768	1,762,768	(39,000)
Capital outlay	25,560	71,243	20,664	50,579
Debt service:				
Principal retirement	-	-	103,477	(103,477)
Interest and fiscal charges	-	-	990	(990)
Transfers out	50,000	256,314	200,000	56,314
Total charges to appropriations	30,089,080	31,085,601	31,004,893	80,708
Budgetary fund balance, June 30	\$ 10,543,253	\$ 9,873,232	\$ 11,644,925	1,771,693

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
Housing Authority Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amount		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 3,722,203	\$ 3,722,203	\$ 3,722,203	\$ -
Resources (inflows):				
Miscellaneous	-	-	16,130	16,130
Amounts available for appropriation	3,722,203	3,722,203	3,738,333	16,130
Charges to appropriations (outflows):				
Current:				
Housing	-	6,700	6,623	77
Total charges to appropriations	-	6,700	6,623	77
Budgetary fund balance	3,722,203	3,715,503	3,731,710	16,207
Reconciliation to GAAP				
Prior period adjustment to recognize long-term receivables as deferred revenue			(3,716,143)	(3,716,143)
Fund balance, June 30, 2013	<u>\$ 3,722,203</u>	<u>\$ 3,715,503</u>	<u>\$ 15,567</u>	<u>\$ (3,699,936)</u>

CITY OF COVINA, CALIFORNIA
Note to Required Supplementary Information
June 30, 2013

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 XIIB 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
Required Supplementary Information
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

1. California Public Employee/s 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 (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
6/30/2010 Miscellaneous	\$ 62,471	\$ 54,163	\$ 8,308	86.7%	\$ 7,460	111.4%
6/30/2011 Miscellaneous	\$ 66,276	\$ 56,006	\$ 10,270	84.5%	\$ 7,701	133.4%
6/30/2012 Miscellaneous	\$ 69,227	\$ 56,932	\$ 12,295	82.2%	\$ 7,913	155.4%

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 (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
6/30/2009	\$ 5,014	\$ -	\$ 5,014	0.0%	\$ 7,677	65.3%
6/30/2011	\$ 5,398	\$ -	\$ 5,398	0.0%	\$ 11,998	45.0%
6/30/2013	\$ 8,826	\$ -	\$ 8,826	0.0%	\$ 14,780	59.7%

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 Improvement 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 accounts 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
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds						
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality Improvement	Municipal Parking District
Assets							
Cash and investments	\$ -	\$ 316,108	\$ 279,158	\$ 1,687,984	\$ 2,228,985	\$ -	\$ 519,170
Cash and investments - fiscal agent	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):							
Accounts	-	-	-	-	12,658	194,590	1,598
Loans	281,715	-	-	-	-	-	-
Due from other Governments	57,389	32,526	-	97,369	-	-	13,373
Due from other funds	-	-	5,166	-	-	-	-
Due from Successor Agency	4,000	-	-	-	-	-	-
Total assets	<u>\$ 343,104</u>	<u>\$ 348,634</u>	<u>\$ 284,324</u>	<u>\$ 1,785,353</u>	<u>\$ 2,241,643</u>	<u>\$ 194,590</u>	<u>\$ 534,141</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 6,199	\$ -	\$ -	\$ -	\$ 106,595	\$ 17,376	\$ 2,844
Accrued liabilities	2,904	8,019	-	-	3,608	153	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	281,715	-	-	-	-	-	-
Due to other funds	52,235	-	-	-	-	2,587	-
Total liabilities	<u>343,053</u>	<u>8,019</u>	<u>-</u>	<u>-</u>	<u>110,203</u>	<u>20,116</u>	<u>2,844</u>
Fund balances:							
Restricted for:							
Community development	51	-	-	-	-	-	-
Law enforcement	-	340,615	284,324	-	-	-	-
Street projects	-	-	-	1,785,353	-	-	-
Transportation projects	-	-	-	-	2,131,440	-	-
Air Quality projects	-	-	-	-	-	174,474	-
Assessment districts	-	-	-	-	-	-	531,297
Library	-	-	-	-	-	-	-
Assigned to:							
Culture and recreation	-	-	-	-	-	-	-
Other capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>51</u>	<u>340,615</u>	<u>284,324</u>	<u>1,785,353</u>	<u>2,131,440</u>	<u>174,474</u>	<u>531,297</u>
Total liabilities and fund balances	<u>\$ 343,104</u>	<u>\$ 348,634</u>	<u>\$ 284,324</u>	<u>\$ 1,785,353</u>	<u>\$ 2,241,643</u>	<u>\$ 194,590</u>	<u>\$ 534,141</u>

CITY OF COVINA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

Special Revenue Funds						
Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ -	\$ 108,927	\$ 1,662	\$ 1,699	\$ -	\$ 241,117	\$ 5,384,810
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	627	-	16,814	226,287
-	-	-	-	-	-	281,715
2,261	5,535	223	-	17,000	45,424	271,100
-	-	-	-	-	-	5,166
-	-	-	-	-	-	4,000
<u>\$ 2,261</u>	<u>\$ 114,462</u>	<u>\$ 1,885</u>	<u>\$ 2,326</u>	<u>\$ 17,000</u>	<u>\$ 303,355</u>	<u>\$ 6,173,078</u>
\$ 17,161	\$ 2,969	\$ -	\$ -	\$ -	\$ 17,515	\$ 170,659
-	-	-	-	5,685	-	20,369
-	-	-	-	-	534	534
-	-	-	796	-	-	282,511
338,228	-	-	-	11,150	900	405,100
<u>355,389</u>	<u>2,969</u>	<u>-</u>	<u>796</u>	<u>16,835</u>	<u>18,949</u>	<u>879,173</u>
-	-	-	-	-	284,406	284,457
-	-	-	-	-	-	624,939
-	-	-	-	-	-	1,785,353
-	-	-	-	-	-	2,131,440
-	-	-	-	-	-	174,474
-	111,493	1,885	1,530	-	-	646,205
-	-	-	-	165	-	165
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(353,128)	-	-	-	-	-	(353,128)
<u>(353,128)</u>	<u>111,493</u>	<u>1,885</u>	<u>1,530</u>	<u>165</u>	<u>284,406</u>	<u>5,293,905</u>
<u>\$ 2,261</u>	<u>\$ 114,462</u>	<u>\$ 1,885</u>	<u>\$ 2,326</u>	<u>\$ 17,000</u>	<u>\$ 303,355</u>	<u>\$ 6,173,078</u>

CITY OF COVINA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Assets					
Cash and investments	\$ 568,765	\$ 336,125	\$ 1,539,805	\$ 2,444,695	\$ 7,829,505
Cash and investments - fiscal agent	-	-	272,357	272,357	272,357
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	-	-	226,287
Loans	-	-	-	-	281,715
Due from other Governments	-	81,662	30,610	112,272	383,372
Due from other funds	-	-	-	-	5,166
Due from Successor Agency	-	-	-	-	4,000
Total assets	<u>\$ 568,765</u>	<u>\$ 417,787</u>	<u>\$ 1,842,772</u>	<u>\$ 2,829,324</u>	<u>\$ 9,002,402</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 1,966	\$ 30,628	\$ -	\$ 32,594	\$ 203,253
Accrued liabilities	-	-	-	-	20,369
Due to other governments	-	-	434,390	434,390	434,924
Unearned revenue	-	-	-	-	282,511
Due to other funds	-	-	-	-	405,100
Total liabilities	<u>1,966</u>	<u>30,628</u>	<u>434,390</u>	<u>466,984</u>	<u>1,346,157</u>
Fund balances:					
Restricted for:					
Community development	-	-	-	-	284,457
Law enforcement	-	-	-	-	624,939
Street projects	-	-	-	-	1,785,353
Transportation projects	-	-	1,408,382	1,408,382	3,539,822
Air Quality projects	-	-	-	-	174,474
Assessment districts	-	-	-	-	646,205
Library	-	-	-	-	165
Assigned to:					
Culture and recreation	-	387,159	-	387,159	387,159
Other capital projects	566,799	-	-	566,799	566,799
Unassigned	-	-	-	-	(353,128)
Total fund balances	<u>566,799</u>	<u>387,159</u>	<u>1,408,382</u>	<u>2,362,340</u>	<u>7,656,245</u>
Total liabilities and fund balances	<u>\$ 568,765</u>	<u>\$ 417,787</u>	<u>\$ 1,842,772</u>	<u>\$ 2,829,324</u>	<u>\$ 9,002,402</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, 2013

	Special Revenue Funds					Air Quality Improvement
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-
Intergovernmental	394,087	493,409	88,804	1,118,422	1,265,661	237,207
Charges for services	-	25,353	-	-	328,136	-
Special assessments	-	258,980	-	-	-	-
Investment earnings	-	3,647	823	9,205	11,907	1,282
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>394,087</u>	<u>781,389</u>	<u>89,627</u>	<u>1,127,627</u>	<u>1,605,704</u>	<u>238,489</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	435,051	2,221	-	-	-
Public works	-	-	-	787,790	-	18,968
Culture and recreation	-	-	-	-	-	-
Transit	-	-	-	-	1,125,086	-
Redevelopment and housing	394,041	-	-	-	-	-
Capital outlay	-	325,353	-	-	177,807	366,180
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>394,041</u>	<u>760,404</u>	<u>2,221</u>	<u>787,790</u>	<u>1,302,893</u>	<u>385,148</u>
Excess (deficiency) of revenues over expenditures	<u>46</u>	<u>20,985</u>	<u>87,406</u>	<u>339,837</u>	<u>302,811</u>	<u>(146,659)</u>
Other financing sources (uses):						
Transfers out	(10)	(314,268)	-	-	-	-
Transfers in	10	50,268	-	-	-	19,060
Total other financing sources (uses)	<u>-</u>	<u>(264,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,060</u>
Net change in fund balances	46	(243,015)	87,406	339,837	302,811	(127,599)
Fund balances at beginning of fiscal year (deficits)	5	583,630	196,918	1,445,516	1,828,629	302,073
Fund balances at end of fiscal year (deficits)	<u>\$ 51</u>	<u>\$ 340,615</u>	<u>\$ 284,324</u>	<u>\$ 1,785,353</u>	<u>\$ 2,131,440</u>	<u>\$ 174,474</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, 2013

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Nonmajor Special Revenue Funds
\$ 88,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,919
-	-	-	-	1,957	-	-	1,957
9	-	-	-	-	37,102	118,595	3,753,296
68,486	-	-	-	-	-	-	421,975
-	126,053	171,426	17,103	-	-	72,190	645,752
2,964	-	454	8	7	52	1,178	31,527
-	-	-	-	-	12,854	6,793	19,647
<u>160,378</u>	<u>126,053</u>	<u>171,880</u>	<u>17,111</u>	<u>1,964</u>	<u>50,008</u>	<u>198,756</u>	<u>4,963,073</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	437,272
108,930	234,745	127,955	-	1,317	-	63,009	1,342,714
-	-	-	-	-	52,761	-	52,761
-	-	-	-	-	-	-	1,125,086
-	-	-	445	-	-	90,431	484,917
-	-	-	-	-	-	-	869,340
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>108,930</u>	<u>234,745</u>	<u>127,955</u>	<u>445</u>	<u>1,317</u>	<u>52,761</u>	<u>153,440</u>	<u>4,312,090</u>
<u>51,448</u>	<u>(108,692)</u>	<u>43,925</u>	<u>16,666</u>	<u>647</u>	<u>(2,753)</u>	<u>45,316</u>	<u>650,983</u>
-	-	-	-	-	(3,250)	-	(317,528)
-	-	-	-	-	3,250	7,820	80,408
-	-	-	-	-	-	7,820	(237,120)
<u>51,448</u>	<u>(108,692)</u>	<u>43,925</u>	<u>16,666</u>	<u>647</u>	<u>(2,753)</u>	<u>53,136</u>	<u>413,863</u>
<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>\$ 531,297</u>	<u>\$ (353,128)</u>	<u>\$ 111,493</u>	<u>\$ 1,885</u>	<u>\$ 1,530</u>	<u>\$ 165</u>	<u>\$ 284,406</u>	<u>\$ 5,293,905</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, 2013

	Capital Projects Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 88,919
Business license taxes	-	-	-	-	1,957
Intergovernmental	-	(42,672)	654,333	611,661	4,364,957
Charges for services	12,580	-	-	12,580	434,555
Special assessments	-	-	-	-	645,752
Investment earnings	3,079	2,813	8,677	14,569	46,096
Miscellaneous	-	-	-	-	19,647
Total revenues	<u>15,659</u>	<u>(39,859)</u>	<u>663,010</u>	<u>638,810</u>	<u>5,601,883</u>
Expenditures:					
Current:					
General government	1,966	-	-	1,966	1,966
Public safety	-	-	-	-	437,272
Public works	-	-	-	-	1,342,714
Culture and recreation	-	76,638	-	76,638	129,399
Transit	-	-	-	-	1,125,086
Redevelopment and housing	-	-	-	-	484,917
Capital outlay	75	-	-	75	869,415
Debt service:					
Principal retirement	-	-	450,000	450,000	450,000
Interest and fiscal charges	-	-	47,125	47,125	47,125
Total expenditures	<u>2,041</u>	<u>76,638</u>	<u>497,125</u>	<u>575,804</u>	<u>4,887,894</u>
Excess (deficiency) of revenues over expenditures	<u>13,618</u>	<u>(116,497)</u>	<u>165,885</u>	<u>63,006</u>	<u>713,989</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	(317,528)
Transfers in	200,000	-	-	200,000	280,408
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(37,120)</u>
Net change in fund balances	213,618	(116,497)	165,885	263,006	676,869
Fund balances at beginning of fiscal year	353,181	503,656	1,242,497	2,099,334	6,979,376
Fund balances at end of fiscal year	<u>\$ 566,799</u>	<u>\$ 387,159</u>	<u>\$ 1,408,382</u>	<u>\$ 2,362,340</u>	<u>\$ 7,656,245</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 5	\$ 5	\$ -
Resources (inflows):			
Intergovernmental	704,366	394,087	(310,279)
Transfers in	-	10	10
Amounts available for appropriation	<u>704,366</u>	<u>394,102</u>	<u>(310,269)</u>
Charges to appropriations (outflows):			
Current:			
Redevelopment and housing	725,758	394,041	331,717
Transfers out	-	10	(10)
Total charges to appropriations	<u>725,758</u>	<u>394,051</u>	<u>331,707</u>
Budgetary fund balance, June 30	<u>\$ (21,387)</u>	<u>\$ 51</u>	<u>\$ 21,438</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Law Enforcement Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 583,630	\$ 583,630	\$ -
Resources (inflows):			
Intergovernmental	527,371	493,409	(33,962)
Charges for services	36,000	25,353	(10,647)
Special assessments	194,220	258,980	64,760
Investment earnings	-	3,647	3,647
Transfers in	-	50,268	50,268
Amounts available for appropriation	<u>757,591</u>	<u>831,657</u>	<u>74,066</u>
Charges to appropriations (outflows):			
Current:			
Public safety	571,016	435,051	135,965
Capital outlay	325,408	325,353	55
Transfers out	274,268	314,268	(40,000)
Total charges to appropriations	<u>1,170,692</u>	<u>1,074,672</u>	<u>96,020</u>
Budgetary fund balance, June 30	<u>\$ 170,529</u>	<u>\$ 340,615</u>	<u>\$ 170,086</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Narcotic Seizure Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 196,918	\$ 196,918	\$ -
Resources (inflows):			
Intergovernmental	-	88,804	88,804
Investment earnings	-	823	823
Amounts available for appropriation	-	89,627	89,627
Charges to appropriations (outflows):			
Current:			
Public safety	3,175	2,221	954
Transfers out	20,000	-	20,000
Total charges to appropriations	23,175	2,221	20,954
Budgetary fund balance, June 30	\$ 173,743	\$ 284,324	\$ 110,581

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,445,516	\$ 1,445,516	\$ -
Resources (inflows):			
Intergovernmental	1,283,900	1,118,422	(165,478)
Investment earnings	9,900	9,205	(695)
Amounts available for appropriation	<u>1,293,800</u>	<u>1,127,627</u>	<u>(166,173)</u>
Charges to appropriations (outflows):			
Current:			
Public works	789,240	787,790	1,450
Capital outlay	<u>276,000</u>	<u>-</u>	<u>276,000</u>
Total charges to appropriations	<u>1,065,240</u>	<u>787,790</u>	<u>277,450</u>
Budgetary fund balance, June 30	<u>\$ 1,674,076</u>	<u>\$ 1,785,353</u>	<u>\$ 111,277</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,828,629	\$ 1,828,629	\$ -
Resources (inflows):			
Intergovernmental	2,420,690	1,265,661	(1,155,029)
Charges for services	181,200	328,136	146,936
Investment earnings	10,000	11,907	1,907
Amounts available for appropriation	<u>2,611,890</u>	<u>1,605,704</u>	<u>(1,006,186)</u>
Charges to appropriations (outflows):			
Current:			
Transit	1,716,524	1,125,086	591,438
Capital outlay	<u>229,935</u>	<u>177,807</u>	<u>52,128</u>
Total charges to appropriations	<u>1,946,459</u>	<u>1,302,893</u>	<u>643,566</u>
Budgetary fund balance, June 30	<u>\$ 2,494,060</u>	<u>\$ 2,131,440</u>	<u>\$ (362,620)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 302,073	\$ 302,073	\$ -
Resources (inflows):			
Intergovernmental	239,090	237,207	(1,883)
Investment earnings	4,100	1,282	(2,818)
Transfers in	-	19,060	19,060
Amounts available for appropriation	<u>243,190</u>	<u>257,549</u>	<u>14,359</u>
Charges to appropriations (outflows):			
Current:			
Public works	32,710	18,968	13,742
Capital outlay	<u>449,590</u>	<u>366,180</u>	<u>83,410</u>
Total charges to appropriations	<u>482,300</u>	<u>385,148</u>	<u>97,152</u>
Budgetary fund balance, June 30	<u>\$ 62,963</u>	<u>\$ 174,474</u>	<u>\$ 111,511</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Municipal Parking District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 479,849	\$ 479,849	\$ -
Resources (inflows):			
Property taxes	24,310	88,919	64,609
Intergovernmental	10	9	(1)
Charges for services	69,100	68,486	(614)
Investment earnings	1,600	2,964	1,364
Amounts available for appropriation	<u>95,020</u>	<u>160,378</u>	<u>65,358</u>
Charges to appropriations (outflows):			
Current:			
Public works	<u>117,880</u>	<u>108,930</u>	<u>8,950</u>
Total charges to appropriations	<u>117,880</u>	<u>108,930</u>	<u>8,950</u>
Budgetary fund balance, June 30	<u>\$ 456,989</u>	<u>\$ 531,297</u>	<u>\$ 74,308</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Lighting Assessment District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance (deficit), July 1	\$ (244,436)	\$ (244,436)	\$ -
Resources (inflows):			
Special assessments	122,500	126,053	3,553
Transfers in	50,000	-	(50,000)
Amounts available for appropriation	<u>172,500</u>	<u>126,053</u>	<u>(46,447)</u>
Charges to appropriations (outflows):			
Current:			
Public works	234,745	234,745	-
Total charges to appropriations	<u>234,745</u>	<u>234,745</u>	<u>-</u>
Budgetary fund balance (deficit), June 30	<u>\$ (306,681)</u>	<u>\$ (353,128)</u>	<u>\$ (46,447)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Landscaping Assessment District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 67,568	\$ 67,568	\$ -
Resources (inflows):			
Special assessments	113,900	171,426	57,526
Investment earnings	1,200	454	(746)
Amounts available for appropriation	<u>115,100</u>	<u>171,880</u>	<u>56,780</u>
Charges to appropriations (outflows):			
Current:			
Public works	130,610	127,955	2,655
Total charges to appropriations	<u>130,610</u>	<u>127,955</u>	<u>2,655</u>
Budgetary fund balance, June 30	<u>\$ 52,058</u>	<u>\$ 111,493</u>	<u>\$ 59,435</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Community Facilities District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance (deficit), July 1	\$ (14,781)	\$ (14,781)	\$ -
Resources (inflows):			
Special assessments	28,257	17,103	(11,154)
Investment earnings	-	8	8
Amounts available for appropriation	<u>28,257</u>	<u>17,111</u>	<u>(11,146)</u>
Charges to appropriations (outflows):			
Current:			
Redevelopment and housing	7,691	445	7,246
Total charges to appropriations	<u>7,691</u>	<u>445</u>	<u>7,246</u>
Budgetary fund balance, June 30	<u>\$ 5,785</u>	<u>\$ 1,885</u>	<u>\$ (3,900)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Shoppers Lane Parking District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 883	\$ 883	\$ -
Resources (inflows):			
Business license taxes	1,100	1,957	857
Investment earnings	-	7	7
Amounts available for appropriation	<u>1,100</u>	<u>1,964</u>	<u>864</u>
Charges to appropriations (outflows):			
Current:			
Public works	1,383	1,317	66
Total charges to appropriations	<u>1,383</u>	<u>1,317</u>	<u>66</u>
Budgetary fund balance, June 30	<u>\$ 600</u>	<u>\$ 1,530</u>	<u>\$ 930</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Library Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 2,918	\$ 2,918	\$ -
Resources (inflows):			
Intergovernmental	8,620	37,102	28,482
Investment earnings	-	52	52
Miscellaneous	6,000	12,854	6,854
Transfers in	-	3,250	3,250
Amounts available for appropriation	<u>14,620</u>	<u>53,258</u>	<u>38,638</u>
Charges to appropriations (outflows):			
Current:			
Culture and recreation	51,251	52,761	(1,510)
Transfers out	4,761	3,250	1,511
Total charges to appropriations	<u>56,012</u>	<u>56,011</u>	<u>1</u>
Budgetary fund balance, June 30	<u>\$ (38,474)</u>	<u>\$ 165</u>	<u>\$ 38,639</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Other Grants Special Revenue Funds
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 231,270	\$ 231,270	\$ -
Resources (inflows):			
Intergovernmental	141,780	118,595	(23,185)
Special assessments	45,000	72,190	27,190
Investment earnings	-	1,178	1,178
Miscellaneous	-	6,793	6,793
Transfers in	-	7,820	7,820
Amounts available for appropriation	<u>186,780</u>	<u>206,576</u>	<u>19,796</u>
Charges to appropriations (outflows):			
Current:			
Public works	147,090	63,009	84,081
Redevelopment and housing	94,295	90,431	3,864
Capital outlay	7,000	-	7,000
Total charges to appropriations	<u>248,385</u>	<u>153,440</u>	<u>94,945</u>
Budgetary fund balance, June 30	<u>\$ 169,665</u>	<u>\$ 284,406</u>	<u>\$ 114,741</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
General Projects Capital Projects Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 353,181	\$ 353,181	\$ -
Resources (inflows):			
Charges for services	-	12,580	12,580
Investment earnings	-	3,079	3,079
Transfers in	200,000	200,000	-
Amounts available for appropriation	200,000	215,659	15,659
Charges to appropriations (outflows):			
Current:			
General government	1,966	1,966	-
Capital outlay	200,000	75	199,925
Transfers out	16,000	-	16,000
Total charges to appropriations	217,966	2,041	215,925
Budgetary fund balance, June 30	\$ 335,215	\$ 566,799	\$ 231,584

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Park Development Capital Projects Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 503,656	\$ 503,656	\$ -
Resources (inflows):			
Intergovernmental	2,545,057	(42,672)	(2,587,729)
Investment earnings	1,200	2,813	1,613
Amounts available for appropriation	<u>2,546,257</u>	<u>(39,859)</u>	<u>(2,586,116)</u>
Charges to appropriations (outflows):			
Current:			
Culture and recreation	2,424,843	76,638	2,348,205
Total charges to appropriations	<u>2,424,843</u>	<u>76,638</u>	<u>2,348,205</u>
Budgetary fund balance, June 30	<u>\$ 625,070</u>	<u>\$ 387,159</u>	<u>\$ (237,911)</u>

CITY OF COVINA, CALIFORNIA
Supplementary Information
Budgetary Comparison Schedule
Transportation Capital Projects Fund
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,242,497	\$ 1,242,497	\$ -
Resources (inflows):			
Intergovernmental	1,261,820	654,333	(607,487)
Investment earnings	-	8,677	8,677
Amounts available for appropriation	<u>1,261,820</u>	<u>663,010</u>	<u>(598,810)</u>
Charges to appropriations (outflows):			
Current:			
Transit	34,640	-	34,640
Debt service:			
Principal retirement	450,000	450,000	-
Interest and fiscal charges	47,130	47,125	5
Total charges to appropriations	<u>531,770</u>	<u>497,125</u>	<u>34,645</u>
Budgetary fund balance, June 30	<u>\$ 1,972,547</u>	<u>\$ 1,408,382</u>	<u>\$ (564,165)</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 position items, and revenues and expenses of individual internal service funds be consolidated with the government-wide statement of net position and activities. GAAP still requires internal service funds to be presented in the financial statements.

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Fund Net Position
- 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 Position
Internal Service Funds
June 30, 2013

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Assets					
Current assets:					
Cash and investments	\$ 344,598	\$ 1,315,964	\$ 4,282,449	\$ 1,835,307	\$ 7,778,318
Accounts receivable	-	22,322	75,514	14,843	112,679
Prepaid expenses	7,871	-	-	10,125	17,996
Inventories	-	54,215	-	-	54,215
Total current assets	<u>352,469</u>	<u>1,392,501</u>	<u>4,357,963</u>	<u>1,860,275</u>	<u>7,963,208</u>
Capital assets:					
Machinery and equipment	1,493,606	4,385,314	-	-	5,878,920
Less accumulated depreciation	(1,129,031)	(3,242,382)	-	-	(4,371,413)
Total capital assets (net of accumulated depreciation)	<u>364,575</u>	<u>1,142,932</u>	<u>-</u>	<u>-</u>	<u>1,507,507</u>
Total assets	<u>717,044</u>	<u>2,535,433</u>	<u>4,357,963</u>	<u>1,860,275</u>	<u>9,470,715</u>
Liabilities					
Current liabilities:					
Accounts payable	15,269	123,740	635	31,181	170,825
Current portion of compensated absences payable	11,210	7,493	4,220	4,220	27,143
Accrued liabilities	22,451	14,598	3,779	3,779	44,607
Due to Successor Agency	-	-	2,299	-	2,299
Total current liabilities	<u>48,930</u>	<u>145,831</u>	<u>10,933</u>	<u>39,180</u>	<u>244,874</u>
Noncurrent liabilities:					
Compensated absences payable	74,900	149,540	30,040	30,040	284,520
Advances from other funds	-	-	15,000	-	15,000
Total noncurrent liabilities	<u>74,900</u>	<u>149,540</u>	<u>45,040</u>	<u>30,040</u>	<u>299,520</u>
Total liabilities	<u>123,830</u>	<u>295,371</u>	<u>55,973</u>	<u>69,220</u>	<u>544,394</u>
Net Position					
Net investment in capital assets	364,575	1,142,932	-	-	1,507,507
Unrestricted	228,639	1,097,130	4,301,990	1,791,055	7,418,814
Total net position	<u>\$ 593,214</u>	<u>\$ 2,240,062</u>	<u>\$ 4,301,990</u>	<u>\$ 1,791,055</u>	<u>\$ 8,926,321</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2013

	Management Information Systems	Central Equipment	Workers' Compensation	Public Liability	Total
Operating Revenues:					
Charges for services	\$ 1,186,296	\$ -	\$ 1,410,213	\$ 438,489	\$ 3,034,998
Motor pool charges	-	1,384,434	-	-	1,384,434
Total operating revenues	<u>1,186,296</u>	<u>1,384,434</u>	<u>1,410,213</u>	<u>438,489</u>	<u>4,419,432</u>
Operating expenses:					
General and Administrative	1,247,233	42,075	786,223	417,150	2,492,681
Vehicle and equipment operation	-	1,180,425	-	-	1,180,425
Depreciation	199,204	162,070	-	-	361,274
Total operating expenses	<u>1,446,437</u>	<u>1,384,570</u>	<u>786,223</u>	<u>417,150</u>	<u>4,034,380</u>
Operating income (loss)	<u>(260,141)</u>	<u>(136)</u>	<u>623,990</u>	<u>21,339</u>	<u>385,052</u>
Nonoperating revenues (expenses):					
Investment earnings	1,620	5,026	-	-	6,646
Gain/(loss) on sale and disposal of capital assets	-	6,614	-	-	6,614
Total nonoperating revenues (expenses)	<u>1,620</u>	<u>11,640</u>	<u>-</u>	<u>-</u>	<u>13,260</u>
Change in net position	(258,521)	11,504	623,990	21,339	398,312
Net position at beginning of fiscal year	851,735	2,228,558	3,678,000	1,769,716	8,528,009
Net position at end of fiscal year	<u>\$ 593,214</u>	<u>\$ 2,240,062</u>	<u>\$ 4,301,990</u>	<u>\$ 1,791,055</u>	<u>\$ 8,926,321</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
Cash flows from operating activities:					
Cash received from customers, users and grants	\$ 1,186,296	\$ 1,383,950	\$ 1,334,699	\$ 423,646	\$ 4,328,591
Cash paid to suppliers for goods and services	(699,588)	(603,954)	(650,315)	(271,403)	(2,225,260)
Cash paid to employees for services	(535,167)	(435,802)	(94,935)	(94,936)	(1,160,840)
Net cash provided (used) by operating activities	<u>(48,459)</u>	<u>344,194</u>	<u>589,449</u>	<u>57,307</u>	<u>942,491</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(76,078)	(77,415)	-	-	(153,493)
Proceeds from sale of revenue bond	-	6,614	-	-	6,614
Net cash used for capital and related financing activities	<u>(76,078)</u>	<u>(70,801)</u>	<u>-</u>	<u>-</u>	<u>(146,879)</u>
Cash flows from investing activities:					
Interest received on investments	1,620	5,026	-	-	6,646
Net cash provided by investing activities	<u>1,620</u>	<u>5,026</u>	<u>-</u>	<u>-</u>	<u>6,646</u>
Net increase decrease in cash and cash equivalents	(122,917)	278,419	589,449	57,307	802,258
Cash and cash equivalents beginning of fiscal year	467,515	1,037,545	3,693,000	1,778,000	6,976,060
Cash and cash equivalents end of fiscal year	<u>\$ 344,598</u>	<u>\$ 1,315,964</u>	<u>\$ 4,282,449</u>	<u>\$ 1,835,307</u>	<u>\$ 7,778,318</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (260,141)	\$ (136)	\$ 623,990	\$ 21,339	\$ 385,052
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	199,204	162,070	-	-	361,274
Change in operating assets and liabilities:					
Decrease (increase) in other taxes receivable	-	(484)	(75,514)	(14,843)	(90,841)
Decrease (increase) in accounts receivable	-	-	2,299	-	2,299
Decrease (increase) in prepaid expenses	15,833	-	-	(10,125)	5,708
Decrease (increase) in inventories	-	27,890	-	-	27,890
Increase (decrease) in accounts payable	(25,794)	85,433	635	22,897	83,171
Increase in compensated absences payable	13,040	67,293	34,260	34,260	148,853
Increase in accrued liabilities	9,399	2,128	3,779	3,779	19,085
Total adjustments	<u>211,682</u>	<u>344,330</u>	<u>(34,541)</u>	<u>35,968</u>	<u>557,439</u>
Net cash provided (used) by operating activities	<u>\$ (48,459)</u>	<u>\$ 344,194</u>	<u>\$ 589,449</u>	<u>\$ 57,307</u>	<u>\$ 942,491</u>
Noncash capital and related financing activities					
Retirement of capital assets	\$ -	\$ 133,359	\$ -	\$ -	\$ 133,359
Retirement of accumulated depreciation on capital assets	-	(133,359)	-	-	(133,359)

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
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Downtown District</u>	<u>Prospero Park District</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 203	\$ 889	\$ 1,092
	<u>\$ 203</u>	<u>\$ 889</u>	<u>\$ 1,092</u>
Liabilities			
Due to association	<u>\$ 203</u>	<u>\$ 889</u>	<u>\$ 1,092</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Downtown District</u>				
Assets				
Cash and investments	\$ 9,480	\$ 6,944	\$ (16,221)	\$ 203
Liabilities				
Due to association	\$ 9,480	\$ 6,944	\$ (16,221)	\$ 203
<u>Prospero Park District</u>				
Assets				
Cash and investments	\$ 497	\$ 8,268	\$ (7,876)	\$ 889
Liabilities				
Due to association	\$ 497	\$ 8,268	\$ (7,876)	\$ 889
<u>Total Agency Funds</u>				
Assets				
Cash and investments	\$ 9,977	\$ 15,212	\$ (24,097)	\$ 1,092
	<u>\$ 9,977</u>	<u>\$ 15,212</u>	<u>\$ (24,097)</u>	<u>\$ 1,092</u>
Liabilities				
Due to association	\$ 9,977	\$ 15,212	\$ (24,097)	\$ 1,092

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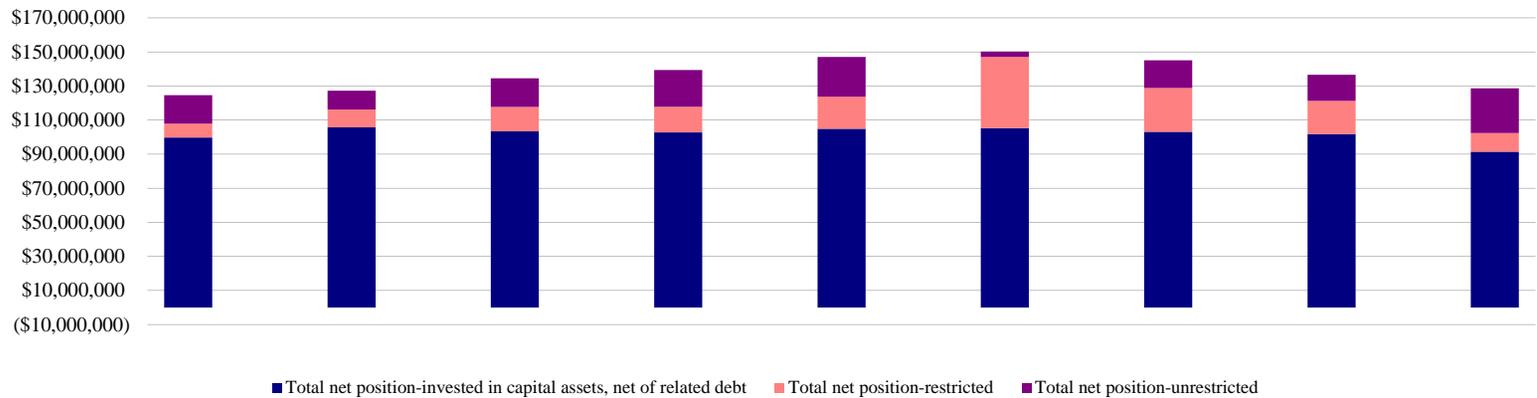
Statistical Section

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

	<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.	120
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the City's significant local revenue source, the property tax.	127
<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.	133
<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.	139
<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.	141
<i>Debt Continuing Disclosure</i>	
These schedules contain information that complies with continuing disclosure requirements of each bond issued.	145

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 74,270,261
Restricted	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	15,229,058
Unrestricted	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	11,385,702
Total governmental activities net position	<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>	<u>\$ 100,885,021</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 18,808,805
Restricted	-	-	-	-	242,609	194,200	1,588,002	2,901,716	-	-
Unrestricted	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	11,741,520
Total business-type activities net position	<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>	<u>\$ 30,550,325</u>
Total net position										
Invested in capital assets, net of related debt	\$ 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	\$ 93,079,066
Restricted	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	15,229,058
Unrestricted	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	23,127,222
Total net position	<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>	<u>\$ 131,435,346</u>



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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,923,009
Public safety	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	24,363,654
Public works	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	6,246,958
Culture and recreation	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	4,322,897
Community development	478,487	313,404	673,436	871,061	872,902	674,691	899,683	1,008,595	903,125	1,738,855
Transit	441,439	394,371	602,471	842,987	928,296	1,035,264	1,255,587	1,771,250	1,498,359	1,393,213
Redevelopment and housing	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	1,792,779
Nondepartmental	626,502	640,670	780,909	783,515	710,097	-	-	-	-	-
Interest on long-term debt	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	49,654
Total governmental activities expenses	<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>	<u>41,831,019</u>
Business-type activities:										
Water utility	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	9,276,555
Environmental protection	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	770,164
Sewer utility							1,306,386	1,246,067	916,194	1,272,822
Total business-type activities expenses	<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>	<u>11,319,541</u>
Total expenses	<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>	<u>\$ 53,150,560</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 418,360	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804	\$ 2,143,036	\$ 2,171,397	\$ 1,537,347	\$ 356,673
Public safety	858,591	957,742	1,163,481	972,892	1,108,955	402,084	630,996	630,938	1,552,076	1,957,506
Public works	532,976	551,203	497,797	801,087	720,499	1,010,808	469,403	488,132	764,276	556,466
Culture and recreation	645,007	663,789	646,731	842,336	625,015	670,775	703,840	1,084,791	776,590	798,562
Community development	624,850	686,359	996,218	906,443	837,228	305,459	733,112	669,205	820,232	1,167,001
Transit	60,739	56,872	105,717	203,242	223,334	229,107	220,813	239,177	287,568	328,136
Redevelopment and housing	831,398	868,867	860,536	857,920	873,523	1,002,471	959,081	979,816	389,969	28,710
Operating grants and contributions	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	5,597,878
Capital grants and contributions	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	611,661
Total governmental activities program revenues	<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>	<u>11,402,593</u>

(Continued)

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

(Continued)

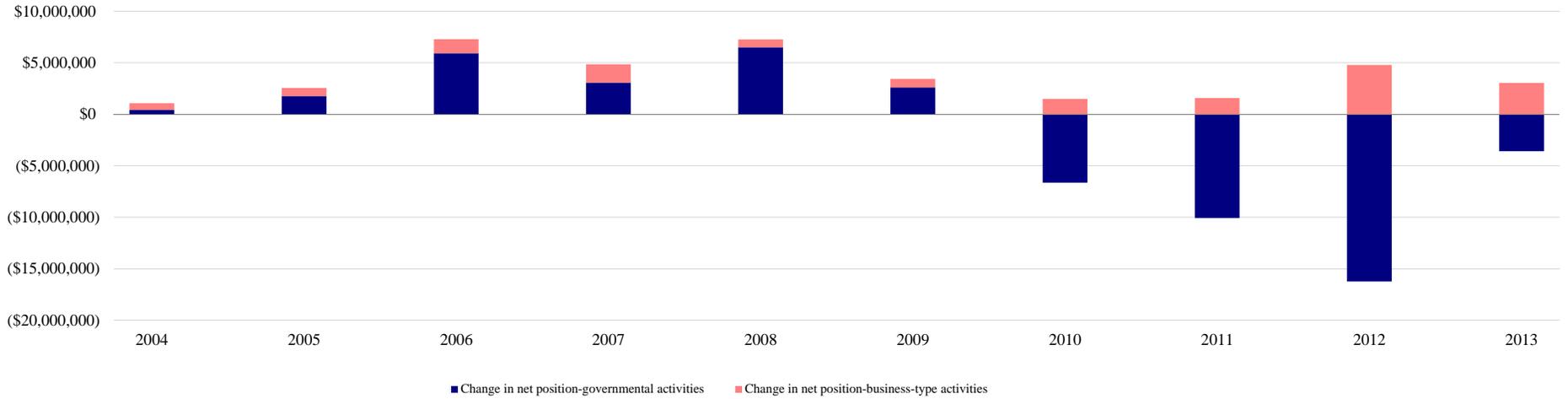
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Water utility	5,168,104	5,088,097	5,967,600	6,096,964	6,185,853	5,460,462	6,625,803	8,872,848	10,515,236	10,902,689
Environmental protection	2,903,358	2,815,351	3,372,873	3,628,004	3,707,867	3,845,177	3,735,408	3,191,529	1,227,298	925,221
Sewer utility	-	-	-	-	-	-	970,717	1,464,430	1,750,240	2,263,321
Operating grants and contributions	29,095	70,307	13,425	26,326	26,138	9,797	-	-	-	-
Total business-type activities program revenues	<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>	<u>14,091,231</u>
Total program revenues	<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>	<u>\$ 25,493,824</u>
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (30,428,426)
Business-type activities	630,777	746,154	1,246,614	1,643,461	619,164	740,656	999,896	871,887	3,393,531	2,771,690
Total net expense	<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>	<u>\$ (27,656,736)</u>
General revenues										
Governmental activities:										
Property taxes	\$ 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	\$ 13,323,781
Sales taxes	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	5,835,052
Transient occupancy taxes	449,872	484,621	578,418	491,226	423,861	340,175	356,027	317,594	316,609	395,589
Property transfer taxes	223,353	307,612	296,459	324,113	158,340	113,113	133,114	92,818	124,226	132,670
Business license taxes	385,820	418,336	360,265	383,254	395,503	349,109	368,913	337,613	373,299	259,692
Utility user taxes	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	5,065,228
Franchise taxes	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	1,465,788
Intergovernmental	2,725,005	4,385,626	1,088,916	675,895	498,071	131,080	145,828	227,618	24,598	-
Investment earnings	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	337,358
Transfers in/out	-	-	-	-	-	45,913	(431,157)	(24,383)	6,653	26,880
Gain on sale of land held for resale	-	-	-	-	-	-	-	55,176	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	-	10,105	6,614
Miscellaneous	727,630	426,675	712,168	94,356	693,547	1,091,243	-	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	-	(11,674,077)	-
Total governmental activities	<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>	<u>26,848,652</u>
Business-type activities:										
Investment earnings	25,372	45,061	110,168	131,122	135,192	86,322	160,868	173,150	70,596	60,157
Investment earnings - CIC	-	-	-	-	446,587	219,257	(66,408)	506,864	1,333,565	226,795
Miscellaneous	-	-	-	-	-	-	(33,696)	-	-	-
Transfers in/out	-	-	-	-	-	(45,913)	431,157	24,383	(6,653)	(26,880)
Total general revenues	<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>	<u>\$ 27,108,724</u>

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

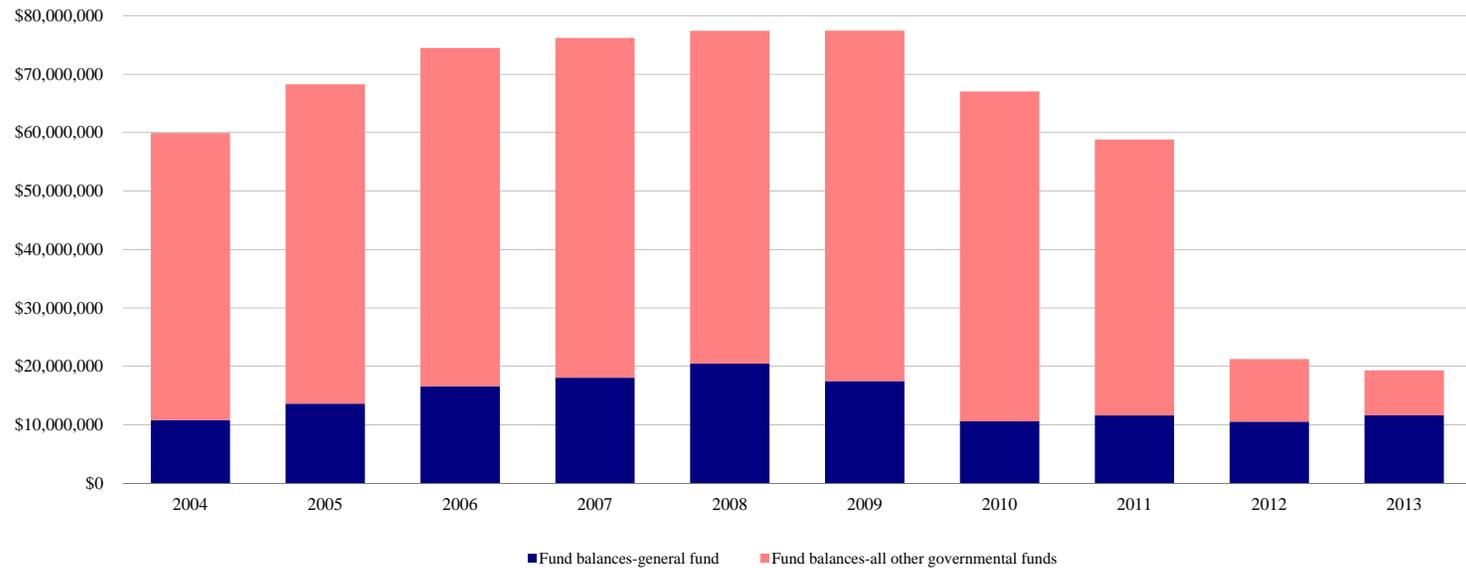
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	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Change in net position										
Governmental activities	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256	\$ 2,605,099	\$ (6,641,098)	\$ (10,065,611)	\$ (16,227,788)	\$ (3,579,774)
Business-type activities	656,149	791,215	1,356,782	1,774,583	754,356	826,978	1,491,817	1,576,284	4,791,039	3,031,762
Total changes in net position	<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>\$ 3,432,077</u>	<u>\$ (5,149,281)</u>	<u>\$ (8,489,327)</u>	<u>\$ (11,436,749)</u>	<u>\$ (548,012)</u>



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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399				
Unreserved	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	\$ 28,941
Restricted							-	-	20,259	24,564
Committed							6,385,473	172,777	234,540	533,004
Assigned							457,909	501,835	473,342	478,106
Unassigned							3,118,855	10,284,466	9,187,601	10,580,310
Total general fund	\$ 10,811,737	\$ 13,625,802	\$ 16,593,915	\$ 18,076,074	\$ 20,498,756	\$ 17,490,330	\$ 10,608,489	\$ 11,607,880	\$ 10,537,723	\$ 11,644,925
All other governmental funds										
Reserved	\$ 22,407,267	\$ 22,119,157	\$ 24,441,157	\$ 22,736,840	\$ 28,054,791	\$ 34,930,036				
Unreserved, reported in:										
Special revenue funds	6,324,620	9,087,613	11,860,367	12,884,570	13,638,976	10,047,112				
Capital projects funds	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	7,070,982
Assigned							1,648,441	1,886,710	856,857	953,958
Unassigned							-	(1,961,140)	(259,217)	(353,128)
Total all other governmental funds	\$ 49,110,055	\$ 54,641,802	\$ 57,892,304	\$ 58,119,341	\$ 56,917,629	\$ 59,945,498	\$ 56,426,408	\$ 47,218,291	\$ 10,701,579	\$ 7,671,812



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

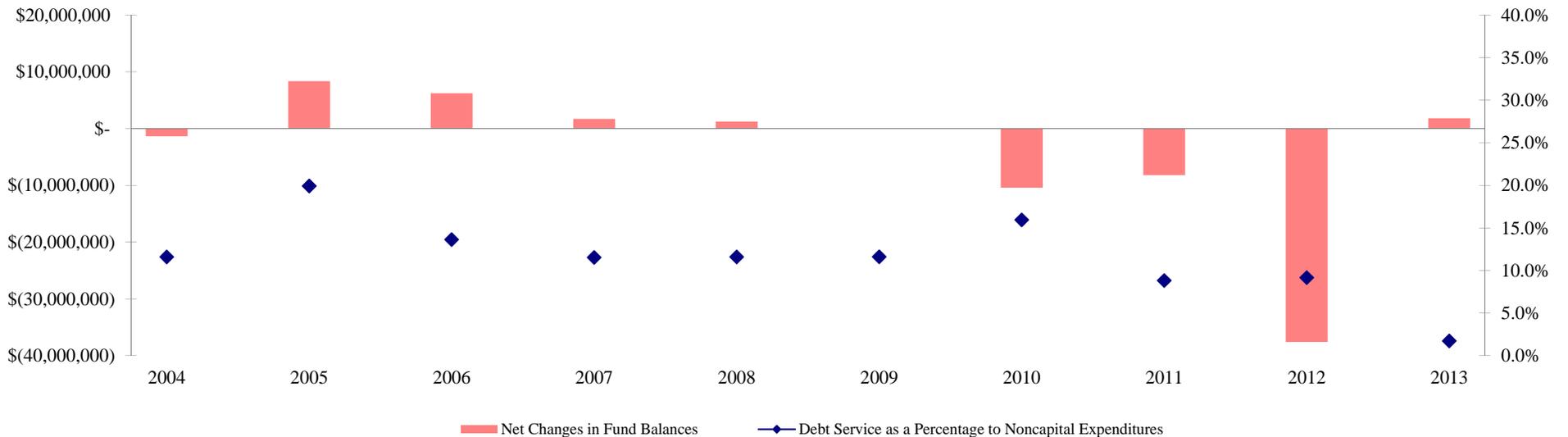
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242	\$ 31,618,542	\$ 26,517,007	\$ 32,305,233	\$ 25,706,551	\$ 26,934,344
Licenses and permits	454,286	547,173	711,271	476,306	444,730	210,009	408,891	538,623	609,209	878,549
Intergovernmental	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	5,178,331
Charges for services	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	2,658,584
Fines and forfeits	612,436	610,936	801,161	826,974	755,574	608,152	736,304	717,102	824,561	871,237
Special assessments	349,486	330,191	363,188	395,993	646,256	1,133,637	781,307	768,407	674,336	645,752
Investment earnings	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	3,304
Gain on land held for resale	-	-	-	-	-	-	-	55,176	-	-
Miscellaneous	712,631	426,675	712,168	94,356	693,547	1,091,243	449,220	426,682	714,743	296,007
Total revenues	<u>35,585,531</u>	<u>38,678,198</u>	<u>43,196,032</u>	<u>46,123,040</u>	<u>47,465,854</u>	<u>45,279,518</u>	<u>38,930,244</u>	<u>44,510,982</u>	<u>37,960,839</u>	<u>37,466,108</u>
Expenditures										
General government	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	274,806
Public safety	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	23,842,820
Public works	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	2,448,294
Culture and recreation	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	4,262,425
Community development	584,543	630,836	675,795	866,988	878,362	686,297	923,801	993,778	890,511	1,762,768
Transit	440,271	430,828	487,012	637,775	715,454	804,996	996,078	1,535,572	1,240,701	1,125,086
Redevelopment and housing	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	491,540
Nondepartmental	57,759	52,244	77,591	43,538	52,987	-	-	-	-	-
Capital outlay	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	890,079
Debt service:										
Principal	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	553,477
Interest and fiscal charges	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	48,115
Bond issuance costs	-	1,283,370	-	-	-	-	-	-	-	-
Payment to refunded bond account	-	1,735,000	-	-	-	-	-	-	-	-
Total expenditures	<u>37,335,355</u>	<u>44,931,457</u>	<u>36,880,215</u>	<u>43,968,010</u>	<u>46,244,884</u>	<u>45,305,988</u>	<u>47,303,806</u>	<u>52,454,325</u>	<u>43,156,145</u>	<u>35,699,410</u>
Excess of revenues over (under) expenditures	<u>(1,749,824)</u>	<u>(6,253,259)</u>	<u>6,315,817</u>	<u>2,155,030</u>	<u>1,220,970</u>	<u>(26,470)</u>	<u>(8,373,562)</u>	<u>(7,943,343)</u>	<u>(5,195,306)</u>	<u>1,766,698</u>

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

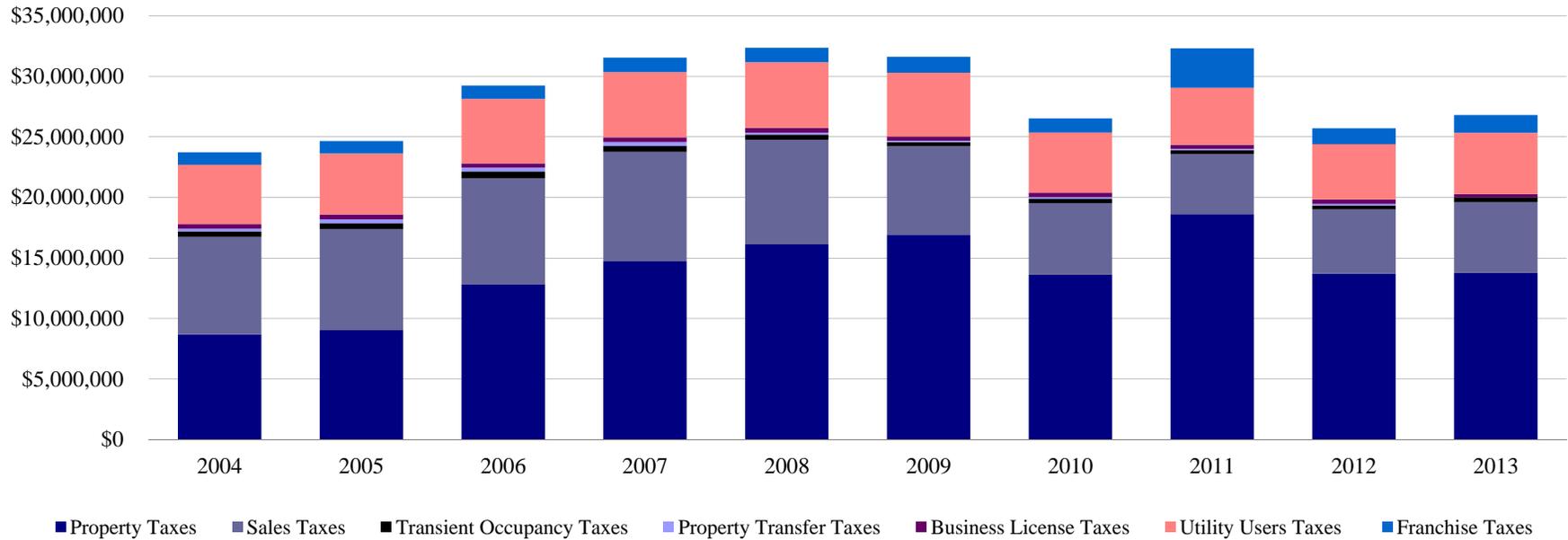
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Other financing sources (uses)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transfers in	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390	\$ 1,103,318	\$ 5,508,798	\$ 3,620,017	\$ 4,134,433	\$ 544,408
Transfers out	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)	(416,390)	(1,057,405)	(10,332,955)	(3,885,400)	(3,949,780)	(517,528)
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	26,880
Extraordinary loss from dissolution of Redevelopment Agency	-	-	-	-	-	-	-	-	(32,576,216)	-
Net changes in fund balances	\$ (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)	\$ 1,793,578
Debt service as a percentage of noncapital expenditures	11.6%	19.9%	13.6%	11.5%	11.6%	11.6%	15.9%	8.8%	9.2%	1.7%



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

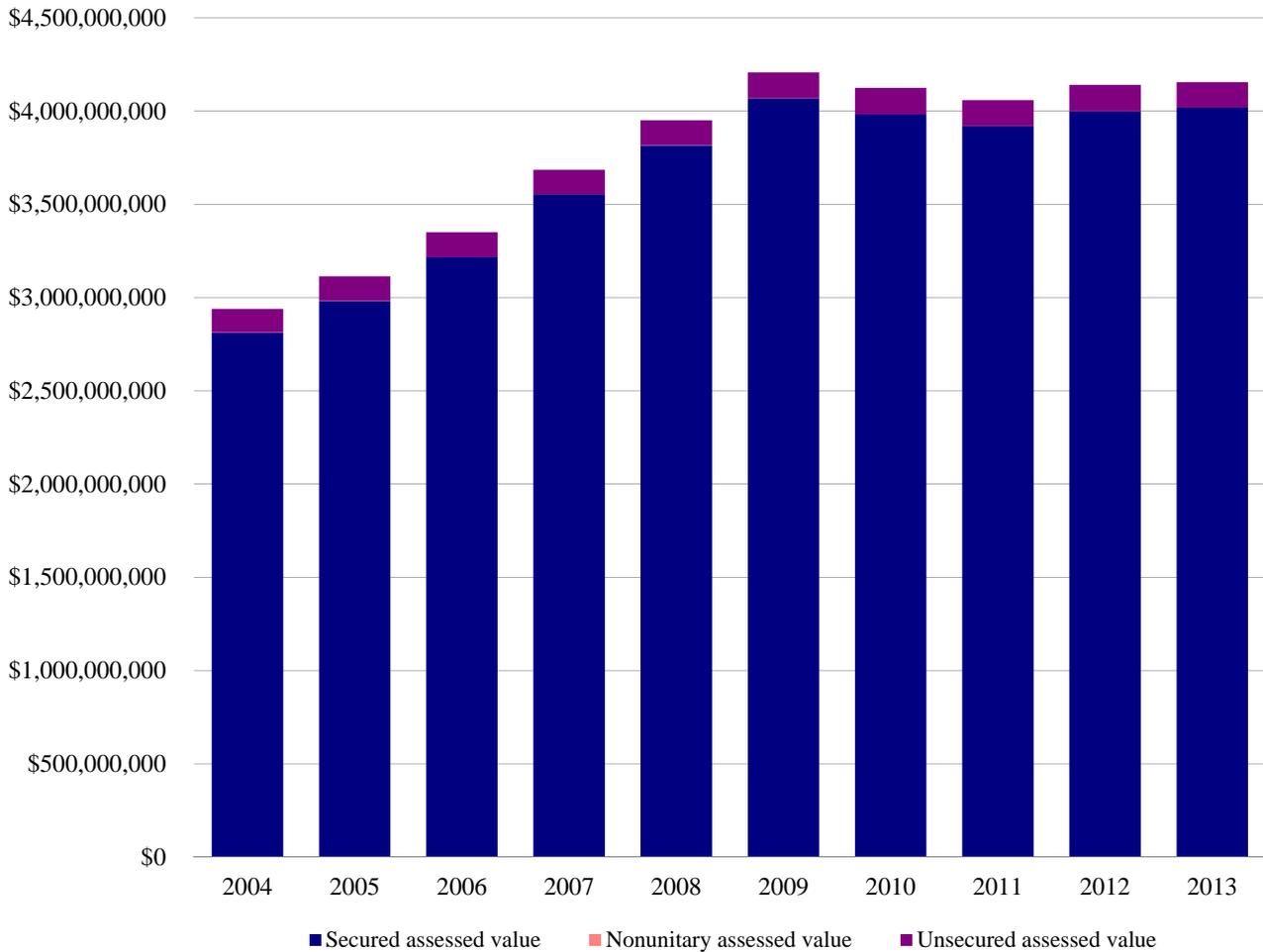
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2004	8,693,770	8,053,254	449,872	223,353	385,820	4,887,082	1,031,016	23,724,167
2005	9,041,899	8,347,572	484,621	307,612	418,336	5,032,784	1,028,228	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	13,701,328	5,323,574	316,609	124,226	373,299	4,553,173	1,314,343	25,706,552
2013	13,779,975	5,835,052	394,909	132,670	260,722	5,065,228	1,465,788	26,934,344



⁽¹⁾ Includes both City property tax and Redevelopment Agency tax allocations up to 2012. 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	Total Effective Rate (2)
	Secured	Nonunitary	Unsecured		
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%
2013	4,019,604,449	401,800	135,484,540	4,155,490,789	1.4036%



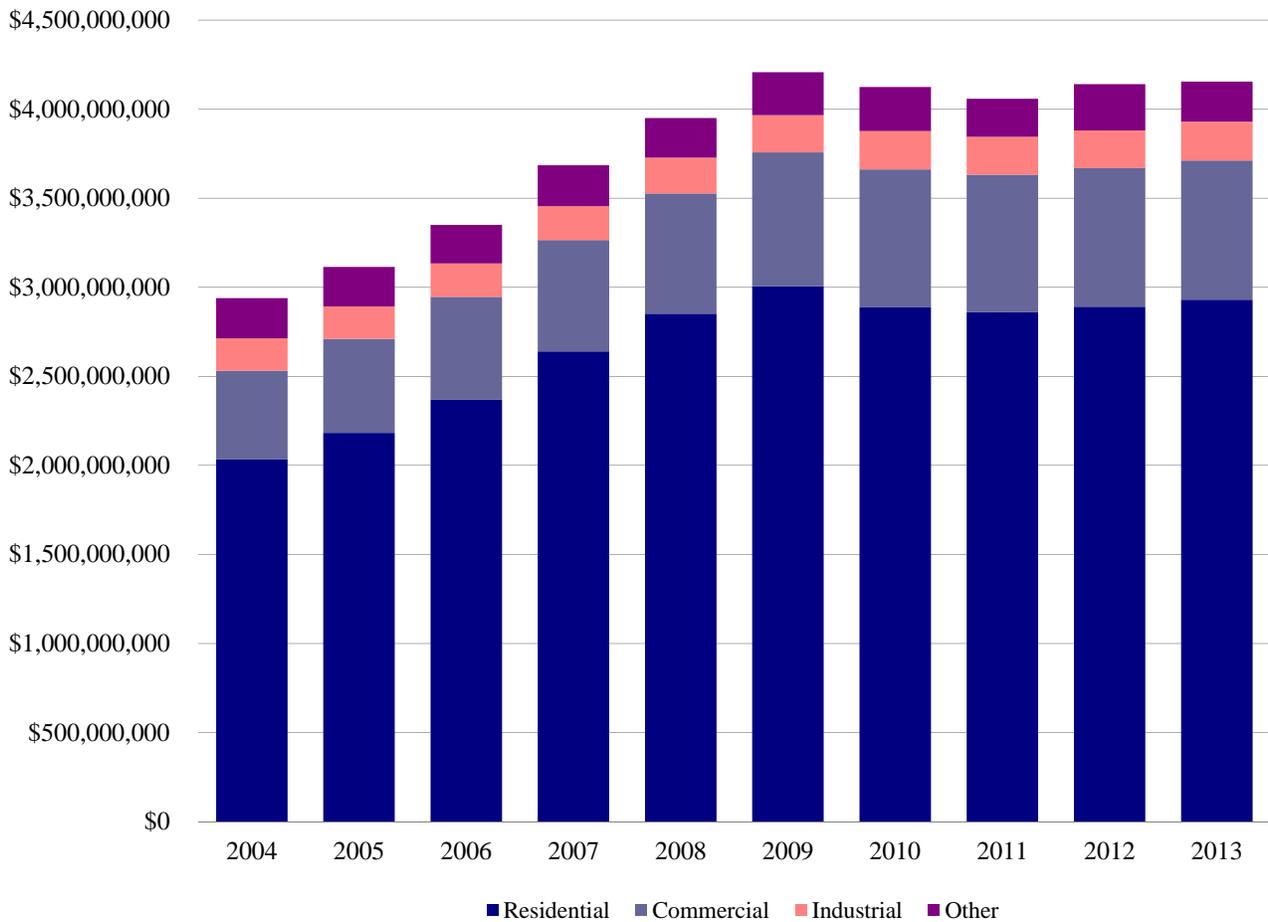
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution 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		
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%
2013	2,930,723,686	780,928,877	217,974,525	225,863,701	4,155,490,789	1.4036%



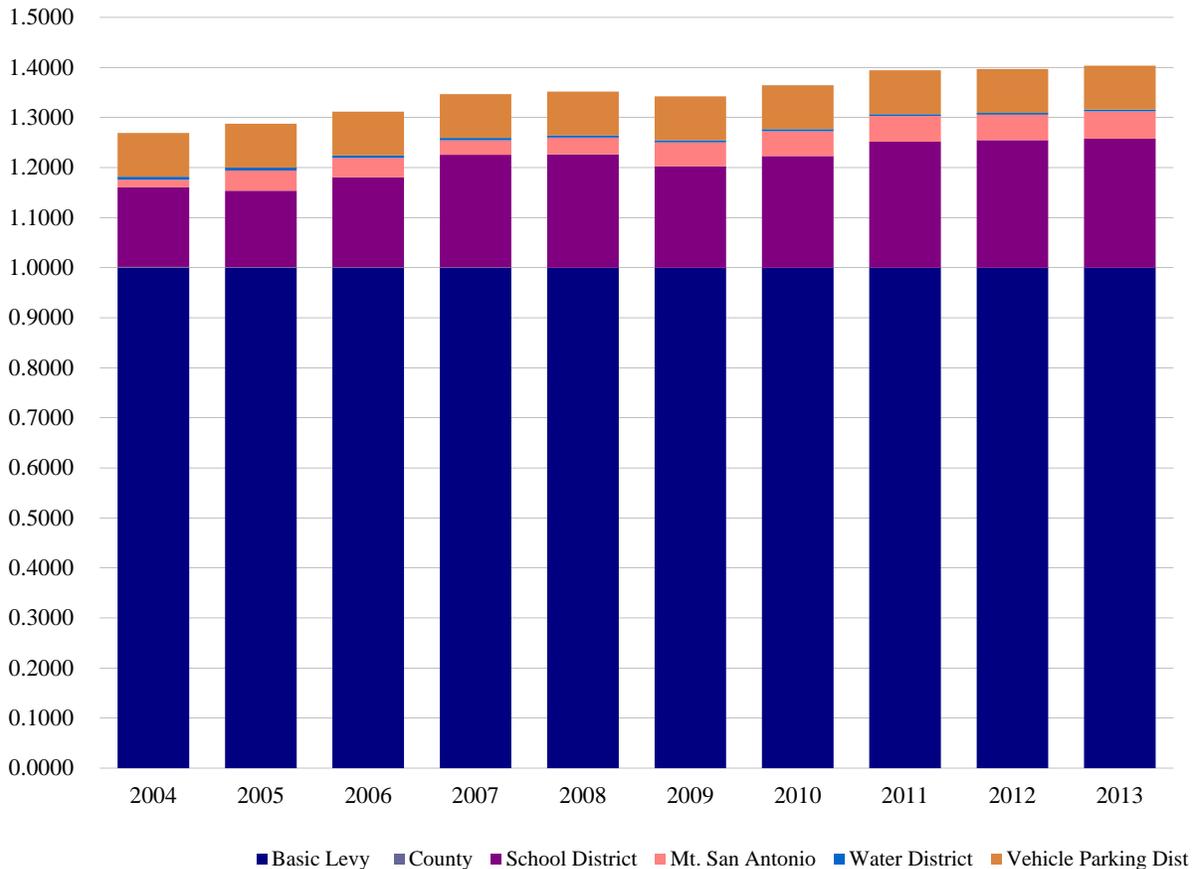
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution 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		Vehicle Parking District	Total Effective Rate ⁽⁵⁾
		General	Flood Control	Total		College District ⁽⁴⁾	Water District		
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
2013	1.0000	0.0000	0.0000	0.0000	0.2577	0.0549	0.0035	0.0875	1.4036

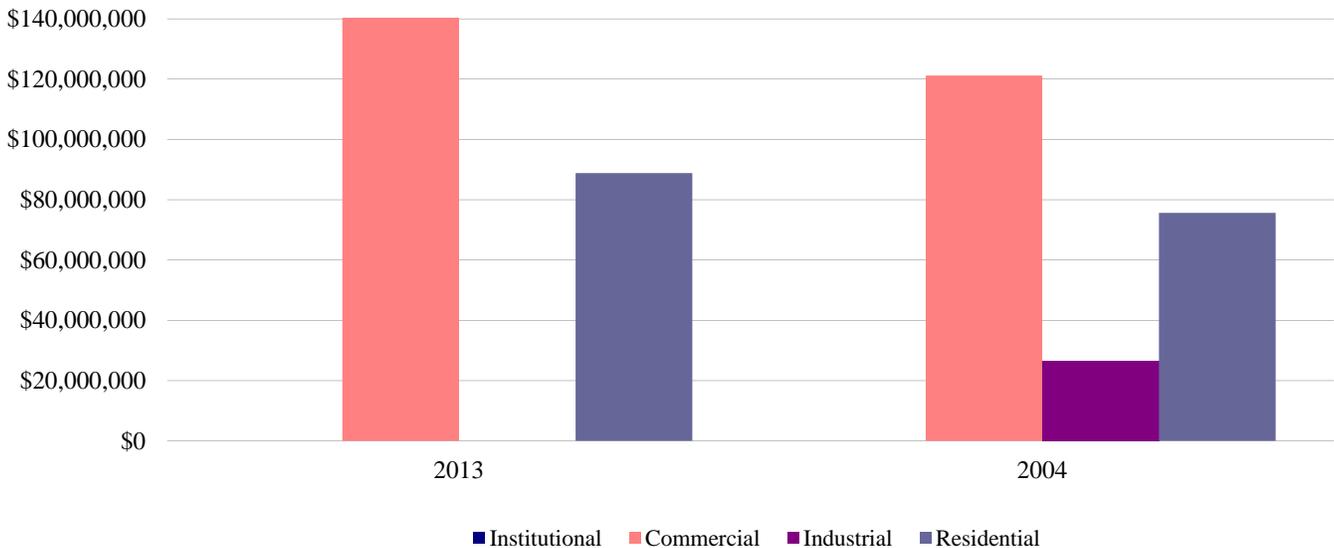


⁽¹⁾ Per \$100 of assessed value
⁽²⁾ Basic levy for City (\$0.154), County (\$0.338), Covina Valley Unified School District (\$0.184), Educational Revenue Augmentation Fund (\$0.242) and other agencies (\$0.082).
⁽³⁾ Azusa Unified School District, Charter Oak Unified School District and Covina Valley 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 dissolution 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, 2013

Taxpayer	Primary Use	2013			2004		
		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	\$ 55,826,062	1	1.34%	\$ 35,039,508	2	1.19%
KIR Covina Limited Partnership	Commercial	46,358,098	2	1.12%	35,991,181	1	1.22%
Vista Pointe Apartments LLC	Residential	36,707,743	3	0.88%	-	-	-
PUR RB Covina Apartments LLC	Residential	32,784,347	4	0.79%	-	-	-
FNL of Covina Partners LLC	Commercial	26,100,000	5	0.63%	-	-	-
Spirit SPE Covina LLC	Commercial	24,800,000	6	0.60%	-	-	-
UIMC Covina LLC	Commercial	24,405,100	7	0.59%	-	-	-
Haemonetics Manufacturing Inc	Commercial	20,825,096	8	0.50%	-	-	-
Crystal Waterfalls LLC	Commercial	20,700,000	9	0.50%	-	-	-
Covina 023 Woods 206 LP	Residential	19,341,911	10	0.47%	-	-	-
Medsep Corporation	Industrial	-	-	-	26,704,492	3	0.91%
Transwestern JH Hallmark	Residential	-	-	-	23,029,219	4	0.78%
FR Covina Inc	Commercial	-	-	-	21,780,231	5	0.74%
Coastal Shadowhills LLC	Residential	-	-	-	20,294,935	6	0.69%
Covina Gardens LLC	Residential	-	-	-	18,275,755	7	0.62%
Wal Mart Stores Inc	Commercial	-	-	-	14,631,830	8	0.50%
Cienega Preservation LP	Residential	-	-	-	14,025,700	9	0.48%
Am Mark Label Inc.	Commercial	-	-	-	13,719,395	10	0.47%
Total		\$ 307,848,357		7.42%	\$ 223,492,246		7.60%

Principal Property Owners

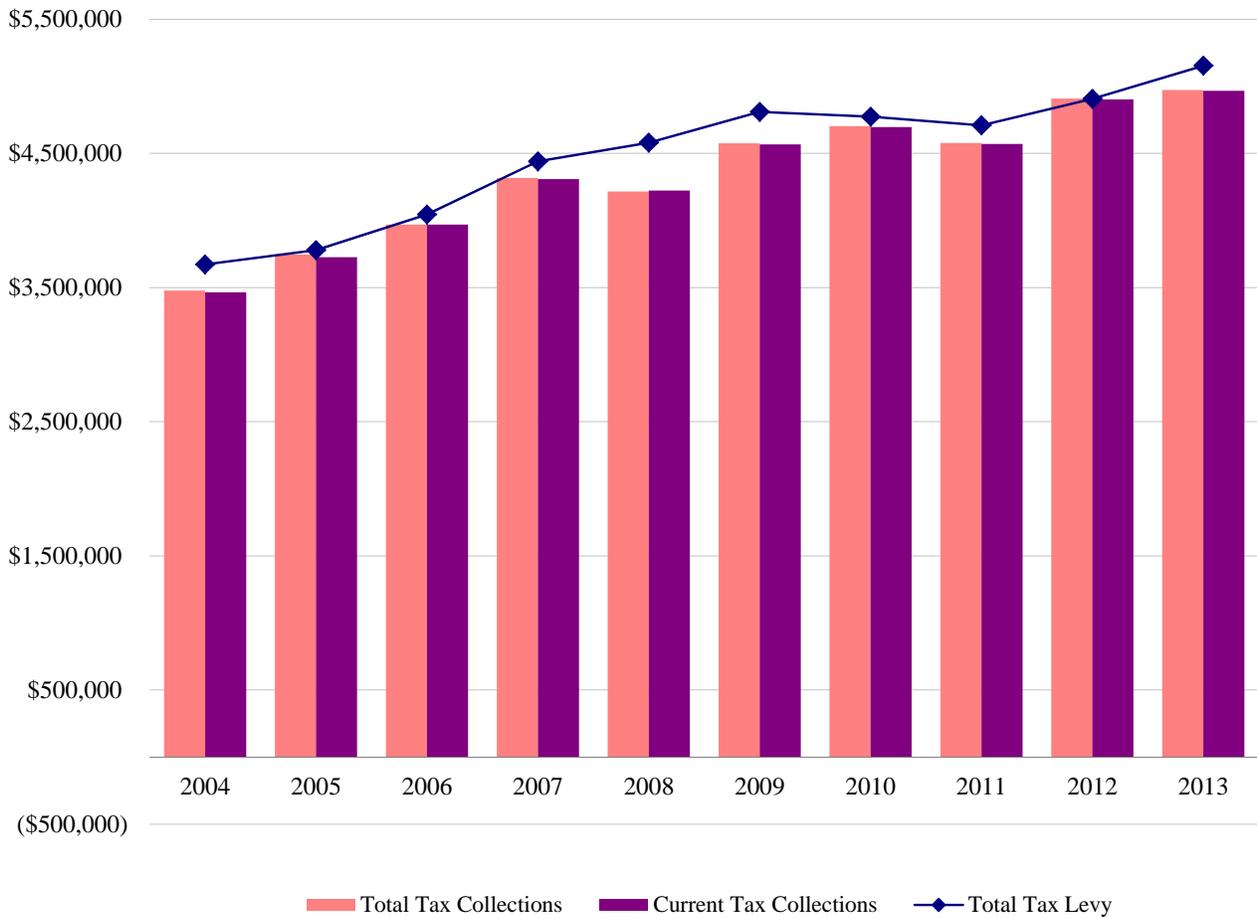


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions.

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
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	4,905,372	4,901,258	99.9%	6,561	4,907,819	100.0%
2013	5,152,608	4,965,009	96.4%	6,505	4,971,514	96.5%



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

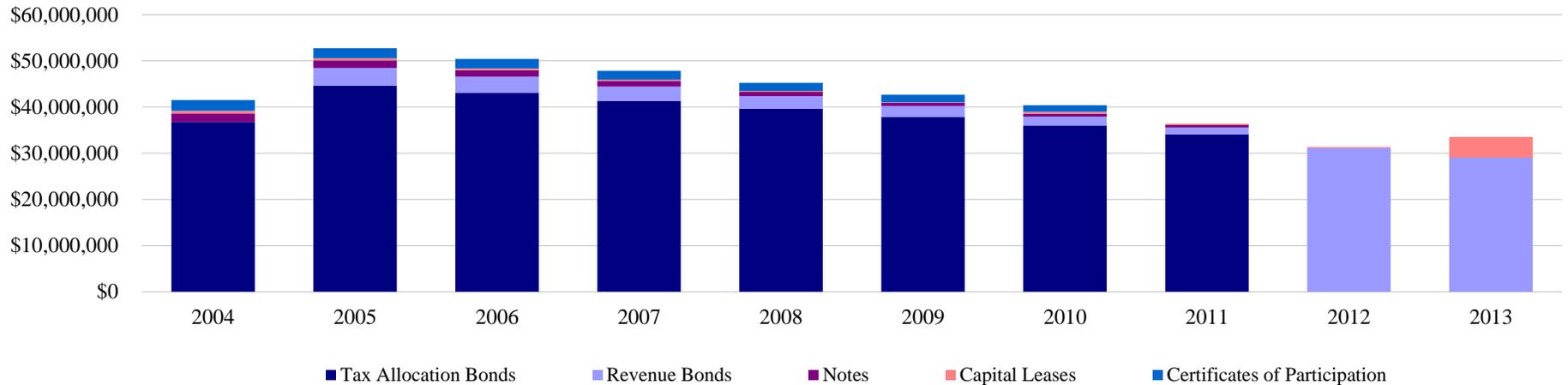
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

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 ⁽²⁾	Revenue Bonds	Notes	Capital Leases	Certificates of Participation	Revenue Bonds	Capital Leases			
2004	36,803,655	-	1,821,000	557,697	2,350,265	-	-	41,532,617	2.41%	0.12%
2005	44,635,780	3,841,236	1,612,139	473,805	2,210,602	-	-	52,773,562	1.98%	0.09%
2006	43,080,525	3,484,432	1,394,483	386,405	2,070,937	-	-	50,416,782	2.15%	0.10%
2007	41,352,646	3,112,628	1,187,398	286,687	1,921,274	-	-	47,860,633	2.38%	0.10%
2008	39,623,416	2,725,824	951,988	194,637	1,766,611	-	-	45,262,476	2.60%	0.11%
2009	37,892,429	2,319,020	761,693	81,974	1,606,948	-	-	42,662,064	2.77%	0.12%
2010	36,012,009	1,897,216	656,516	403,320	1,442,283	15,164,121	-	55,575,465	2.09%	0.09%
2011	34,112,825	1,455,412	543,360	310,752	-	30,842,494	4,963,503	72,228,346	1.63%	0.07%
2012	-	993,608	-	212,881	-	30,167,457	4,665,191	36,039,137	3.26%	0.13%
2013	-	506,804	-	109,404	-	28,556,637	4,355,402	33,528,247	3.70%	0.14%

Outstanding Debt by Type-Last Ten Fiscal Years



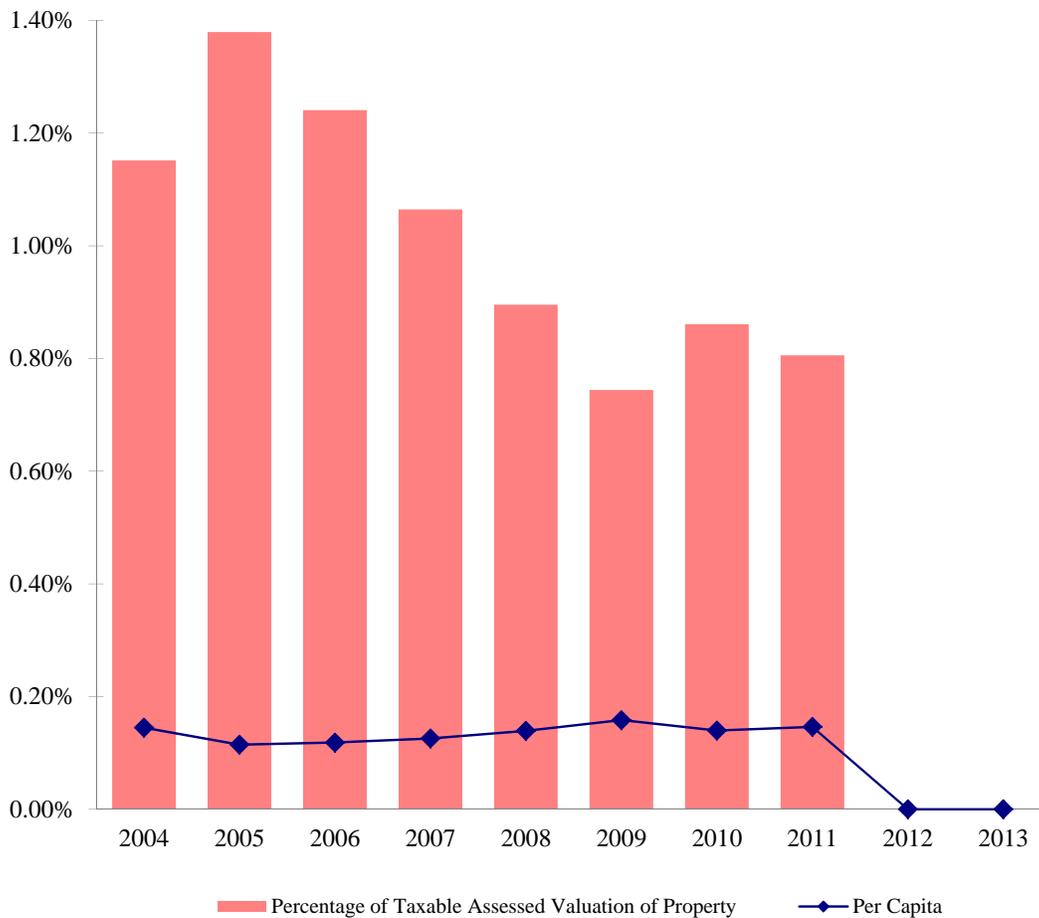
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 139.

⁽²⁾ Due to the dissolution of the Covina Redevelopment Agency, the debt related to tax allocation bonds is no longer reported in this table.

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

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
2004	36,803,655	2,952,367	33,851,288	1.15%	0.14%
2005	44,635,780	1,685,302	42,950,478	1.38%	0.11%
2006	43,080,525	1,512,494	41,568,031	1.24%	0.12%
2007	41,352,646	2,121,446	39,231,200	1.06%	0.13%
2008	39,623,416	4,243,226	35,380,190	0.90%	0.14%
2009	37,892,429	6,584,875	31,307,554	0.74%	0.16%
2010	36,012,009	505,354	35,506,655	0.86%	0.14%
2011	34,112,825	1,418,394	32,694,431	0.81%	0.15%
2012	-	-	-	0.00%	0.00%
2013	-	-	-	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 128.

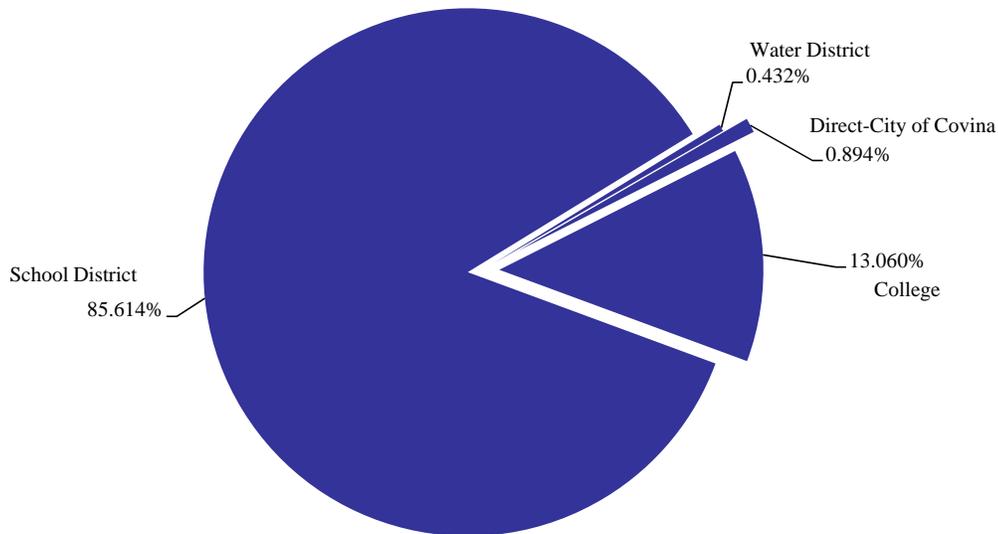
⁽²⁾ See Demographic Statistics on page 139.

⁽³⁾ Due to the dissolution of the Covina Redevelopment Agency, Tax Allocation Bonded Debt is no longer reported on this schedule.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2013

Jurisdiction ⁽¹⁾	Net General Activities Bonded and Capital Lease Debt Outstanding	Percentage Applicable to City of Covina ⁽²⁾	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 616,208	100.000%	\$ 616,208
Overlapping:			
Water District:			
Metropolitan Water District Area 1112	79,696,126	0.374%	298,064
College:			
Citrus-2013 Refunding Bond	13,130,000	0.432%	56,722
Citrus-2007 Series B Debt Service	34,195,000	0.432%	147,722
Citrus-2004 2009 Series C Debt Service	29,870,302	0.432%	129,040
Mt. San Antonio-2004 Series B Debt Service	4,225,000	5.926%	250,374
Mt. San Antonio-2005 & 2012 Refunding Bond	41,010,843	5.945%	2,438,095
Mt. San Antonio-2006 Series C Debt Service	78,755,000	5.926%	4,667,021
Mt. San Antonio-2008 Series D Debt Service	23,086,083	5.926%	1,368,081
School District:			
Azusa Unified 2010	41,055,665	1.824%	748,855
Azusa Unified 2002 Series 2007	2,078,763	1.819%	37,813
Azusa Unified Refund Bond 2002 Series 2011	19,890,000	1.819%	361,799
Charter Oak Unified 2000 Series B	265,000	37.297%	98,837
Charter Oak Unified 2000 Series C 2005	7,670,000	37.297%	2,860,680
Charter Oak Unified 2000 Series D 2006	9,689,202	37.297%	3,613,782
Charter Oak Unified 2000 Series E Refund 2006	2,823,905	37.297%	1,053,232
Covina Valley Unified 2001 Series B	17,956,055	42.033%	7,547,469
Covina Valley Unified 2006	1,855,000	42.033%	779,712
Covina Valley Unified 2007 & 2013	45,990,145	42.033%	19,331,038
Covina Valley Unified 2011 & 2013	53,695,000	42.033%	22,569,619
Subtotal overlapping debt			<u>68,357,955</u>
Total direct and overlapping debt			<u><u>\$ 68,974,163</u></u>

Amount Applicable to City of Covina



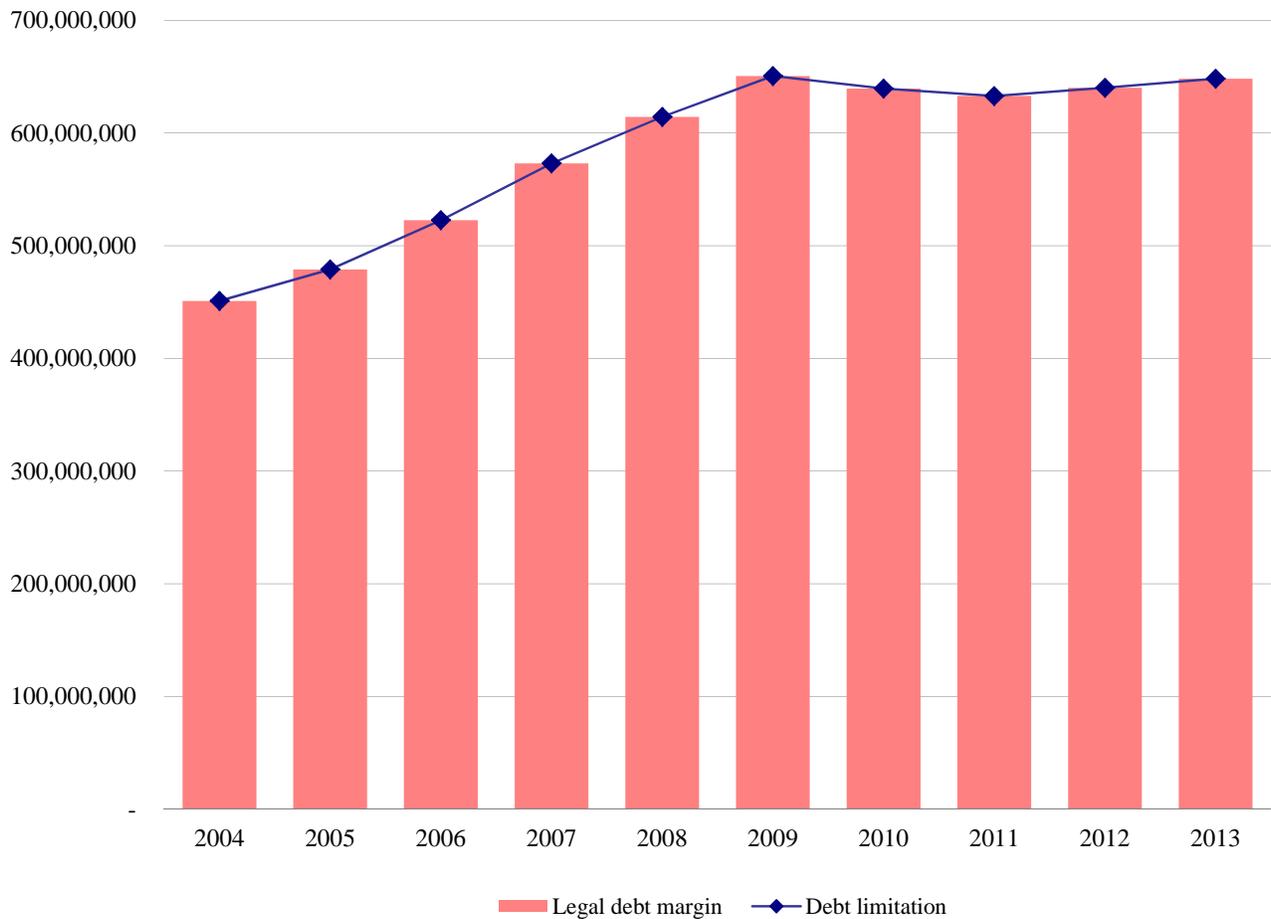
⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 133.

⁽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

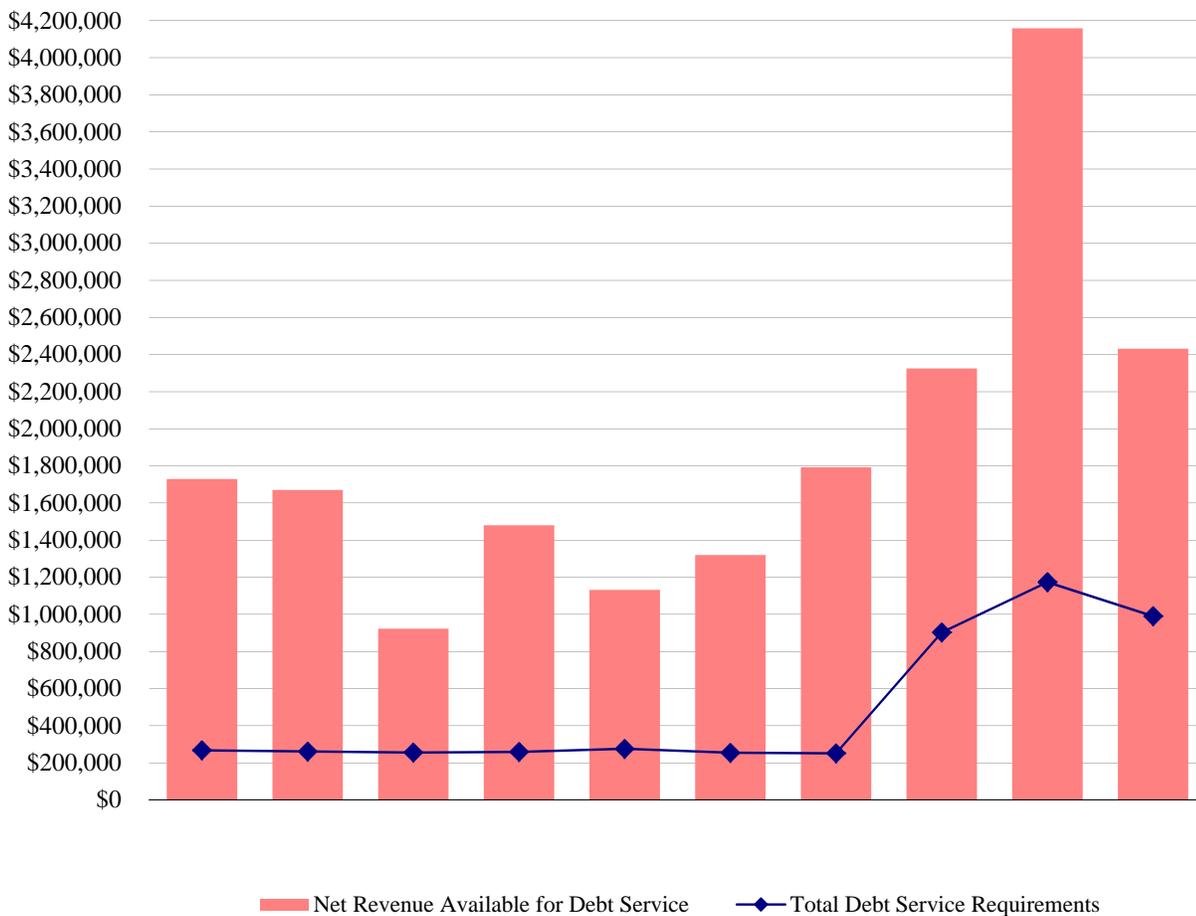
CITY OF COVINA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

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
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
2013	4,155,490,789	166,019,257	4,321,510,046	648,226,507	-	648,226,507



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

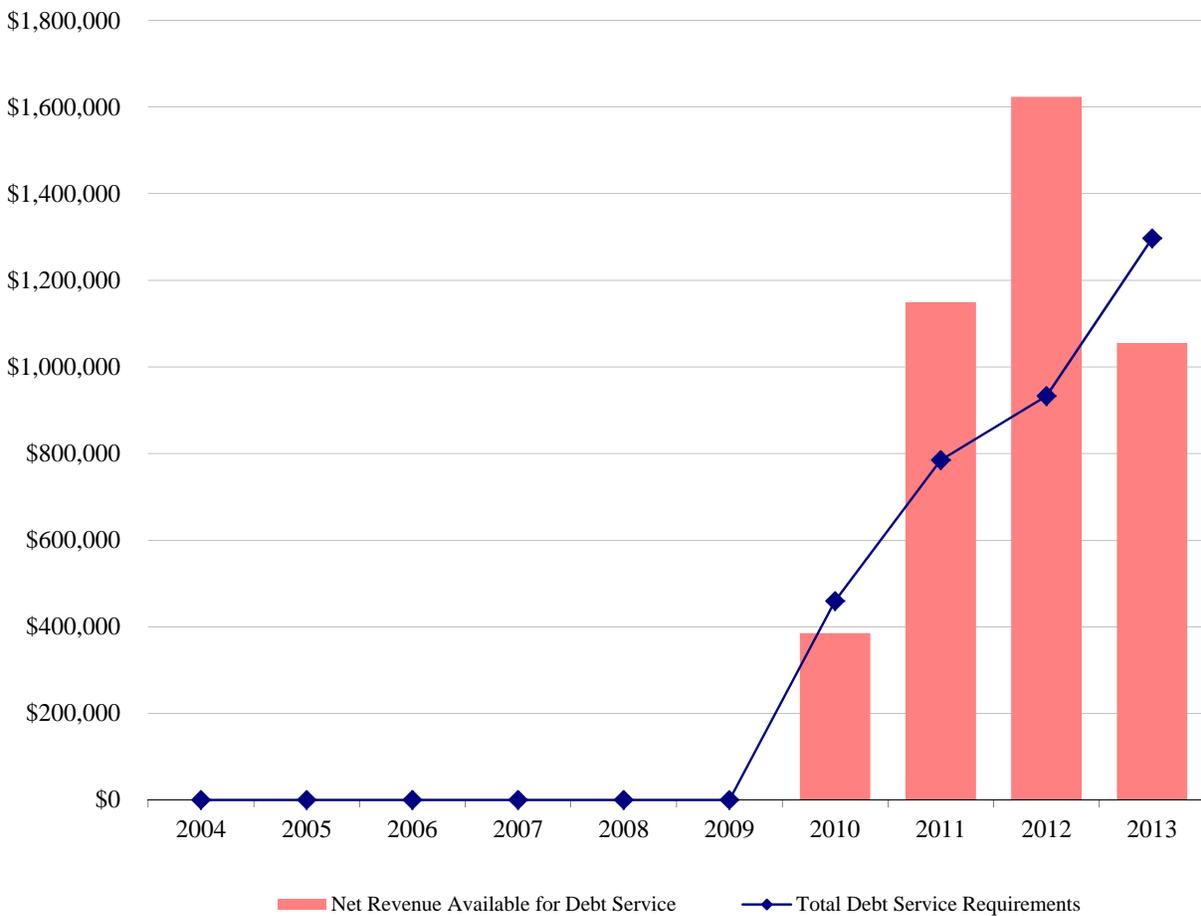
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	5,238,474	3,509,173	1,729,301	145,000	122,218	267,218	6.47
2005	5,118,717	3,448,245	1,670,472	145,000	116,045	261,045	6.40
2006	5,339,489	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
2013	10,933,333	8,501,998	2,431,335	250,000	740,263	990,263	2.46



⁽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 issued in this year.

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	
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
2013	2,285,996	1,230,508	1,055,488	625,000	671,867	1,296,867	0.81



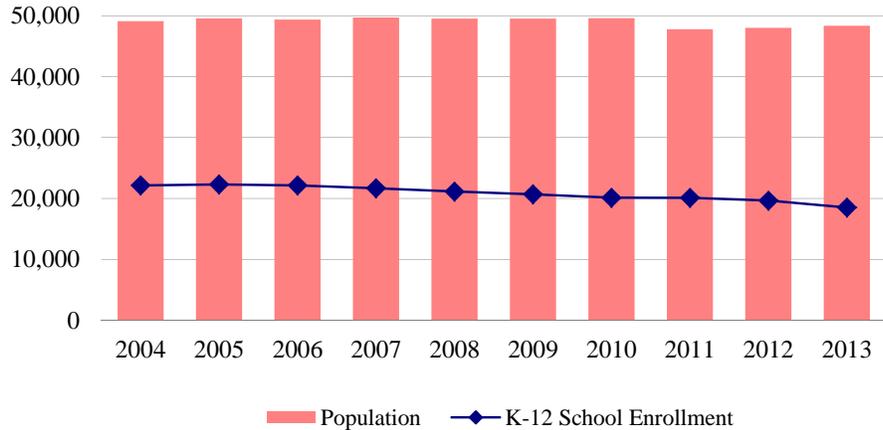
⁽¹⁾ Total revenues (including investment earnings) excluding gain on sale of capital assets.

⁽²⁾ Total operating expenses exclusive of depreciation.

CITY OF COVINA, CALIFORNIA
Demographic and Economic Statistics

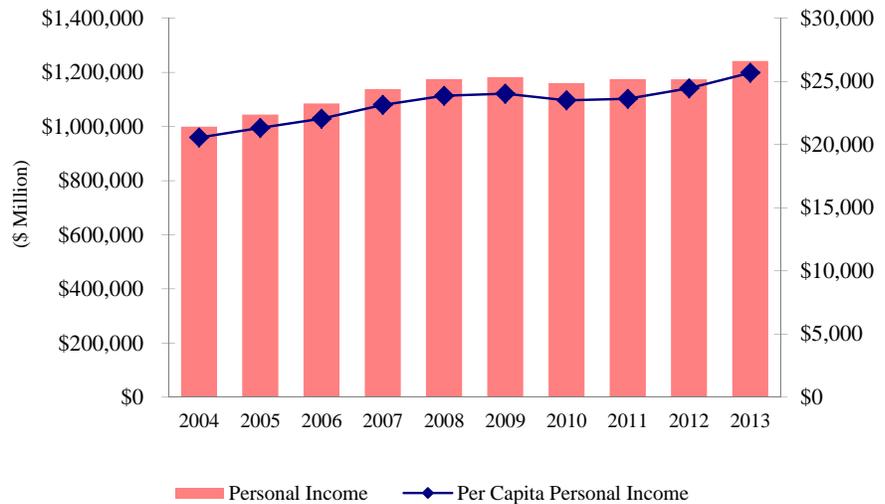
Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
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
2013	48,357	18,524



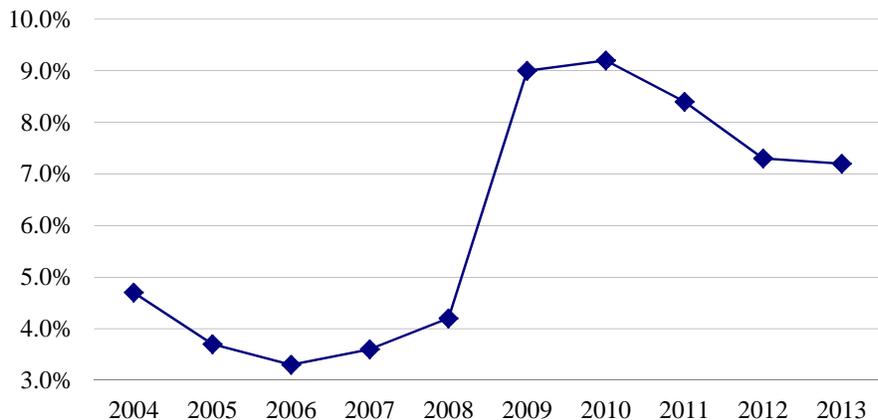
Last Ten Fiscal Years

Year	Personal Income ⁽⁵⁾ (\$ Thousand)	Per Capita Personal Income ⁽⁵⁾
2004	999,416	20,554
2005	1,043,794	21,314
2006	1,085,029	22,047
2007	1,138,071	23,135
2008	1,174,924	23,859
2009	1,181,934	24,026
2010	1,160,074	23,502
2011	1,175,121	23,621
2012	1,174,673	24,453
2013	1,241,808	25,680



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
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%
2013	7.2%



(1) State Department of Finance.
 (2) State Department of Education-Covina Valley and Charter Oak Unified School Districts.
 (3) U.S. Department of Commerce-Bureau of Economic Analysis.
 (4) State Employment Development Department.
 (5) HdL, Coren & Cone.

CITY OF COVINA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2013

Employer	2013			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Citrus Valley Health Partners-Intercommunity	1,200	1	7.65%	845	2	4.98%
Covina Valley Unified School District	1,784	2	11.37%	2,494	1	14.70%
Charter Oak Unified School District	550	3	3.50%	249	5	1.47%
City of Covina	297	4	1.89%	307	3	1.81%
Lareta, LLC	275	5	1.75%	-		0.00%
Wal-Mart	269	6	1.71%	205	10	1.21%
Vitas Innovative Hospice Care	248	7	1.58%	218	8	1.28%
Magan Medical Clinic	236	8	1.50%	277	4	1.63%
Ikea U.S. West, Inc.	208	9	1.33%	-		0.00%
Haemonetics Manufacturing, Inc	186	10	1.19%	-		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>5,253</u>		<u>33.47%</u>	<u>5,291</u>		<u>31.18%</u>

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

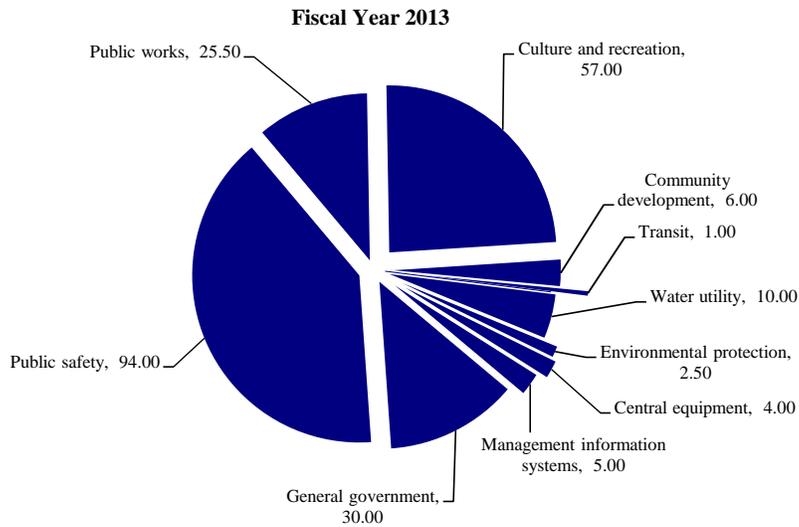
Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

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

	2006	2007	2008	2009	2010	2011	2012	2013
	Total	Total	Total	Total	Total	Total	Total	Total
General government	22.31	21.06	21.06	30.00	25.00	26.00	14.00	30.00
Public safety	100.50	101.00	101.00	104.00	94.50	93.50	19.00	94.00
Public works	18.00	18.00	17.00	22.00	20.00	26.50	5.00	25.50
Culture and recreation	45.54	43.88	43.88	65.00	41.50	38.50	41.00	57.00
Community development	15.95	15.95	15.95	17.00	8.50	2.00	-	6.00
Transit	1.35	1.50	1.50	2.00	1.50	1.50	1.00	1.00
Redevelopment and housing	3.50	3.50	3.50	7.00	8.00	5.50	3.00	-
Water utility	13.25	13.25	13.25	11.00	12.50	12.50	1.00	10.00
Environmental protection	3.75	3.75	3.75	3.00	3.00	3.00	-	2.50
Central equipment	3.50	4.00	4.00	3.00	3.50	4.50	1.00	4.00
Management information systems	3.00	3.00	3.00	4.00	1.50	4.50	1.00	5.00
Total full-time equivalent positions	230.65	228.89	227.89	268.00	219.50	218.00	86.00	235.00

(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 Eight Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Government								
Finance:								
Payroll checks issued	6,961	4,291	4,175	4,174	3,939	4,094	3,904	3,761
Accounts payable checks issued	7,498	8,591	9,283	9,290	9,207	9,101	9,901	9,902
Purchase orders issued	921	2,715	7,054	7,259	7,003	6,951	7,061	7,162
Community Development Block Grant (CDBG):								
Businesses assisted	6	6	4	3	2	2	2	2
Jobs created	13	4	9	24	0	6	6	5
Houses rehabilitated	3	7	-	1	6	2	3	6
Housing - Transitional House:								
Number of people served	18	14	23	15	13	12	6	
Public Safety								
Police:								
Physical arrests	2,805	3,070	3,041	3,160	3,157	3,265	4,231	3,455
Parking violations	12,603	11,786	11,900	15,537	16,096	13,458	19,893	21,775
Traffic violations	5,449	5,772	5,874	6,976	7,174	6,896	8,091	8,019
Fire:								
Number of calls answered	4,306	3,996	3,856	3,919	3,537	3,951	3,477	3,511
Inspections	2,319	802	1,066	2,250	1,512	2,287	2,521	2,630
Culture and Recreation								
Parks and recreation:								
Leaders-in-Training participants	67	73	67	61	70	70	70	70
Youth sports participants	1,863	2,240	2,594	2,890	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	6,555	6,398	7,350	7,900	7,450	7,212	7,946	7,867
Cultural excursion program participants	543	494	530	478	380	347	436	390
Summer evening event attendees	25,000	25,950	27,250	25,950	23,650	10,005	6,013	10,500
Senior service participants	22,825	22,681	19,095	18,060	13,434	14,350	10,836	10,211
Senior nutrition program meals served	15,539	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	53,000	28,000	53,200
Aquatic participants	9,620	8,244	7,911	7,780	5,400	4,115	9,630	15,132
Library:								
Circulation								
Books/Audiobooks/CD'S	126,668	134,775	144,535	151,051	149,068	149,766	153,758	164,199
Videos/DVD's	9,729	11,255	13,351	12,740	13,787	14,601	15,887	18,545
Total Circulation	134,993	146,030	157,886	163,791	162,855	164,367	169,645	182,744
Gate Count	230,478	240,350	234,562	279,949	292,085	286,671	277,349	288,087
Computer Services								
Number of hours	14,220	14,787	16,172	22,804	24,437	20,816	24,424	32,117
Number of users	18,156	19,860	20,941	24,194	24,365	22,444	23,687	28,344
Library Cards Issued								
City Residents	2,125	2,219	2,221	2,558	2,663	2,421	2,278	2,753
Non-City Residents	2,682	2,580	2,202	2,327	2,809	2,492	2,328	2,687
Library materials added								
Books	3,169	2,797	2,729	5,236	3,858	4,250	3,373	5,256
CDs	120	112	183	287	35	148	182	369
Audiobooks	115	97	131	185	106	91	99	127
DVD's	194	232	263	394	346	282	529	490
Total Materials Added	3,598	3,238	3,306	6,102	4,345	4,771	4,183	6,242
Library Programs/Services								
Storytime participants	2,339	4,318	1,911	1,297	1,476	983	1,089	930
Adult/Young Adult program participants	540	700	690	1,260	485	311	525	531
Children's program participants	1,582	1,602	1,486	1,693	1,289	992	1,742	1,113
Summer Reading Program participants	890	890	1,096	859	902	837	864	1,072
Joint Summer Reading program participants	1,006	951	671					
Homework Help Tutors	32	35	24					
Homework Help volunteer hours	777	990	713					
Number of participants	1,410	1,132	677					
Total volunteer hours	11,288	10,464	10,113	8,640	15,611	2,448	6,157	8,495

Continued

CITY OF COVINA, CALIFORNIA

Operating Indicators by Function⁽¹⁾

Last Eight Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Literacy								
Number of tutors	36	37						
Number of adults served	105	91						
Number of children served	40	46						
Reference Questions								
Adult	12,055	9,808	11,354	17,985	21,592	14,851	18,400	18,512
Childrens	6,885	9,135	8,005	14,396	10,116	10,157	10,617	11,758
Total Reference Questions	18,940	18,943	19,359	32,381	31,708	24,999	29,017	30,270
Planning								
Planning reviews	254	465	320	336	462	359	267	450
Permits issued	1,911	422	400	443	707	790	1,075	946
Inspections	416							
Building								
Building reviews	350	336	320	336	462	359	267	450
Permits issued	1,060	1,080	400	443	707	790	1,075	946
Inspections	5,375	5,441	3,400	3,682	3,115	4,249	7,378	3,788
Transit								
Average daily parking customers (station & struct	823	886	742	765	760	823	757	550
Dial-A-Cab participants (monthly average)	1,981	1,639	1,515	1,432	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	44	60	77	75	87	143	119	125
Code Enforcement								
Total Inspections	5,591	13,919	10,034	7,991	5,368	3,270	4,339	
Signs removed from public right of way	661	3,516	528	575	533	340	192	
Industrial Waste Inspections	133	488	593	12	0	0	0	
Water Utility								
Average daily consumption (gallons)	5,048,319	4,816,719	5,445,095	5,510,880	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	102,768	101,008	54,423	51,926	50,039	50,509	50,509	50,509
Meter replacements	14	73	168	849	1,053	619	619	619
Consumer responses	7,975	7,298	1,715	2,593	2,889	5,888	5,888	5,888
Service line repairs	83	99	87	99	148	109	109	109
Main line repairs	57	46	43	48	53	72	72	72
Street Maintenance								
Traffic sign remove/replace/install	1,392	565	244	787	261	229	229	229
Potholes repaired	2,415	1,502	1,928	1,782	1,047	533	533	533
Curb painted (lf)	22,884	51,424	27,653	42,446	20,681	32,704	32,704	32,704
Utility cuts repaired	5	24	81	104	156	116	116	116
Trees trimmed	305	352	703	375	565	294	294	294
Equipment Maintenance								
Preventative maintenance service	536	568	478	359	309	336	336	336
Safety inspections	564	626	474	372	423	445	445	445
Daily demand repairs	1,224	1,210	1,043	993	936	1,045	1,045	1,045
Tire repairs	248	253	243	327	262	234	234	234
Environmental Protection								
Refuse collected (tons/month)	2,242	2,601	2,559	2,642	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	188	198	192	193	202	211	226	290
Green waste collected (tons/month)	525	536	542	546	550	567	579	620
Compressed natural gas sold (gallon equivalents)	13,865	19,093	22,704	25,462	18,542	16,496	19,521	22,318

⁽¹⁾ Information provided by various departments for last eight fiscal years. No indicators for public works.

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

	<u>2013</u>	<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	1
Public safety								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol units	26	27	26	26	26	26	26	26
Fire stations	3	3	3	3	3	3	3	3
Public works								
Arterial streets (miles)	35	35	35	35	35	35	35	35
Residential streets (miles)	82	82	82	82	82	82	82	82
Curb and gutter (miles)	240	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	1,001,000	1,000,000
Traffic signals	60	60	60	60	60	58	58	56
Sanitary sewer (miles)	121	121	121	121	121	121	121	120
Storm water catch basins	82	71	71	71	71	72	65	65
Street trees	9,325	9,347	9,563	9,576	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	125	125	125	125	-	-
Culture and recreation								
Parks and recreation:								
Park acreage	53	53	53	53	57	57	57	57
Parks	8	8	8	8	9	9	9	9
Horse-walking trails	1	1	1	1	1	1	1	1
Nature trails	1	1	1	1	1	1	1	1
Playground areas	8	8	8	8	8	8	8	8
Swimming pools	2	2	2	2	2	2	2	2
Softball fields	3	3	3	3	3	3	4	4
Baseball fields	3	3	3	3	3	3	3	3
Basketball courts	10	10	10	10	10	10	5	5
Roller hockey rinks	2	2	2	2	2	2	2	2
Tennis courts	3	3	3	3	3	3	9	9
Buildings and centers	12	12	12	12	12	12	3	3
Library buildings	1	1	1	1	1	1	1	1
Transit								
Parking structure (vehicle spaces)	655	655	655	655	655	655	655	655
Parking lot (secured bicycle spaces)	36	36	36	36	36	(2)	(2)	(2)
Transit vehicles	5	5	5	5	4	(2)	(2)	(2)
Housing								
Transitional housing	1	1	1	1	1	1	1	1
Water utility								
Reservoirs	9	8	8	8	8	8	8	8
Pump stations	7	6	6	6	6	6	6	6
Water mains (miles)	102	102	102	102	102	102	102	102
Service meters	8,650	8,552	8,703	8,437	8,329	8,443	8,470	8,470
Fire hydrants	1,059	1,057	1,057	1,043	1,037	1,006	1,003	991

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

⁽²⁾ Information not available.

**City of Covina, California
Continuing Disclosure
Water System**

Summary of Operations									
	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Water Purchased (in acre-feet)									
Covina Irrigating Company (CIC)	6,995.08	6,583.71	7,592.14	6,953.21	6,523.71	6,773.21	5,303.01	6,059.89	5,868.75
Three Valley Muni Water Dist(MWD)	-	561.14	71.30	63.04	33.25	29.50	148.50	-	238.50
Total Purchased	6,995.08	7,144.85	7,663.44	7,016.25	6,556.96	6,802.71	5,451.51	6,059.89	6,107.25
Potable Water Sold (in acre-feet)	6,991.10	7,063.32	7,654.84	7,016.28	6,563.21	6,313.76	5,418.59	5,410.57	5,479.33
Change from previous year	0.42%	1.03%	8.37%	-8.34%	-6.46%	-3.80%	-14.18%	-0.15%	1.27%
Population	49,565	49,378	49,720	49,552	49,541	49,622	47,796	48,038	48,357
Cost of CIC Water \$/a-f	\$ 125.00	\$ 140.00	\$ 140.00	\$ 180.00	\$ 280.00	\$ 310.00	\$ 425.00	\$ 425.00	\$ 450.00
Cost of MWD Water \$/a-f	478.00	483.00	478.00	528.00	528.00	692.00	754.00	793.00	849.00

Number of Water Accounts⁽¹⁾	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
	8,274	8,470	8,470	8,443	8,329	8,178	8,532	8,606	8,583

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	6/30/2013
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	10,902,689
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	3,325,059
Production & storage	425,281	400,153	479,730	541,948	570,553	446,230	511,794	507,877	645,858
Transmission & distribution	468,530	473,949	586,448	786,324	925,845	960,513	1,207,591	1,423,143	1,532,355
Customer acct & collections	258,545	260,100	222,195	276,628	377,026	424,001	640,413	857,370	1,182,150
Administrative & general	665,889	753,549	846,941	834,117	784,365	921,618	1,026,874	655,696	835,383
Depreciation	362,098	379,948	392,624	411,491	443,133	464,462	1,056,167	783,715	779,081
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	8,299,886
Net Revenues	1,263,313	432,704	956,042	589,128	792,022	1,273,732	1,235,954	3,344,419	2,602,803
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	981,928
Coverage	4.83	1.70	3.70	2.30	3.12	5.07	3.01	2.85	2.65

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	Consumption (in acre-feet)	% of total consumption	Revenue Received	% of total water sales	
Covina School District	Commercial	157.90	2.88%	\$ 255,364	2.24%	
Inter-Comm Health SVC	Commercial	49.22	0.90%	115,928	1.02%	
Cole Mt West Covina	Commercial	28.17	0.51%	81,317	0.71%	
The Washington Hotel Corp.	Commercial	38.78	0.71%	61,392	0.54%	
IKEA California, LLC #413	Commercial	18.97	0.35%	36,608	0.32%	
Sonrise Christian School	Commercial	22.38	0.41%	36,306	0.32%	
Charter Oak Unified School Dist	Governmental	22.07	0.40%	35,466	0.31%	
Rayne Soft Water Service	Commercial	25.13	0.46%	35,247	0.31%	
FNL/Covina Parnters LLC	Commercial	11.23	0.20%	32,289	0.28%	
Lucienne Forbush	Commercial	17.77	0.32%	25,785	0.23%	
TOTALS		391.62	7.15%	\$ 715,702	6.28%	

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

**City of 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	6/30/2013
<u>Operating Revenue</u>								
Special Assessments	135,464	169,745	263,576	532,693	970,717	1,464,430	1,750,240	2,263,321
<u>Operating Expenses</u>								
General & Administrative	97,064	406,489	864,689	270,453	688,638	435,948	164,835	522,657
Depreciation	-	-	-	-	12,527	25,461	28,319	42,314
Total Operating Expenses	97,064	406,489	864,689	270,453	701,165	461,409	193,154	564,971
Net Revenues	38,400	(236,744)	(601,113)	262,240	269,552	1,003,021	1,557,086	1,698,350
2009 Installment Payments	-	-	-	-	605,221	784,658	932,806	707,851
Coverage	-	-	-	-	0.45	1.28	1.67	2.40
Sewer Rates ⁽¹⁾								
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014		
	2.38	3.94	5.50	7.06	8.62	8.62		

⁽¹⁾ Monthly Rates

CITY OF COVINA, CALIFORNIA
Continuing Disclosure
Tax Allocation Bonds

Successor Agency		Project Area 1	Project Area 2	Total
Assessed Values ⁽¹⁾	6/30/2013			
Secured		\$ 677,904,798	\$ 184,713,908	\$ 862,618,706
Unsecured		64,646,939	6,197,701	70,844,640
Base Year		(46,896,703)	(30,689,389)	(77,586,092)
Subtotal Incremental assessed value		695,655,034	160,222,220	855,877,254
Pending Appeals ⁽⁵⁾		(8,317,412)	(13,886,943)	(22,204,355)
Total Net Incremental assessed value		\$ 687,337,622	\$ 146,335,277	\$ 833,672,899
Redevelopment Property Tax Trust Fund (RPTTF) Revenue ⁽¹⁾				
Gross RPTTF deposits available ⁽²⁾		\$ 6,211,268	\$ 1,450,002	\$ 7,661,270
Auditor-Controller admin fees		(130,495)	(32,143)	(162,638)
Pass through payments		(298,588)	(758,854)	(1,057,442)
Total RPTTF available for enforceable obligations		\$ 5,782,185	\$ 659,005	\$ 6,441,190
Debt Service Payments ⁽³⁾				
1997A Loan Principal			\$ 80,000	\$ 80,000
1997A Loan Interest			64,321	64,321
1997B Loan Principal		\$ 350,000		350,000
1997B Loan Interest		140,175		140,175
2002A Loan Principal		325,000		325,000
2002A Loan Interest		109,094		109,094
2004A Loan Principal		1,565,000		1,565,000
2004A Loan Interest		517,571		517,571
2004B2 Loan Principal		215,000		215,000
2004B2 Loan Interest		175,804		175,804
Total Debt Service ⁽⁴⁾		\$ 3,397,644	\$ 144,321	\$ 3,541,965
Debt Service Coverage		1.70	4.57	1.82
Top Ten Taxpayers Assessed Value-Project Area 1				
KIR Covina LP	\$ 46,358,098	(5)	Top Ten Taxpayers Assessed Value-Project Area 2	
FNL Covina Partners LLC	26,100,000		Vista Pointe Apartments LLC	36,707,743 (5)
Spirit SPE Covina LLC	24,800,000	(5)	Grand Covina Plaza LLC	12,281,184 (5)
Haemonetics Manufacturing Inc	20,825,096		RPC Village Green Apartments LLC	7,833,350
Crystal Waterfalls LLC	20,700,000	(5)	Fanon Realty LLC	6,048,164
Walmart Real Estate Business Tr	19,226,752		Christopher Champion Trust	3,644,436
UIMC Covina LLC	18,939,100	(5)	Hassen Imports Partnership	3,312,529
Covina Marketplace LLC	13,337,763	(5)	Mary N. Davis Trust	3,107,186
New Albertson's Inc	12,816,552	(5)	Maria M. Moreno	2,379,700
Covina Properties LLC	12,381,342	(5)	WLM DC2 LLC	2,253,097
			Olson Covina 5 LLC	1,972,680

(1) Information obtained from Los Angeles County.

(2) Information obtained from Los Angeles County, formerly known as tax increment.

(3) Information obtained from Official Statements of bonds issued.

(4) Information on outstanding indebtedness can be found on page 80 of the Notes.

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