

**City of Covina
California**



**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

Fiscal Year Ended June 30, 2007

CITY OF COVINA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2007

John C. King, Mayor

Kevin Stapleton
Mayor Pro Tem



Walter Allen III
Council Member

Peggy A. Delach
Council Member

Meline D. Juarez
Council Member

Paul J. Philips, City Manager

Prepared by the City of Covina Finance Department

CITY OF COVINA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2007

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1
GFOA Certificate of Achievement.....	8
Organizational Chart	9
List of Principal Officials	10
FINANCIAL SECTION	
Independent Auditors’ Report	11
Management’s Discussion and Analysis	12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	26
Statement of Activities.....	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds	29
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets.....	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	31
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	32
Statement of Net Assets – Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds.....	36
Notes to the Financial Statements.....	37
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	61
Budgetary Comparison Schedule – Low-Moderate Income Housing Special Revenue Fund.....	64
Note to Required Supplementary Information.....	65
CALPERS Schedule of Funding Progress.....	66
Supplemental Information:	
Combining Balance Sheet – Non-Major Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	71
Budgetary Comparison Schedule – Tax Allocation Debt Service Fund	74
Budgetary Comparison Schedule – Redevelopment Agency Capital Projects Fund	75
Budgetary Comparison Schedule – Non-Major Governmental Funds:	
Special Revenue Funds:	
Community Development Block Grant Fund.....	76
Law Enforcement Fund	77
Narcotic Seizure Fund	78
State Gas Tax Fund	79
Transit Fund	80
Air Quality Fund	81
Municipal Parking District Fund	82
Lighting Assessment District Fund	83
Landscaping Assessment District Fund.....	84
Sewer Assessment District Fund	85
Community Facilities District Fund	86
Library Grant Fund.....	87
City Donation Fund.....	88

CITY OF COVINA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2007

TABLE OF CONTENTS

	<u>Page No.</u>
Capital Projects Funds:	
General Projects	89
Park Development Fund.....	90
Transportation Fund.....	91
Shoppers Lane Parking District Fund	92
Combining Statement of Net Assets – Internal Service Funds	94
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	95
Combining Statement of Cash Flow – Internal Service Funds	96
 STATISTICAL SECTION	
Net Assets by Component – Last Six Fiscal Years	98
Changes in Net Assets – Last Five Fiscal Years	99
Fund Balances of Governmental Funds – Last Ten Fiscal Years	102
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	103
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	105
Assessed Value of Taxable Property – Last Ten Fiscal Years	106
Assessed Value of Taxable Property by Use – Last Ten Fiscal Years	107
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years.....	108
Principal Property Taxpayers	109
Property Tax Levies and Collections – Last Ten Fiscal Years.....	110
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	111
Ratios of Net General Bonded Debt Outstanding – Last Ten Fiscal Years.....	112
Direct and Overlapping Governmental Activities Bonded Debt.....	113
Legal Debt Margin Information– Last Ten Fiscal Years.....	114
Pledged-Revenue Bond Coverage – Water Utility Fund Certificates of Participation – Last Ten Fiscal Years	115
Demographic and Economic Statistics	116
Principal Employers	117
Full-time Equivalent City Government Employees by Function	118
Operating Indicators by Function	119
Capital Asset Statistics by Function.....	120



CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

December 21, 2007

Honorable Mayor and City Council
City of Covina
Covina, California

The Comprehensive Annual Financial Report of the City of Covina, California, as of June 30, 2007 and for the year then ended, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Independent Audit. City policy requires that its financial statements be audited by a certified public accountant. Moreland & Associates, Inc., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Covina's financial statements for the fiscal year ended June 30, 2007. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report.

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

Profile of the City of Covina

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

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

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

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

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

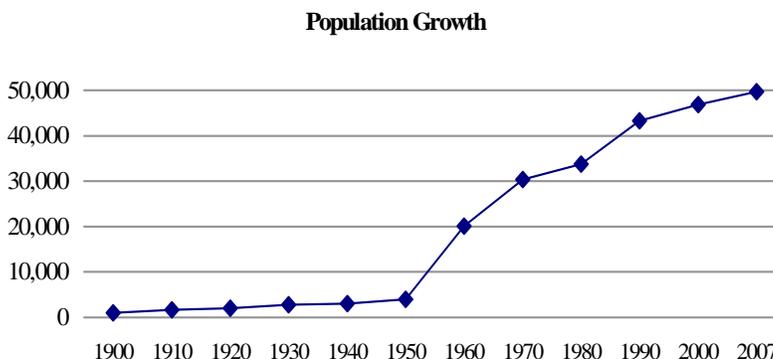
In accordance with the reporting entity definition of the Government Accounting Standards Board, the City has included the Covina Public Finance Authority and Covina Redevelopment Agency in the financial report. The Covina Redevelopment Agency was created in 1969, pursuant to the State of California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

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

Economic Condition and Outlook

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

<u>Year</u>	<u>Population</u>
1900	1,000
1910	1,652
1920	1,999
1930	2,775
1940	3,043
1950	3,956
1960	20,124
1970	30,380
1980	33,751
1990	43,287
2000	46,837
2007	49,720



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

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

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

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

The City of Covina is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City of Covina for calendar years 2003 through September 2007:

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

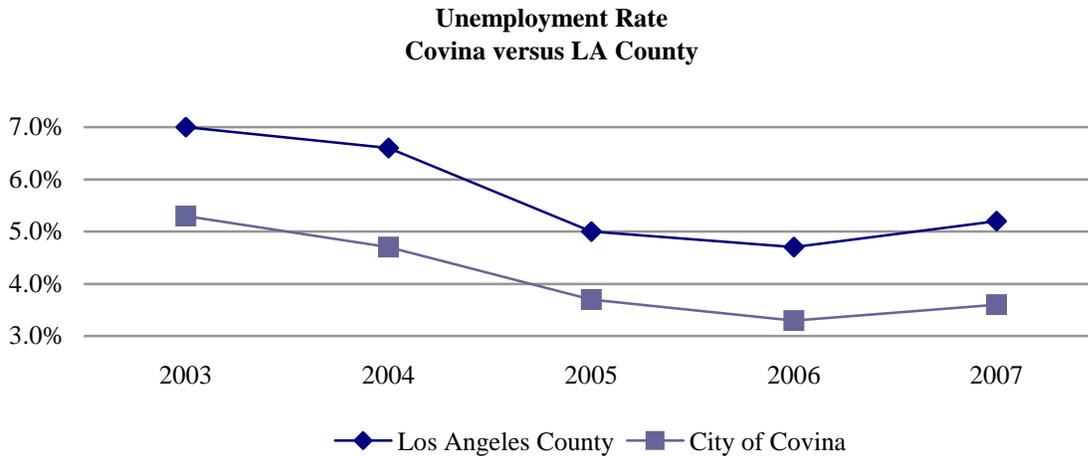
	2003		2004		2005		2006		2007 ⁽²⁾	
	County	City	County	City	County	City	County	City	County	City
Civilian labor force ⁽³⁾	4,789	24.7	4,710	25.6	4,887	25.7	4,861	26.2	4,975	26.7
Employment	4,452	23.5	4,494	24.4	4,641	24.8	4,632	25.3	4,717	25.7
Unemployment	337	1.3	316	1.2	246	0.9	229	0.9	258	1.0
Unemployment rate	7.0%	5.3%	6.6%	4.7%	5.0%	3.7%	4.7%	3.3%	5.2%	3.6%

⁽¹⁾ Not seasonally adjusted.

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

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

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



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

Long-term Financial Planning

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

Program - Base Budget

1. Appropriations

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

2. *Estimated Revenues*

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

3. *Fund Balances/Working Capital*

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

Program – Base Budget Will Link Resources with Results

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

Program Base Budget-Change in Service

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

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

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

Infrastructure Maintenance

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

Exceptions

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

Implementation

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

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

Major Initiatives

For the Year. The City of Covina human resources joined CalOpps.org to make it easier for applicants to search and apply for public agency employment opportunities. The new program showcases public agency employment opportunities available to the public in a dynamic and user-friendly web site. The goal is to make it easier for applicants to search and apply for various public sector jobs.

The police department was awarded two grants in the amount of \$280 thousand to be spent between October 2006 and October 2008. The first grant is primarily for the enforcement of driver license restrictions initiated by the Courts or Department of Motor Vehicles. Enforcement includes checkpoints at certain locations, warrant sweeps, and surveillance of persons known to operate vehicles with restricted or suspended licenses. The second grant subsidizes checkpoints to identify, arrest and prosecute drivers under the influence of alcohol.

Public works is near completion of a \$2 million sanitary sewer bypass line. The project is funded with a combination of general, sewer assessment district and redevelopment funds. The sewer project relieves overloaded sanitary sewer lines throughout the downtown area.

Other completed public works projects include the installation of handicapped access ramps at various locations, and modification of the City Yard public entrance to meet American with Disabilities Act requirements.

A grant-funded mural was completed on the west wall of the Public Library. It was painted by muralist Art Mortimer and depicts some of the history important to the Library.

The Covina Center for the Performing Arts (CCPA) renovation is near completion. The new CCPA includes the state of the art technology and seating for its patrons. The center is located on 104 North Citrus Avenue will be a primary performing locale for local schools and performing groups. The facility will also be available for conferences, seminars and special events.

Walgreen's finished the construction of a 15 thousand square foot drive-through pharmacy. The pharmacy is located on the southwest corner of Azusa Avenue and San Bernardino Road.

The construction of a 115 thousand square foot Home Depot store at the Azusa/Badillo Commercial Center is near completion. The new store is expected to open in December 2007 and will replace the existing Home Depot store in Covina Town Square in order to build a more modern store. The City is working with property owners and Home Depot to bring a new quality retail tenant to the old location.

For the Future. The City Clerk's office will be issuing passports in conjunction with the U.S. State Department, Bureau of Consular. Passport application and acceptance services will be available to the public October 1, 2007.

The City has started construction of a new 125 space parking structure located across from City Hall on College Street. The new parking facility will assist patrons of the renovated Covina Center for the Performing Arts (CCPA) and other local businesses. The project will be funded with redevelopment agency and other restricted funds.

Plans have been submitted for a mixed-use housing project located near the new parking structure and CCPA. The project will provide twenty second-floor condominiums and 7,000 square feet commercial floor space.

On March 6, 2007, residents of Covina rejected the extension of a 6% utility user tax beyond March 2009. The utility user tax provides in excess of \$5 million of ongoing revenue to the General Fund. Its elimination will have a significant negative impact on city services. Additional information regarding the utility user tax is provided on pages 23-24 of the Management's Discussion and Analysis.

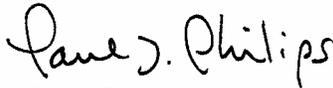
Awards and Acknowledgments

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, 2006. This was the fifth 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. Eva Contreras, Finance Manager and Marietta Santos, Senior Accountant, have our appreciation for the contributions made in the preparation of the report. Credit also must be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Covina's finances.

Sincerely,



Paul J. Philips

City Manager



William W. Stawarski

Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covina
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

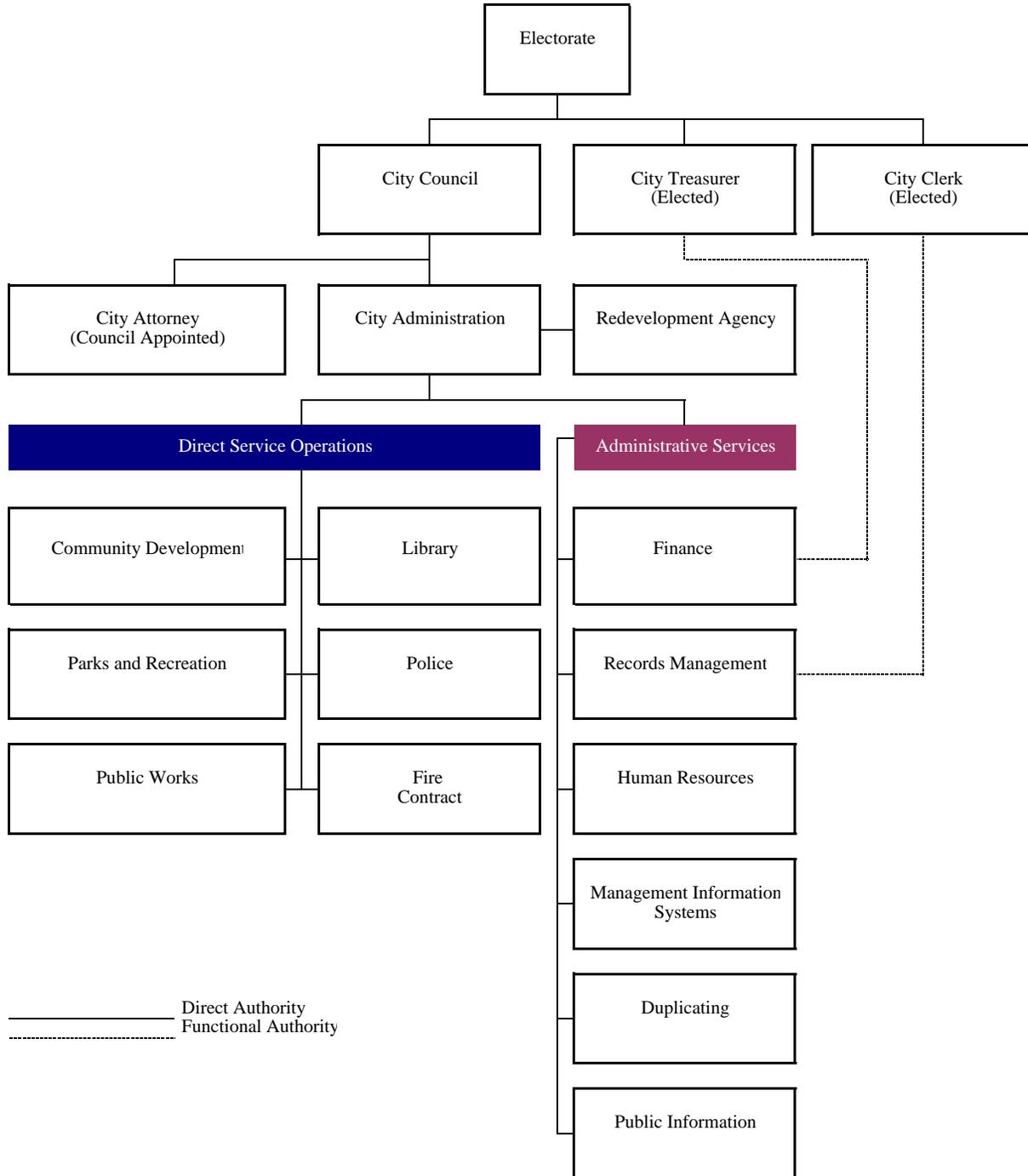


President

Executive Director

CITY OF COVINA, CALIFORNIA

Organizational Chart
June 30, 2007



CITY OF COVINA, CALIFORNIA
List of Principal Officials
2006-2007

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: John C. King	March 2009
Mayor Pro Tem: Kevin Stapleton	March 2009
Council Members: Walter Allen III Peggy A. Delach Meline D. Juarez	March 2011 March 2011 March 2009
City Clerk: Rosie Fabian	March 2009
City Treasurer: John B. Fielding	March 2009
<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * Paul J. Philips	June 2000
City Attorney: * Edward W. Lee	January 2005
Assistant City Manager: Karen S. Gallivan	January 1988
Finance Director: William W. Stawarski	October 1997
Human Resources Director: Robert Neuber	July 1990
Chief Deputy City Clerk: Amy Turner	October 2006
Police Chief: Kim Raney	December 1977
Fire Chief: ** Daniel B. Scott	July 2002
Public Works Director: Steve Henley	August 2006
Library Director: Roger Possner	August 1994
Parks and Recreation Director: Amy Hall-McGrade	July 1983
Community Development Director: Michael A. Marquez	March 1969

* Appointed by City Council

** Appointed by Los Angeles County Fire District

December 21, 2007

The Honorable City Council of
the City of Covina, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Covina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 on our consideration of the City of Covina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Management's Discussion and Analysis

Our discussion and analysis of the City of Covina's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Covina exceeded its liabilities at the close of the fiscal year by \$139,389,712. Of this amount, \$21,585,848 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$4,854,481 or 3.6% from the previous fiscal year as a result from operations.
- The total cost of all City activities was \$51,339,160 for the current fiscal year. Net cost of all activities was \$30,636,014.
- During the current fiscal year, the City's general revenues exceeded net expenses of the governmental activities by \$3,079,898.
- In the City's business-type activities, program revenues exceeded expenses by \$1,643,461.
- The total fund balances of the City governmental funds was \$76,195,415 at the close of the fiscal year. 30.4% of this amount, \$23,130,297, is reserved and not available for spending at the City's discretion.
- General Fund revenues exceeded expenditures and other refinancing uses by \$1,482,159 for the fiscal year ended.
- The total fund balance of the General Fund was \$18,076,074 for the year. \$17,682,617 is unreserved of which \$1,966,437 is undesignated (see note 15 of *Notes to the Financial Statements*).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Statement of Net Assets

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

Statement of Activities

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City’s financial position. The City of Covina’s assets exceeded liabilities by \$139,389,712 at the close of the fiscal year.

The largest portion of the City’s net assets (73.7%) is in capital assets (land, buildings and structures, infrastructure, and machinery and equipment) less any related debt outstanding used to acquire those assets. Capital assets provide services to citizens and are not available for future spending. Resources needed to repay the related debt outstanding must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

An additional portion of net assets (10.8%) represents resources that are subject to external restrictions on how it may be used. The remaining balance of *unrestricted net assets* of \$21,585,848 may be used to meet the City’s ongoing obligations to citizens and creditors designated by certain federal, state, and local statutes.

The City’s net assets increased by \$4,854,481 or 3.6% during the fiscal year as a result of ongoing revenues being exceeding expenses. The total cost of all City activities was \$51,339,160 for the fiscal year. Net cost of all activities was \$30,636,014.

Governmental Activities

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

Governmental Activities Net Assets

	2007	2006
Current and other assets	\$ 84,005,830	\$ 82,450,604
Capital assets	93,750,674	94,675,147
Total assets	177,756,504	177,125,751
Long-term liabilities outstanding	52,615,659	55,346,822
Other liabilities	3,209,291	2,927,273
Total liabilities	55,824,950	58,274,095
Net assets:		
Invested in capital assets, net of related debt	93,463,987	94,201,342
Restricted	15,004,400	14,313,629
Unrestricted	13,463,167	10,336,685
Total net assets	\$ 121,931,554	\$ 118,851,656

The net assets of the governmental activities represent 87.5% of the City's total net assets. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit, and redevelopment and housing.

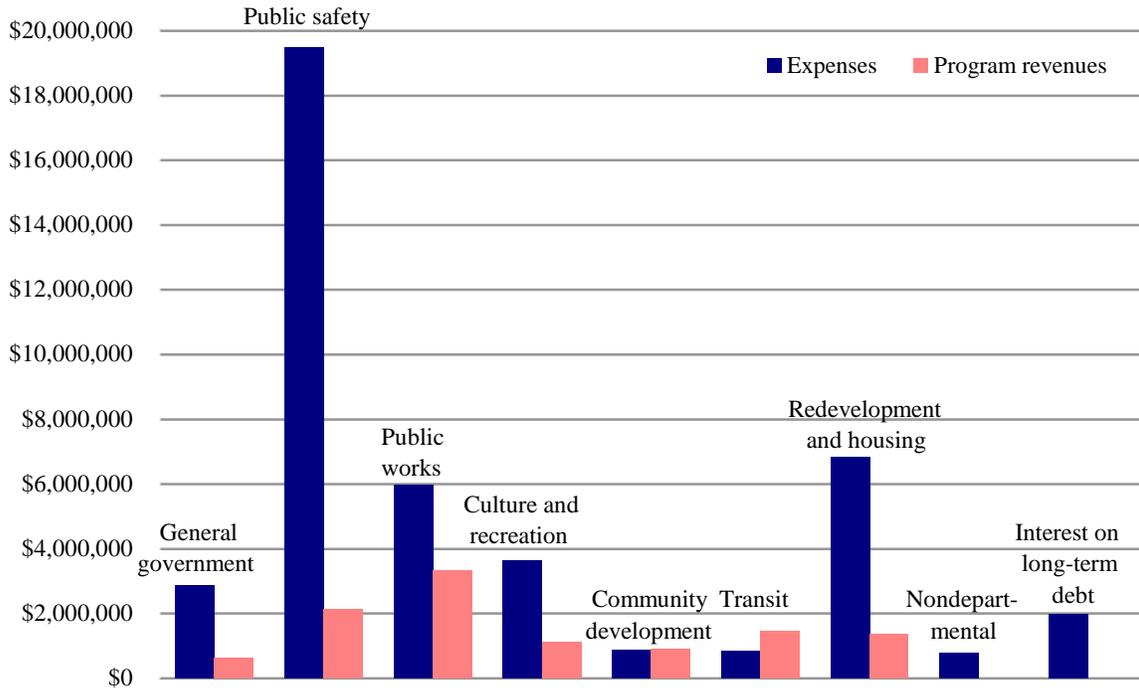
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues:		
Charges for services	\$ 5,207,150	\$ 4,886,306
Operating grants and contributions	3,520,504	2,646,589
Capital grants and contributions	2,224,198	2,991,437
General revenues:		
Property taxes	14,725,235	12,803,622
Sales taxes	9,035,103	8,774,728
Utility users taxes	5,395,617	5,329,099
Other taxes	2,385,994	2,334,130
Intergovernmental-unrestricted	675,895	1,088,916
Other revenues	<u>3,141,529</u>	<u>2,528,833</u>
Total revenues	<u>46,311,225</u>	<u>43,383,660</u>
Expenses		
General government	2,865,088	2,715,526
Public safety	19,474,983	17,402,506
Public works	5,958,931	5,729,144
Culture and recreation	3,639,406	3,470,636
Community development	871,061	673,436
Transit	842,987	602,471
Redevelopment and housing	6,823,408	3,983,007
Nondepartmental	783,515	780,909
Interest on long-term debt	<u>1,971,948</u>	<u>2,095,036</u>
Total expenses	<u>43,231,327</u>	<u>37,452,671</u>
Change in net assets	<u>\$ 3,079,898</u>	<u>\$ 5,930,989</u>

The City's general revenues exceeded net expenses of the governmental activities by \$3,079,898. Revenues increased by \$2,927,565 or 6.7% from the previous fiscal year. Increases in program revenue were due to certain charges for services (fees) and operating grants. General revenue taxes increased by \$2,300,370 or 7.9%. The increase is primarily due to an active real estate market (increase in property taxes), increase in retail sales activity (increase in sales taxes) and general improvement in the economy. The increase in general other revenue is attributed to higher investment earnings.

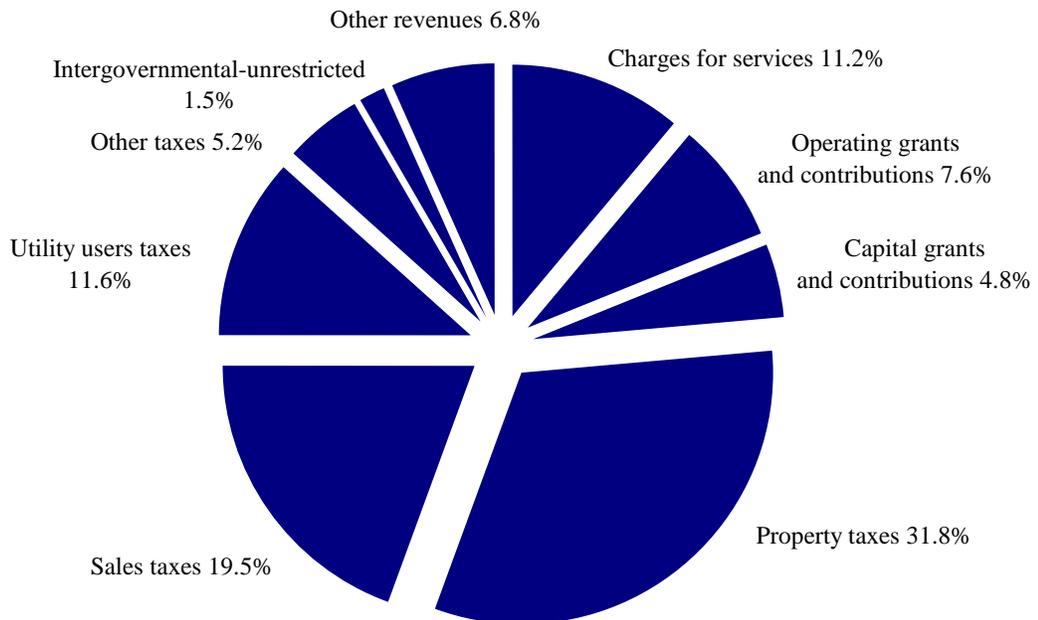
Expenses increased by \$5,778,656 or 15.4% from the previous fiscal year. The increase of \$2,072,477 in public safety expenses was attributed to less police vacancies and a cost increase in the fire suppression and paramedic service contract. Redevelopment and housing expenses increased by \$2,840,401 due to additional economic and redevelopment projects.

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

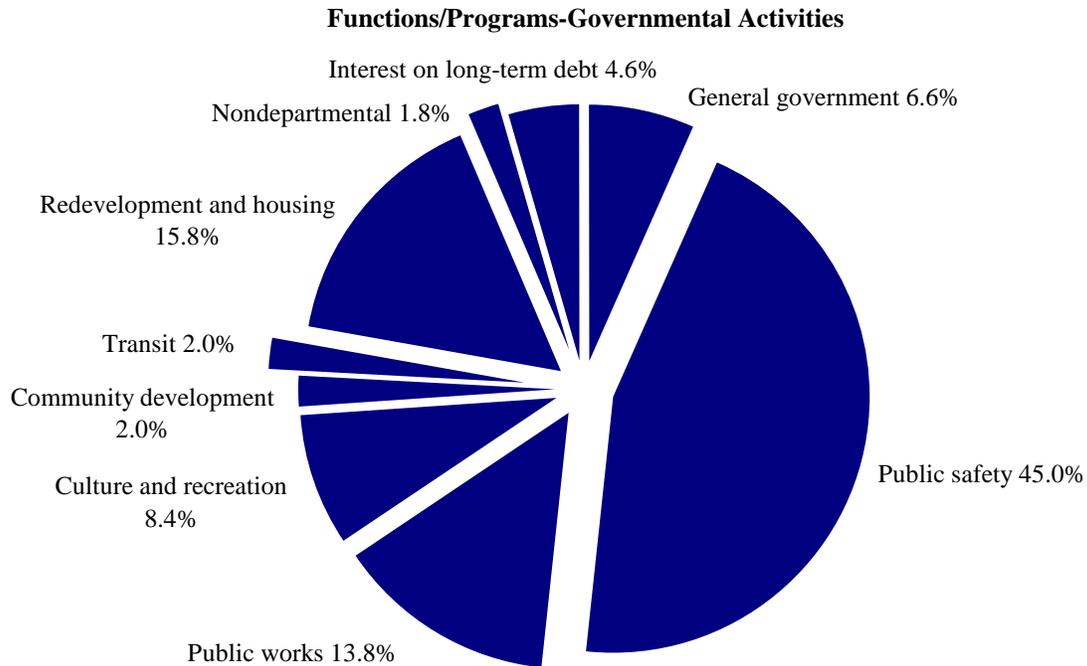
Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Taxes, intergovernmental-unrestricted, and operating grants and contributions provide 77.2% of the overall revenue sources of the governmental activities. Taxes include property, sales, utility users and other (transient occupancy, property transfer, business registration and franchise). Motor vehicle in-lieu fees are the primary unrestricted intergovernmental revenue. The City of Covina is aggressive in the use of both operating and capital grants.



Public safety and public works represents 58.8% of the programs of the governmental activities. This is consistent with the City's highest priority of citizen safety and well being. The City of Covina is aggressive in economic development which is reflected in the redevelopment and housing program (15.8%) and interest on long-term debt (4.6%). A majority of the long-term debt is associated with redevelopment.

Business-type Activities

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

Business-type Activities Net Assets

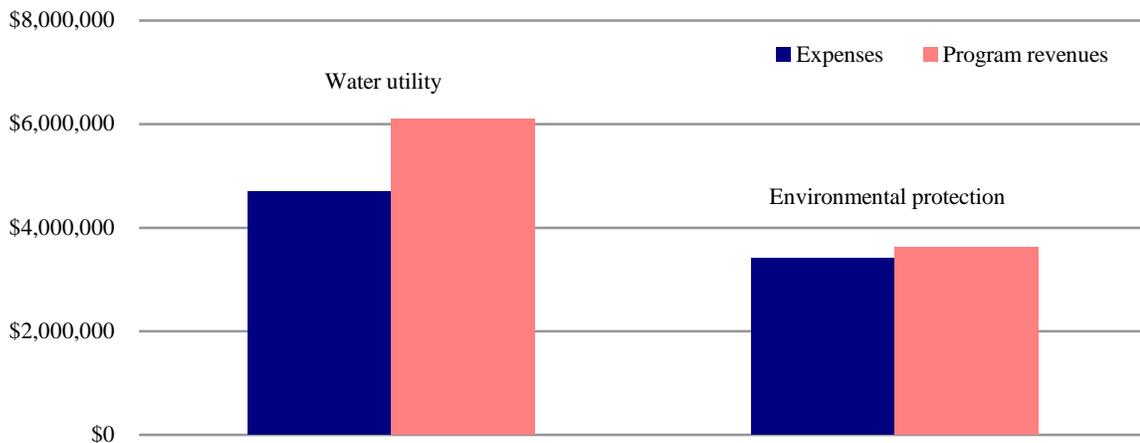
	2007	2006
Current assets and other assets	\$ 9,496,873	\$ 7,695,822
Capital assets	<u>11,262,088</u>	<u>11,281,859</u>
Total assets	<u>20,758,961</u>	<u>18,977,681</u>
Long-term liabilities outstanding	2,090,374	2,254,497
Other liabilities	<u>1,210,429</u>	<u>1,039,609</u>
Total liabilities	<u>3,300,803</u>	<u>3,294,106</u>
Net assets:		
Invested in capital assets, net of related debt	9,340,814	9,210,922
Unrestricted	<u>8,117,344</u>	<u>6,472,653</u>
Total net assets	<u>\$ 17,458,158</u>	<u>\$ 15,683,575</u>

The net assets of the business-type activities represent 12.5% of the City's total net assets. Business-type net assets increased by \$1,774,583 from the previous year. The increase is primarily attributed to an increase in program revenues with no significant increase in expenses.

Business-type Activities Change in Net Assets

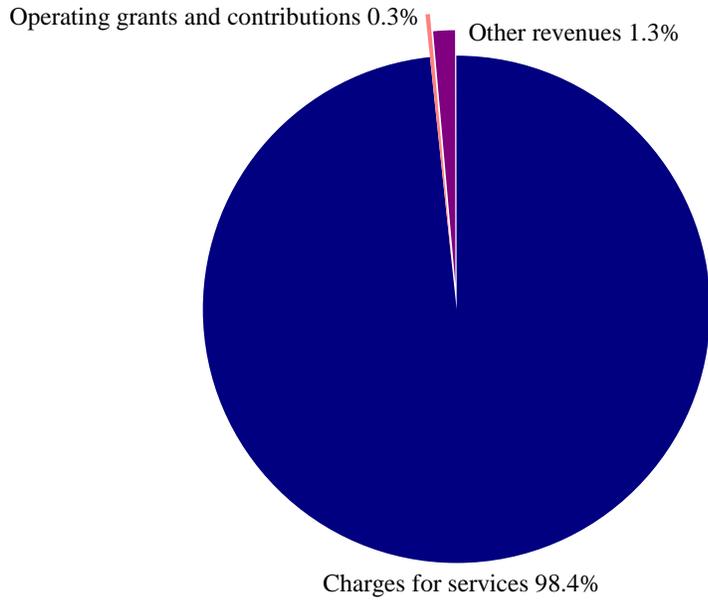
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues:		
Charges for services	\$ 9,724,968	\$ 9,340,473
Operating grants and contributions	26,326	13,425
General revenues-other revenues	<u>131,122</u>	<u>110,168</u>
Total revenues	<u>9,882,416</u>	<u>9,464,066</u>
Expenses		
Water utility	4,701,051	4,918,545
Environmental protection	<u>3,406,782</u>	<u>3,188,739</u>
Total expenses	<u>8,107,833</u>	<u>8,107,284</u>
Change in net assets	<u>\$ 1,774,583</u>	<u>\$ 1,356,782</u>

Expenses and Program Revenues-Business-type Activities



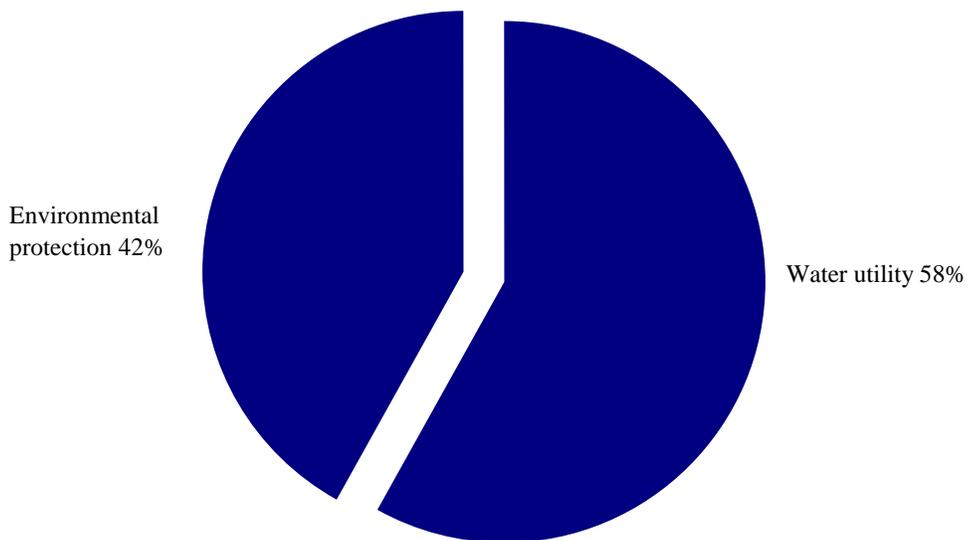
The City's business-type program revenues exceeded expenses by \$1,643,461. Water utility charges for services recovered both operating and interest expenses during the fiscal year. Environmental protection charges for services and operating grants and contributions also recovered all operating expenses.

Revenues by Source-Business-type Activities



Total business-type revenues increased to \$9,882,416 from \$9,464,066 of the previous fiscal year. Charges for services is the major revenue source which provides for both operating and capital maintenance costs. Water utility charges for services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental protection charges include environmental fees for refuse and recycling services.

Functions/Programs-Business-type Activities



Total business-type expenses increased to \$8,107,833 from \$8,103,206 of the previous fiscal year. The increase in expenses is attributed to the environmental protection operation. Water utility services include general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution. Water utility expenses also include interest expense. Environmental protection includes general and administrative, utility billing, street sweeping, environmental services, refuse collection and waste management.

FINANCIAL ANALYSIS OF THE CITY FUNDS

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

Governmental Funds

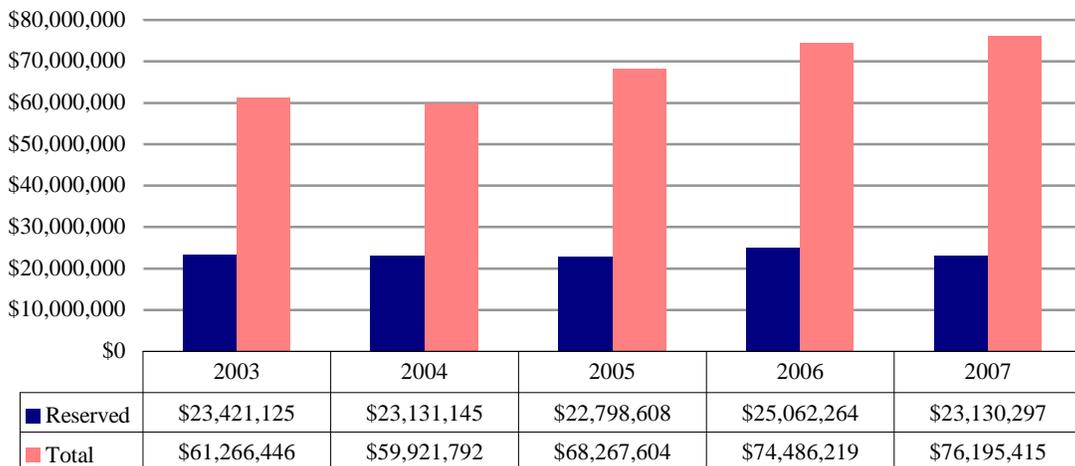
The focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. This information assesses the City’s financing requirements. *Unreserved fund balance* is a measure of the City’s net resources available for designation or spending at the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

As of June 30, 2007, the City’s governmental funds reported combined fund balances of \$76,195,415, an increase of \$1,709,196 from the prior year. *Unreserved fund balance* of \$53,065,118 is available for designation and/or future spending at the City’s discretion. A majority of the unreserved fund balance is designated by certain federal, state and local statutes. The remainder of fund balance of \$23,130,297 is *reserved* to indicate that it is not available for future spending because it is already committed to:

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

The following is a summary of fund balances of the governmental funds for fiscal years 2003-2007:

Fund Balances of Governmental Funds



The general fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$18,076,074 of which \$17,682,617 was unreserved. Comparing both total and unreserved fund balances to total fund expenditures is a measure of the general fund's liquidity. Total fund balance represents 64% and unreserved fund balance represents 62.6% of total general fund expenditures.

Note 15 of the *Notes to the Financial Statements* further designates the unreserved fund balance of the general fund for general liability and workers compensation claims (self-insurance), emergency contingency, continuing appropriations, and the subsequent year budget. The general fund has an undesignated fund balance of \$1,966,437 as of June 30, 2007.

The fund balance of the general fund increased by \$1,482,159 during the fiscal year. The increase is attributed primarily to the following:

- Increase in tax revenue (property, sales and other).
- Increase in charges for services revenue.
- Increase in investment earnings revenue.
- Carryover of certain street improvement projects and other items from other previous fiscal years.

Carryovers include encumbrances (reserved) of \$11,910 and continuing appropriations (unreserved-designated) of \$1,587,020.

The low-moderate income housing, tax allocation debt and redevelopment agency funds are major funds of the Covina Public Finance Authority and Covina Redevelopment Agency. The total fund balances of these funds are \$52,446,318 of which \$22,370,962 is reserved. The total fund balances decreased by \$249,545 during the fiscal year. The decrease is attributed to an increase in the economic and redevelopment activity.

Proprietary Funds

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

Unrestricted net assets of the water utility fund increased to \$7,837,635 in the fiscal year from \$6,466,792 of the prior year. Environmental fund unrestricted net assets increased to \$307,269 from \$51,632 of the prior year. Other factors concerning the finances of these two funds are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget were \$760,710 which represents a 2.5% increase. The largest general fund appropriation increases were attributed to the fire suppression and paramedic contract and additional street improvement projects.

During the fiscal year, revenues exceeded budgetary estimates by \$2,333,312 and expenditures and transfers out were less than budgetary appropriations by \$2,094,817. This eliminated the need to draw on existing fund balance. The most significant budgetary appropriation variances between the final budget and actual amounts are as follows:

- **General government.** Risk management expenditures (workers compensation, public liability, general insurance) were less than budget which resulted in a positive variance of \$297,629.
- **Public works.** Not all of the street improvement projects and yard center improvements were completed during the fiscal year, which resulted in a positive variance of \$1,180,092.
- **Nondepartmental.** A portion of the General Fund contingency amount was not used during the fiscal year which provided a positive variance of \$237,390.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2007 is \$105,012,762 (net of accumulated depreciation). Capital assets include buildings and structures, improvements other than buildings, domain infrastructure, water system infrastructure, sanitary sewer infrastructure, and machinery and equipment. The net decrease (deletions less additions) in capital assets for the fiscal year was \$944,244. The following is a summary of capital assets (net of depreciation) at June 30, 2007 and 2006:

	Capital Assets (net of depreciation)	
	<u>2007</u>	<u>2006</u>
Governmental activities		
Land	\$ 7,875,010	\$ 7,875,010
Buildings and structures	16,472,662	16,937,673
Improvements other than buildings	1,031,375	1,039,348
Public domain infrastructure	62,305,715	64,448,956
Sanitary sewer infrastructure	653,313	700,452
Machinery and equipment	2,666,226	3,009,083
Construction in progress	<u>2,746,373</u>	<u>664,625</u>
Total governmental activities	<u>93,750,674</u>	<u>94,675,147</u>
Business-type activities		
Land	377,408	377,408
Buildings and structures	2,638,311	2,222,260
Improvements other than buildings	143	428
Water system infrastructure	7,215,097	7,438,610
Machinery and equipment	654,723	642,183
Construction in progress	<u>376,406</u>	<u>600,970</u>
Total business-type activities	<u>11,262,088</u>	<u>11,281,859</u>
Total capital assets	<u>\$ 105,012,762</u>	<u>\$ 105,957,006</u>

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

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

Debt Administration

At the end of the fiscal year, the City had total long-term debt outstanding of \$47,860,633. This included notes, capital lease, tax allocation bonds, and certificates of participation payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2007 and 2006:

Outstanding Debt
(net of unamortized charges)

	2007	2006
Governmental activities		
Notes payable	\$ 1,187,398	\$ 1,394,483
Capital lease payable	286,687	386,405
Tax allocation bonds payable	41,352,646	43,080,525
Revenue bonds payable	3,112,628	3,484,432
Total governmental activities	45,939,359	48,345,845
Business-type activities		
Certificates of participation payable	1,921,274	2,070,939
Total outstanding debt	\$ 47,860,633	\$ 50,416,784

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

State statutes limit the amount of applicable debt the City may issue to 15 percent of the total assessed valuation. The current debt limitation for the City of Covina is \$573,072,074 which is also the current debt margin.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The local economy is showing an improvement from the previous fiscal year. The unemployment rate for the City of Covina is 3.6% in comparison to 5.2% for Los Angeles County. General revenues remain stable to support the governmental activities of the City.

During the fiscal year, unreserved fund balance of the general fund increased to \$17,682,617. The City has appropriated \$1,587,020 of this amount for continuing appropriations from the current fiscal year budget and \$711,760 for the ensuing year budget.

On March 6, 2007, the residents of Covina rejected the extension of a 6% utility user tax beyond March 2009. The utility user tax is a major source of general fund revenue and its elimination will have a significant negative impact on city services.

On March 13, 2007, the Covina City Council directed city staff to prepare a two-year general fund plan reflecting 1) no reduction in city staff during the first fiscal year, and 2) no utility user tax revenue during the second fiscal year. The following is the two-year plan adopted by the City Council:

General Fund
(\$Million)

	2008	2009
Revenues		
Property taxes	\$ 8.1	\$ 8.4
Sales taxes	9.2	9.5
Utility users taxes	5.5	-
Other taxes	2.2	2.2
Licenses and permits	0.6	0.6
Intergovernmental	1.0	0.9
Charges for services	1.8	1.1
Fines and forfeits	0.6	0.7
Investment earnings and other	0.6	0.4
Total revenues	29.6	23.8

Expenditures		
General government	3.9	3.9
Public safety:		
Police	12.1	12.1
Fire and paramedics	7.3	5.4
Public works	2.2	0.7
Culture and recreation:		
Parks and recreation	2.1	0.7
Library services	1.3	-
Community development	0.7	0.6
Debts service and other	0.7	0.4
	<u>30.3</u>	<u>23.8</u>
Total expenditures		
Increases (decrease)	<u>\$ (0.7)</u>	<u>\$ -</u>

Major reduction in programs and services include the following:

- Reduction of City Hall hours and administration of future grants
- Elimination of graffiti removal, school resource officer and crossing guard programs
- Reduction of fire contract equivalent of closing one fire station
- Reduction of tree trimming and citywide street lighting
- Elimination of major capital improvements including street improvement and resurfacing program
- Elimination of special events (Christmas parade, Bluesapooza/Thunderfest ect.)
- Elimination of aquatics, recreation, senior and community programs
- Closure of the public library
- Reduction of housing element update

In reality, the utility user tax revenue will be collected through fiscal year 2009. However, the City of Covina needs to identify future cuts to programs early on before the actual expiration of the tax.

The above reductions will have a severe impact on the quality of life expected from the residents of Covina. Revenue projections and expenditure reductions are based on current trends and do not take in consideration the long-term implications. For example, if property values decline, future property tax revenue will also decline thus creating additional revenue shortfalls.

No fund balance of the general fund is used in fiscal year 2009 due to the uncertainty of transition of “life without the utility user tax. Transition costs such as employee vacation and sick leave payouts, and unemployment compensation are not known at this time.

REQUESTS FOR INFORMATION

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

Government-Wide Financial Statements

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

- Statement of Net Assets
- Statement of Activities

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

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

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

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (note 4)	\$ 58,334,742	\$ 4,033,054	\$ 62,367,796
Cash and investments-fiscal agent (note 4)	1,693,881	343,603	2,037,484
Accrued interest receivable	753,923	1,388	755,311
Receivables (net of allowances for uncollectibles):			
Property taxes (note 6)	655,697	-	655,697
Sales taxes	1,179,081	-	1,179,081
Utility user taxes	378,044	-	378,044
Other taxes	251,746	-	251,746
Accounts	169,622	1,593,471	1,763,093
Special assessments	14,411	-	14,411
Loans (note 14)	1,478,303	-	1,478,303
Notes (note 13)	575,995	-	575,995
Due from other governments	1,533,615	-	1,533,615
Internal balances (note 5)	22,223	(22,223)	-
Inventories	47,541	287,095	334,636
Prepaid items	76,575	-	76,575
Deferred charges	1,543,835	-	1,543,835
Investment in Covina Irrigating Company (note 18)	-	3,260,485	3,260,485
Land held for resale	15,296,596	-	15,296,596
Capital assets, not depreciated (note 7)	10,621,383	753,814	11,375,197
Capital assets, depreciated, (net of accumulated depreciation) (note 7)	83,129,291	10,508,274	93,637,565
Total assets	<u>177,756,504</u>	<u>20,758,961</u>	<u>198,515,465</u>
Liabilities			
Accounts payable	992,091	636,935	1,629,026
Deposits payable	691,592	519,557	1,211,149
Accrued liabilities	492,743	23,524	516,267
Due to other governments	580,376	-	580,376
Accrued interest payable	171,184	30,413	201,597
Unearned revenue	281,305	-	281,305
Long-term liabilities (notes 9, 10, 11 and 12):			
Due within one year	4,552,651	175,020	4,727,671
Due in more than one year (net of unamortized discount and premium)	48,063,008	1,915,354	49,978,362
Total liabilities	<u>55,824,950</u>	<u>3,300,803</u>	<u>59,125,753</u>
Net assets			
Invested in capital assets, net of related debt	93,463,987	9,340,814	102,804,801
Restricted for:			
Public safety	385,177	-	385,177
Public works	2,022,756	-	2,022,756
Culture and recreation	96,893	-	96,893
Transit	1,264,678	-	1,264,678
Redevelopment and housing	11,234,896	-	11,234,896
Unrestricted	13,463,167	8,117,344	21,580,511
Total net assets	<u>\$ 121,931,554</u>	<u>\$ 17,458,158</u>	<u>\$ 139,389,712</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,865,088	\$ 623,230	\$ -	\$ -	\$ (2,241,858)		\$ (2,241,858)
Public safety	19,474,983	972,892	1,165,805	-	(17,336,286)		(17,336,286)
Public works	5,958,931	801,087	1,032,733	1,500,958	(2,624,153)		(2,624,153)
Culture and recreation	3,639,406	842,336	43,910	238,371	(2,514,789)		(2,514,789)
Community development	871,061	906,443	-	-	35,382		35,382
Transit	842,987	203,242	836,594	422,804	619,653		619,653
Redevelopment and housing	6,823,408	857,920	441,462	62,065	(5,461,961)		(5,461,961)
Nondepartmental	783,515	-	-	-	(783,515)		(783,515)
Interest on long-term debt	1,971,948	-	-	-	(1,971,948)		(1,971,948)
Total governmental activities	<u>43,231,327</u>	<u>5,207,150</u>	<u>3,520,504</u>	<u>2,224,198</u>	<u>(32,279,475)</u>		<u>(32,279,475)</u>
Business-type activities:							
Water utility	4,701,051	6,096,964	-	-	-	\$ 1,395,913	1,395,913
Environmental protection	3,406,782	3,628,004	26,326	-	-	247,548	247,548
Total business-type activities	<u>8,107,833</u>	<u>9,724,968</u>	<u>26,326</u>	<u>-</u>	<u>-</u>	<u>1,643,461</u>	<u>1,643,461</u>
Total functions/programs	<u>\$ 51,339,160</u>	<u>\$ 14,932,118</u>	<u>\$ 3,546,830</u>	<u>\$ 2,224,198</u>	<u>(32,279,475)</u>	<u>1,643,461</u>	<u>(30,636,014)</u>
General revenues:							
Property taxes (note 6)					14,725,235	-	14,725,235
Sales taxes					9,035,103	-	9,035,103
Transient occupancy taxes					491,226	-	491,226
Property transfer taxes					324,113	-	324,113
Business license taxes					383,254	-	383,254
Utility user taxes					5,395,617	-	5,395,617
Franchise taxes					1,187,401	-	1,187,401
Intergovernmental-unrestricted					675,895	-	675,895
Investment earnings					3,047,173	131,122	3,178,295
Miscellaneous					94,356	-	94,356
Total general revenues					<u>35,359,373</u>	<u>131,122</u>	<u>35,490,495</u>
Change in net assets					3,079,898	1,774,583	4,854,481
Net assets at beginning of year					<u>118,851,656</u>	<u>15,683,575</u>	<u>134,535,231</u>
Net assets at end of year					<u>\$ 121,931,554</u>	<u>\$ 17,458,158</u>	<u>\$ 139,389,712</u>

See accompanying notes to the financial statements.

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 17,647,194	\$ 9,679,059	\$ 934,737	\$ 24,093,881	\$ 4,278,537	\$ 56,633,408
Cash and investments-fiscal agent	-	-	1,428,219	-	265,662	1,693,881
Accrued interest receivable	298,897	-	-	455,026	-	753,923
Receivables (net of allowances for uncollectibles):						
Property taxes (note 6)	278,880	84,316	291,935	-	566	655,697
Sales taxes	1,179,081	-	-	-	-	1,179,081
Utility user taxes	378,044	-	-	-	-	378,044
Other taxes	251,746	-	-	-	-	251,746
Accounts	111,881	46	-	8,129	49,566	169,622
Special assessments	-	-	-	-	14,411	14,411
Loans (note 14)	-	913,793	-	-	564,510	1,478,303
Notes (note 13)	-	-	-	575,995	-	575,995
Due from other governments	72,217	-	-	-	1,428,125	1,500,342
Due from other funds (note 5)	947,955	-	-	-	1,264,931	2,212,886
Prepaid items	11,512	-	-	20,408	-	31,920
Advances to other funds (note 5)	321,966	503,458	-	605,384	-	1,430,808
Land held for resale	-	1,151,150	-	14,145,446	-	15,296,596
Total assets	<u>\$ 21,499,373</u>	<u>\$ 12,331,822</u>	<u>\$ 2,654,891</u>	<u>\$ 39,904,269</u>	<u>\$ 7,866,308</u>	<u>\$ 84,256,663</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 563,558	\$ 2,440	\$ -	\$ 4,958	\$ 353,601	\$ 924,557
Deposits payable	502,830	-	-	184,240	4,522	691,592
Accrued liabilities	450,123	1,149	-	4,694	13,627	469,593
Due to other governments	538,459	11,190	29,987	-	740	580,376
Due to other funds (note 5)	481,640	63	-	470,690	1,260,493	2,212,886
Advances from other funds (note 5)	605,384	-	503,458	-	-	1,108,842
Deferred revenue (notes 13 and 14)	281,305	1,082,084	-	149,711	560,302	2,073,402
Total liabilities	<u>3,423,299</u>	<u>1,096,926</u>	<u>533,445</u>	<u>814,293</u>	<u>2,193,285</u>	<u>8,061,248</u>
Fund balances:						
Reserved for:						
Encumbrances	11,910	36,950	-	3,786,720	-	3,835,580
Prepaid items	11,512	-	-	20,408	-	31,920
Land held for resale	-	1,151,150	-	14,145,446	-	15,296,596
Restricted revenue	48,069	-	-	-	365,878	413,947
Advances to other funds	321,966	503,458	-	605,384	-	1,430,808
Debt service	-	-	2,121,446	-	-	2,121,446
Unreserved, reported in (note 15):						
General Fund	17,682,617	-	-	-	-	17,682,617
Special revenue funds	-	9,543,338	-	-	3,341,232	12,884,570
Capital projects funds	-	-	-	20,532,018	1,965,913	22,497,931
Total fund balances	<u>18,076,074</u>	<u>11,234,896</u>	<u>2,121,446</u>	<u>39,089,976</u>	<u>5,673,023</u>	<u>76,195,415</u>
Total liabilities and fund balances	<u>\$ 21,499,373</u>	<u>\$ 12,331,822</u>	<u>\$ 2,654,891</u>	<u>\$ 39,904,269</u>	<u>\$ 7,866,308</u>	<u>\$ 84,256,663</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
 Reconciliation of the Balance Sheet of Governmental Fund
 to the Statement of Net Assets
 June 30, 2007

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

Fund balances-total governmental funds	\$	76,195,415
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net assets includes those capital assets (net of accumulated depreciation) among the assets of the City as a whole		91,866,093
The focus of governmental funds is on short-term financing, therefore, some assets will not be available to pay for current-period expenditures. Those assets are offset by deferred revenue in the governmental funds and not included in fund balance. Deferred revenue associated with these assets is not included in the statement of net assets.		1,792,097
Bond issuance costs are reported as other financing uses in the governmental funds. These costs are deferred in the statement of activities and amortized over the life of the bond		1,543,835
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net assets includes accrued interest.		(171,184)
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.		(52,524,649)
Internal service funds are used by management to charge the costs of central equipment and management information systems activities to individual funds. The internal service funds' assets and liabilities are included in governmental activities in the statement of net assets.		<u>3,229,947</u>
Net Assets of governmental activities:	\$	<u>121,931,554</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2007

	General Fund	Low-Moderate Income Housing	Tax Allocation	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes (note 6)	\$ 8,049,714	\$ 1,469,082	\$ 5,182,096	\$ -	\$ 24,343	\$ 14,725,235
Sales taxes	9,035,103	-	-	-	-	9,035,103
Transient occupancy taxes	491,226	-	-	-	-	491,226
Property transfer taxes	324,113	-	-	-	-	324,113
Business license taxes	382,199	-	-	-	1,055	383,254
Utility user taxes	5,395,617	-	-	-	-	5,395,617
Franchise taxes	1,187,401	-	-	-	-	1,187,401
Licenses and permits	476,306	-	-	-	-	476,306
Intergovernmental	1,234,010	6,621	26,485	-	5,153,481	6,420,597
Charges for services	1,806,471	-	-	857,920	707,057	3,371,448
Fines and forfeits	826,974	-	-	-	-	826,974
Special assessments	-	-	-	-	395,993	395,993
Investment earnings	819,474	442,971	155,989	1,380,866	196,117	2,995,417
Miscellaneous	44,844	-	-	40,358	9,154	94,356
Total revenues	30,073,452	1,918,674	5,364,570	2,279,144	6,487,200	46,123,040
Expenditures:						
Current:						
General government	3,679,816	-	-	-	-	3,679,816
Public safety	18,544,042	-	-	-	662,108	19,206,150
Public works	528,935	-	-	-	1,970,705	2,499,640
Culture and recreation	3,309,653	-	-	-	133,219	3,442,872
Community development	866,988	-	-	-	-	866,988
Transit	-	-	-	-	637,775	637,775
Redevelopment and housing	-	735,166	-	4,557,396	437,969	5,730,531
Nondepartmental	43,538	-	-	-	-	43,538
Capital outlay	1,118,740	-	-	-	2,031,145	3,149,885
Debt service:						
Principal retirement	99,719	170,000	2,066,319	-	335,000	2,671,038
Interest and fiscal charges	41,934	223,169	1,614,049	-	160,625	2,039,777
Total expenditures	28,233,365	1,128,335	3,680,368	4,557,396	6,368,546	43,968,010
Excess (deficiency) of revenues over expenditures	1,840,087	790,339	1,684,202	(2,278,252)	118,654	2,155,030
Other financing sources (uses)						
Transfers in (note 5)	-	-	-	1,075,250	357,928	1,433,178
Transfers out (note 5)	(357,928)	-	(1,075,250)	-	-	(1,433,178)
Gain (loss) on sale and disposal of capital assets	-	-	-	(445,834)	-	(445,834)
Total other financing sources (uses)	(357,928)	-	(1,075,250)	629,416	357,928	(445,834)
Net change in fund balances	1,482,159	790,339	608,952	(1,648,836)	476,582	1,709,196
Fund balances at beginning of year	16,593,915	10,444,557	1,512,494	40,738,812	5,196,441	74,486,219
Fund balances at end of year	\$ 18,076,074	\$ 11,234,896	\$ 2,121,446	\$ 39,089,976	\$ 5,673,023	\$ 76,195,415

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, 2007

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

Net change in fund balances-total governmental funds	\$	1,709,196
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		(446,645)
The focus of governmental funds is on short-term financing, therefore, some assets are offset by deferred revenue and reported as expenditures in the governmental funds. The assets are not reported as expenses in the statement of activities		(706,350)
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest. Unamortized charges are included in the statement of net assets and is amortized as an expense in the statement of activities		(7,854)
Long-term bond proceeds (including issuance costs) are reported as other financing sources. Principal bond retirement payments are reported as expenditures in the governmental fund 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		2,632,908
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 "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.		<u>(101,357)</u>
Change in net assets of governmental activities	\$	<u>3,079,898</u>

See accompanying notes to the financial statements.

Proprietary Fund Financial Statements

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Assets				
Current assets:				
Cash and investments	\$ 4,012,063	\$ 20,991	\$ 4,033,054	\$ 1,701,334
Cash and investments-fiscal agent	343,603	-	343,603	-
Accrued interest receivable	1,388	-	1,388	-
Accounts receivable (net of allowances for uncollectibles)	1,027,611	565,860	1,593,471	-
Due from other governments	-	-	-	33,273
Prepaid items	-	-	-	44,655
Inventories	287,095	-	287,095	47,541
Total current assets	<u>5,671,760</u>	<u>586,851</u>	<u>6,258,611</u>	<u>1,826,803</u>
Noncurrent assets-investment in Covina Irrigating Company (note 18)	<u>3,260,485</u>	<u>-</u>	<u>3,260,485</u>	<u>-</u>
Capital assets:				
Land	377,408	-	377,408	-
Building and structures	3,854,995	256,715	4,111,710	-
Improvements other than buildings	21,500	-	21,500	-
Water system infrastructure	11,738,981	-	11,738,981	-
Machinery and equipment	1,347,677	14,771	1,362,448	6,576,773
Construction in progress	376,406	-	376,406	-
Less accumulated depreciation	<u>(6,649,666)</u>	<u>(76,699)</u>	<u>(6,726,365)</u>	<u>(4,692,192)</u>
Total capital assets, net	<u>11,067,301</u>	<u>194,787</u>	<u>11,262,088</u>	<u>1,884,581</u>
Total assets	<u>19,999,546</u>	<u>781,638</u>	<u>20,781,184</u>	<u>3,711,384</u>
Liabilities				
Current liabilities:				
Accounts payable	422,913	214,022	636,935	67,534
Deposits payable	506,352	13,205	519,557	-
Current portion of compensated absences payable	11,460	3,560	15,020	12,400
Accrued liabilities	16,759	6,765	23,524	23,150
Accrued interest payable	30,413	-	30,413	-
Current portion of certificates of participation payable	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>-</u>
Total current liabilities	<u>1,147,897</u>	<u>237,552</u>	<u>1,385,449</u>	<u>103,084</u>
Noncurrent liabilities:				
Compensated absences payable	112,050	42,030	154,080	78,610
Advances from other funds (note 5)	-	-	-	321,966
Certificates of participation payable (net of unamortized discount)	<u>1,761,274</u>	<u>-</u>	<u>1,761,274</u>	<u>-</u>
Total noncurrent liabilities	<u>1,873,324</u>	<u>42,030</u>	<u>1,915,354</u>	<u>400,576</u>
Total liabilities	<u>3,021,221</u>	<u>279,582</u>	<u>3,300,803</u>	<u>503,660</u>
Net assets				
Invested in capital assets, net of related debt	9,146,027	194,787	9,340,814	1,562,615
Unrestricted (note 20)	<u>7,832,298</u>	<u>307,269</u>	<u>8,139,567</u>	<u>1,645,109</u>
Total net assets	<u>\$ 16,978,325</u>	<u>\$ 502,056</u>	<u>17,480,381</u>	<u>\$ 3,207,724</u>
Some amounts reported for <i>business-type activities</i> in the statement of net assets are different to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(22,223)</u>	
Net assets of business-type activities			<u>\$ 17,458,158</u>	

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2007

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Operating Revenues:				
Water sales	\$ 5,307,121	\$ -	\$ 5,307,121	\$ -
Environmental fees	-	3,628,004	3,628,004	-
Information technology charges	-	-	-	978,720
Motor pool charges	-	-	-	1,365,947
Fire line fees	60,768	-	60,768	-
Meter installation fees	51,488	-	51,488	-
Late fees	14,730	-	14,730	-
Antenna rentals and other	84,296	-	84,296	-
Intergovernmental-environmental	-	26,326	26,326	-
Total operating revenues	<u>5,518,403</u>	<u>3,654,330</u>	<u>9,172,733</u>	<u>2,344,667</u>
Operating expenses:				
General and administrative	846,941	409,068	1,256,009	-
Management information systems	-	-	-	671,113
Utility billing	80,978	80,596	161,574	-
Customer service	137,374	-	137,374	-
Sales promotion	3,843	-	3,843	-
Source and supply	2,034,423	-	2,034,423	-
Production and storage	479,730	-	479,730	-
Transmission and distribution	586,448	-	586,448	-
Street sweeping	-	60,250	60,250	-
Environmental services	-	129,553	129,553	-
Refuse collection	-	1,782,117	1,782,117	-
Waste management	-	937,109	937,109	-
Central equipment	-	-	-	1,051,894
Depreciation	392,624	8,089	400,713	739,977
Total operating expenses	<u>4,562,361</u>	<u>3,406,782</u>	<u>7,969,143</u>	<u>2,462,984</u>
Operating income (loss)	<u>956,042</u>	<u>247,548</u>	<u>1,203,590</u>	<u>(118,317)</u>
Nonoperating revenues (expenses):				
Joint venture investment gain-CIC (note 18)	555,013	-	555,013	-
Investment earnings	131,122	-	131,122	51,756
Interest expense	(115,407)	-	(115,407)	(23,611)
Gain (loss) on sale and disposal of capital assets	(23,283)	-	(23,283)	12,363
Total nonoperating revenues (expenses)	<u>547,445</u>	<u>-</u>	<u>547,445</u>	<u>40,508</u>
Change in net assets	1,503,487	247,548	1,751,035	(77,809)
Net assets at beginning of year	<u>15,474,838</u>	<u>254,508</u>		<u>3,285,533</u>
Net assets at end of year	<u>\$ 16,978,325</u>	<u>\$ 502,056</u>		<u>\$ 3,207,724</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.

	23,548
Change in net assets of business-type activities	\$ 1,774,583

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2007

	Enterprise Funds			Internal Service Funds
	Water Utility	Environmental	Total	
Increase in cash and cash equivalents				
Cash flows from operating activities:				
Cash received from customers, users and grants	\$ 5,418,834	\$ 3,635,542	\$ 9,054,376	\$ 2,342,514
Deposits	73,139	1,559	74,698	-
Cash paid to suppliers for goods and services	(2,509,971)	(3,136,583)	(5,646,554)	(862,598)
Cash paid to employees for services	(685,198)	(259,031)	(944,229)	(478,112)
Cash paid for interfund services-net	(911,497)	(220,496)	(1,131,993)	(392,692)
Net cash provided by operating activities	<u>1,385,307</u>	<u>20,991</u>	<u>1,406,298</u>	<u>609,112</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	-	-	21,319
Acquisition and construction of capital assets	(404,225)	-	(404,225)	(271,105)
Principal paid on advances from other funds	-	-	-	(107,330)
Interest paid on advances from other funds	-	-	-	(23,611)
Principal paid on certificates of participation	(155,000)	-	(155,000)	-
Interest paid on certificates of participation	(106,440)	-	(106,440)	-
Net cash used by capital and related financing activities	<u>(665,665)</u>	<u>-</u>	<u>(665,665)</u>	<u>(380,727)</u>
Cash flows from investing activities - interest and dividends received on investments				
	<u>150,449</u>	<u>-</u>	<u>150,449</u>	<u>62,132</u>
Net increase (decrease) in cash and cash equivalents	870,091	20,991	891,082	290,517
Cash and investments at beginning of year	<u>3,485,575</u>	<u>-</u>	<u>3,485,575</u>	<u>1,410,817</u>
Cash and investments at end of year	<u>\$ 4,355,666</u>	<u>\$ 20,991</u>	<u>\$ 4,376,657</u>	<u>\$ 1,701,334</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	<u>\$ 956,042</u>	<u>\$ 247,548</u>	<u>\$ 1,203,590</u>	<u>\$ (118,317)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	392,624	8,089	400,713	739,977
Change in operating assets and liabilities:				
Decrease(increase) in accounts receivable	(99,569)	(18,788)	(118,357)	-
Decrease (increase) in due from other governments	-	-	-	(2,153)
Decrease(increase) in prepaid items	150	-	150	(7,756)
Increase in inventories	14,163	-	14,163	19,358
Increase (decrease) in accounts payable	61,221	23,654	84,875	(36,379)
Increase in deposits payable	73,139	1,559	74,698	-
Increase (decrease) in compensated absences payable	(17,790)	3,330	(14,460)	(700)
Increase in accrued liabilities	5,327	2,290	7,617	15,082
Increase (decrease) in due to other funds	-	(246,691)	(246,691)	-
Total adjustments	<u>429,265</u>	<u>(226,557)</u>	<u>202,708</u>	<u>727,429</u>
Net cash provided (used) by operating activities	<u>\$ 1,385,307</u>	<u>\$ 20,991</u>	<u>\$ 1,406,298</u>	<u>\$ 609,112</u>
Noncash capital, financing and investing activities				
Joint venture investment gain-CIC (note 18)	\$ 555,013	\$ -	\$ 555,013	\$ -
Deletion of capital assets	(127,000)	-	(127,000)	(130,385)
Deletion of accumulated depreciation on capital assets	103,717	-	103,717	121,429
Net effect on noncash activities	<u>\$ 531,730</u>	<u>\$ -</u>	<u>\$ 531,730</u>	<u>\$ (8,956)</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

Government-wide Financial Statements

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

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

Fund Financial Statements

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

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

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

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

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

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

The City of Covina reports the following major governmental funds:

General Fund

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

Low-Moderate Income Housing Fund

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

Tax Allocation Fund

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

Redevelopment Agency Fund

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

The City reports the following major proprietary funds:

Water Utility Fund

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

Environmental Fund

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

Additionally, the City reports the following fund types:

Internal Service Funds

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

In reporting the financial activities of its business-type activities and proprietary funds, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

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

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

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

D. Encumbrances

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

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Investments

Investments are stated at fair value using quoted market prices. Investment elements, including interest and changes in fair value, are aggregated and reported as investment income in the statement of revenues, expenses, and changes in net assets.

H. Inventories and Prepaid Items

Inventories are priced at the lower of cost or market on a first-in, first-out basis. The inventories consist primarily of water parts, vehicle and equipment parts and gasoline. Inventories of governmental funds are considered immaterial and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Compensated Absences

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

J. Capital Assets

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

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

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

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

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

K. Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

L. Leased Property

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

<u>Lessor/Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term Beginning/Ending</u>	<u>Monthly Rent</u>
<i>City of Covina</i>				
Covina Emergency Aid	125 E. College St.	Storage room	7/01/87 monthly	None
Comcast	Public right of way	Easements	7/02/79 indefinite	5% franchise
Bank of America	212 E. Badillo St.	ATM site	7/98 monthly	\$ 3,000
Nextel	2001 Edmund Halley	Communication	8/00-2005	\$ 1,182
Verizon Wireless	P.O. Box 2167	Communication	6/02 monthly	\$ 1,197
T-Mobile	6100 Atlantic Blvd	Communication	6/02 monthly	\$ 522
Sprint	P.O. Box 7977	Communication	9/96 monthly	\$ 939

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Covina Redevelopment Agency

Bozzani Volkswagen	528 S. Citrus Ave.	Commercial	2/03/86-11/01/16	\$ 5,778
Bozzani Volvo	626 S. Citrus Ave.	Commercial	5/15/01-10/31/16	\$ 8,502
Jack in the Box	602 S. Citrus Ave.	Commercial	1/31/98-9/09	\$ 5,307
Off Citrus, Inc.	114 E. Italia	Commercial	Month to month	\$ 780
Sheer Pleasure	312 N. Citrus Ave.	Commercial	Month to month	\$ 750
Enterprise Car Sales	635 S. Citrus Ave.	Commercial	7/01/98-8/31/08	\$ 6,130
Med Plus	161 E. College St.	Commercial	Month to month	\$ 1,800
Corwin Vocal Studio	312 N. Citrus Ave.	Commercial	Month to month	\$ 180
Peerless Optical	312 N. Citrus Ave.	Commercial	Month to month	\$ 350

M. Capitalization of Leases

Leases have been capitalized, where appropriate, in accordance with the Financial 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, 2007 is dependent on future developments, based on information from the plan administrators, City management believes that the aggregate accrual is adequate to cover such losses, including amounts for incurred but not reported claims (see notes 10 and 12).

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

"Total fund balances" of the City's governmental funds is \$76,195,415 which differs from "net assets" of \$121,931,554 in governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The main differences are as follows:

Capital Assets

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

Cost of capital assets	\$ 146,833,792
Accumulated depreciation	<u>(54,967,699)</u>
	<u>\$ 91,866,093</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Long-term Receivables and Deferred Revenue

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

Adjustment of deferred revenue	<u>\$1,792,097</u>
--------------------------------	--------------------

Deferred Charges

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

Deferred charges addition	<u>\$1,543,835</u>
---------------------------	--------------------

Accrued Interest Payable

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

Accrued interest payable addition	<u>\$ (171,184)</u>
-----------------------------------	---------------------

Long-term Liabilities

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

Compensated absences payable	\$ (2,293,290)
Claims and judgments payable	(4,292,000)
Notes payable	(1,187,398)
Capital lease payable	(286,687)
Tax allocation bonds payable (net of unamortized premium)	(41,352,646)
Revenue bonds payable (net of unamortized premium)	<u>(3,112,628)</u>
	<u><u>\$ (52,524,649)</u></u>

Internal Service Funds

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

Net assets of internal service funds	<u>\$3,229,947</u>
--------------------------------------	--------------------

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

The "net change in fund balances" increase of \$1,709,196 for governmental funds differs from the "change in net assets" increase of \$3,079,898 for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Capital Assets

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

Capital outlay	\$ 5,141,248
Depreciation Expense	(5,141,624)
Loss on sale and disposal of capital assets	(446,269)
	<u>\$ (446,645)</u>

Long-term Receivables

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

Change in operating expense	<u>\$ (706,350)</u>
-----------------------------	---------------------

Interest on Long-term Debt

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

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

Long-term Liabilities

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

Principal retirement	\$ 2,651,803
Deferred charges	(97,555)
Claims and judgments	358,647
Compensated absences	(34,670)
Other long-term liabilities	(245,317)
	<u>\$ 2,632,908</u>

Internal Service Funds

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

Net change in net assets of internal service funds	<u>\$ (101,357)</u>
---	---------------------

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

- 1) City departments submit budget and service requests to the City Manager. The City Manager prepares a recommended budget to be presented to the City Council.
- 2) The annual budget is adopted by the City Council on or before June 30 of each fiscal year after holding public hearings to receive input for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- 3) The appropriated budget is prepared by fund, program, and activity. Departments may make appropriation transfers within activities. The City Manager is authorized to make appropriation transfers between activities within funds excluding the contingency appropriation. The City Council approves total budgeted appropriations and any amendments between funds and the use of contingency appropriation. This "appropriated budget" covers City expenditures in all governmental funds. Actual expenditures may not exceed budgeted appropriations at the activity level within each fund. Budget figures used in the accompanying financial statements are the original budget including prior year carryovers and the final budget including current year amendments.
- 4) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances lapse at year end, and then are added to the following year's budgeted appropriations.
- 5) Annual budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt budgets for this fund type.
- 6) Appropriations for capital projects and certain grants and contributions authorized but not constructed or completed during the year lapse at year end, and then are included as part of appropriations in the following year's annual budget.
- 7) Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

B. Excess of Charges over Appropriations

For the fiscal year ended June 30, 2007, no charges exceeded appropriations.

C. Deficit Fund Equity

The Community Facilities District (CFD) special revenue fund had a deficit fund balance of \$19,662 as of June 30, 2007. The fund incurred initial costs for the creation of the CFD. Future collection of assessments from the CFD will pay for the initial costs.

4. CASH AND INVESTMENTS

The City of Covina is following the requirements associated with the Governmental Accounting and Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures*. More commonly referred to as GASB 40, this statement is effective beginning with fiscal years ending June 30, 2007 and adds to and changes financial statement disclosure requirements for cash and investments of local governments. GASB 40, amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values with a high sensitivity to interest rate changes.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 62,367,796
Cash and investments - fiscal agent	<u>2,037,484</u>
Total cash and investments	<u><u>\$ 64,405,280</u></u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 8,529
Deposits with financial institutions	4,205,900
Investments	<u>60,190,851</u>
Total cash and investments	<u><u>\$ 64,405,280</u></u>

Authorized Investments

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

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

Investments Authorized by Debt Agreements

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

Interest Rate Risk

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

Investment type	Fair Value	Maturity (Years)
State investment pool	\$ 24,845,634	daily
Federal Agency Securities	8,612,437	0.89
U.S. Treasury Notes	23,426,895	0.97
Money market funds	1,268,401	daily
Held by bond trustee-money market funds	<u>2,037,484</u>	daily
Total	<u><u>\$ 60,190,851</u></u>	

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Credit Risk

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

	Rating as of June 30, 2007		Total
	AAA	Not Rated	
State investment pool	\$ -	\$ 24,845,634	\$ 24,845,634
Federal Agency Securities	8,612,437	-	8,612,437
U.S. Treasury Notes	23,426,895	-	23,426,895
Money market funds	-	1,268,401	1,268,401
Held by bond trustee-money market funds	-	2,037,484	2,037,484
	\$ 32,039,332	\$ 28,151,519	\$ 60,190,851

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of June 30, 2007, \$3,754,443 of the City of Covina's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2007, City of Covina investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities:

Investment type	<u>Amount</u>
Federal Agency Securities	\$ 3,209,418
U.S. Treasury Notes	2,413,678

Investment in State Investment Pool

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

LAIF management has indicated that as of June 30, 2007 the amortized cost of the pool was \$65,786,597,418 and the estimated fair value of the pool was \$65,756,665,933. The City of Covina reports \$24,845,634 in funds at LAIF with a fair market value of \$24,834,330. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$774,000,000 and asset-backed securities totaling \$1,501,103,000. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

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, 2007:

Receivable Fund	Payable Fund	Amount
General	Low-Moderate Income Housing	\$ 63
	Redevelopment Agency	690
	Non-major governmental funds	947,202
Non-major Governmental	General Fund	481,640
	Redevelopment Agency	470,000
	Non-major Governmental	313,291
Total		\$ 2,212,886

B. Interfund Transfers

Transfers between funds are generally subsidies from one fund to another fund. The General Fund is the major fund that provides ongoing support to other funds. The following are the interfund transfers for fiscal year ended June 30, 2007:

Transfers In Fund	Transfers Out Fund	Amount
Redevelopment Agency	Tax Allocation	\$ 1,075,250
Non-major governmental funds	General	357,928
Total		\$ 1,433,178

C. Advances To/Advances From Other Funds

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriations and are not expendable available financial resources. The following are advances to/from other funds as of June 30, 2007:

Receivable Fund	Payable Fund	Amount
General	Management Information Systems	\$ 321,966
Low-Moderate Income Housing	Tax Allocation	503,458
Redevelopment Agency	Tax Allocation	605,384
Total		\$ 1,430,808

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

D. Internal Balances

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

6. PROPERTY TAXES

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

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 7,875,010	\$ -	\$ -	\$ 7,875,010
Construction in progress	<u>664,625</u>	<u>3,819,385</u>	<u>(1,737,637)</u>	<u>2,746,373</u>
Total capital assets, not depreciated	<u>8,539,635</u>	<u>3,819,385</u>	<u>(1,737,637)</u>	<u>10,621,383</u>
Capital assets, depreciated:				
Buildings and structures	22,147,259	14,000	-	22,161,259
Improvements other than buildings	3,318,902	86,905	-	3,405,807
Public domain infrastructure	103,507,074	2,654,037	(1,495,796)	104,665,315
Sanitary sewer infrastructure	4,130,670	-	-	4,130,670
Machinery and equipment	<u>7,980,853</u>	<u>575,663</u>	<u>(130,385)</u>	<u>8,426,131</u>
Total capital assets, depreciated	<u>141,084,758</u>	<u>3,330,605</u>	<u>(1,626,181)</u>	<u>142,789,182</u>
Less accumulated depreciation for:				
Buildings and structures	(5,209,586)	(479,011)	-	(5,688,597)
Improvements other than buildings	(2,279,554)	(94,878)	-	(2,374,432)
Public domain infrastructure	(39,058,118)	(4,351,006)	1,049,524	(42,359,600)
Sanitary sewer infrastructure	(3,430,218)	(47,139)	-	(3,477,357)
Machinery and equipment	<u>(4,971,770)</u>	<u>(909,567)</u>	<u>121,432</u>	<u>(5,759,905)</u>
Total accumulated depreciation	<u>(54,949,246)</u>	<u>(5,881,601)</u>	<u>1,170,956</u>	<u>(59,659,891)</u>
Total capital assets, depreciated, net	<u>86,135,512</u>	<u>(2,550,996)</u>	<u>(455,225)</u>	<u>83,129,291</u>
Total capital assets, net	<u>\$ 94,675,147</u>	<u>\$ 1,268,389</u>	<u>\$ (2,192,862)</u>	<u>\$ 93,750,674</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Business-type activities				
Capital assets, not depreciated:				
Land	\$ 377,408	\$ -	\$ -	\$ 377,408
Construction in progress	<u>600,970</u>	<u>286,768</u>	<u>(511,332)</u>	<u>376,406</u>
Total capital assets, not depreciated	<u>978,378</u>	<u>286,768</u>	<u>(511,332)</u>	<u>753,814</u>
Capital assets, depreciated:				
Buildings and structures	3,727,378	511,332	(127,000)	4,111,710
Improvements other than buildings	21,500	-	-	21,500
Water system infrastructure	11,738,981	-	-	11,738,981
Machinery and equipment	<u>1,244,991</u>	<u>117,457</u>	<u>-</u>	<u>1,362,448</u>
Total capital assets, depreciated	<u>16,732,850</u>	<u>628,789</u>	<u>(127,000)</u>	<u>17,234,639</u>
Less accumulated depreciation for:				
Buildings and structures	(1,505,118)	(71,998)	103,717	(1,473,399)
Improvements other than buildings	(21,072)	(285)	-	(21,357)
Water system infrastructure	(4,300,372)	(223,512)	-	(4,523,884)
Machinery and equipment	<u>(602,807)</u>	<u>(104,918)</u>	<u>-</u>	<u>(707,725)</u>
Total accumulated depreciation	<u>(6,429,369)</u>	<u>(400,713)</u>	<u>103,717</u>	<u>(6,726,365)</u>
Total capital assets, depreciated, net	<u>10,303,481</u>	<u>228,076</u>	<u>(23,283)</u>	<u>10,508,274</u>
Total capital assets, net	<u>\$ 11,281,859</u>	<u>\$ 514,844</u>	<u>\$ (534,615)</u>	<u>\$ 11,262,088</u>

Depreciation expense was charged to the following activities:

Governmental activities:

General government	\$ 41,550
Public safety	196,297
Public works	4,430,399
Culture and recreation	191,287
Transit	200,534
Redevelopment and housing	81,557
Internal service funds charged to various functions	<u>739,977</u>
Total governmental activities	<u>\$5,881,601</u>

Business-type activities:

Water utility	\$392,624
Environmental protection	<u>8,089</u>
Total business-type activities	<u>\$400,713</u>

8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Funding policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate: the current rate is 8.318% for non-safety employees and 7.526% for police employees, of annual covered payroll. The Los Angeles County Fire District has provided contractual fire protection and emergency medical services to the City of Covina since February 1998 and the City no longer contributes to PERS for fire employees. Contribution requirements of plan members and the City are established by the state legislature and may not be amended by PERS.

Annual Pension cost: For fiscal year 2006-2007, the City's annual pension cost of \$1,786,338 for PERS was equal to the City's required and actual contributions. The summary of principle assumptions and methods used to determine the annual required contribution is shown as follows:

Valuation date	June 30, 2006.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level percent of payroll.
Average remaining period	32 years as of the valuation date. (Miscellaneous) 17 years as of the valuation date. (Safety)
Asset valuation method	15 year smoothed market.

The actuarial assumptions used for the annual required contribution are as follows:

Investment rate of return	7.75% (net of administrative expenses).
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment.
Inflation	3.00%.
Payroll growth	3.25%.
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 995	100%	\$ -
6/30/06	1471	100%	-
6/30/07	1,786	100%	-

Defined Contribution Plan

The federal government enacted legislation in 1990 mandating Social Security coverage for previously uncovered governmental employees. Public Agency Retirement Services (PARS) provides this alternate retirement system for part-time, seasonal and temporary employees. The total contribution amounts to 7.5% of covered payroll compared to 12.4% under Social Security. Contribution rates are established by the City. The City of Covina began participating in PARS during fiscal year 2004-05. As of June 30, 2007, there were 163 plan participants and employer contributions of \$26,273 for the year.

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

9. COMPENSATED ABSENCES

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2007 was \$2,293,290. The short-term portion of \$306,165 and long-term portion of \$1,987,125 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 \$91,010, of which \$12,400 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 \$169,100, of which \$15,020 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

10. RISK MANAGEMENT

Workers' Compensation:

The City has a program of insurance for any liability to City employees arising under the workers' compensation laws for the State of California. By this action, the City will pay all claims up to \$500,000. Amounts in excess of \$500,000, up to \$150,000,000, are covered through an excess commercial insurer. One claim exceeded the coverage for the past fiscal year.

General Liability:

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

Actual settlements accrued are accounted for in the appropriate fund. Estimates for all remaining outstanding claims, including an estimate for incurred but not reported claims, are not accounted for in the individual funds but are reported in the governmental activities of the government-wide statements (see note 12). At June 30, 2007, total actual and estimated claims and judgments payable were as follows:

	Amount
General liability	\$ 1,433,000
Workers' compensation	2,859,000
Total	\$ 4,292,000

The current portion of \$1,663,530 and long-term portion of \$2,628,470 are not accounted in the governmental funds but are included in the governmental activities of the government-wide statements.

The following are changes in the claims and judgments liability for fiscal years 2007 and 2006:

	Fiscal Year Ended June 30	
	2007	2006
Claims and judgments, beginning of fiscal year	\$ 4,650,647	\$ 4,971,259
Claims incurred (including IBNRs)	689,748	3,037,638
Claims paid	(1,048,395)	(3,358,250)
Claims and Judgments, End of Fiscal Year	\$ 4,292,000	\$ 4,650,647

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

11. CAPITALIZED LEASE OBLIGATION

The City entered into capital leases with GE Property for energy saving improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the City's capital assets. The future minimum lease obligations and the net present value of these payments as of June 30, 2007 are as follows:

Year Ending June 30,	Amount
2008	\$ 111,793
2009	111,793
2010	93,154
Total minimum lease payments	316,740
Less amount representing interest	(30,053)
Present value of minimum lease payment	\$ 286,687

The value of the assets acquired by the capital lease was \$839,956.

12. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Current Portion
Governmental activities					
Compensated absences (see note 9)	\$ 2,350,330	\$ 396,657	\$ (362,687)	\$ 2,384,300	\$ 318,565
Claims and judgments (see note 10)	4,650,647	689,748	(1,048,395)	4,292,000	1,663,530
Notes payable	1,394,483	-	(207,085)	1,187,398	47,274
Capital lease payable (see note 11)	386,405	-	(99,718)	286,687	98,282
Tax allocation bonds payable	42,381,251	321,000	(2,010,000)	40,692,251	2,075,000
Unamortized premium on tax allocation bonds	699,274	-	(38,879)	660,395	-
Revenue bonds payable	3,190,000	-	(335,000)	2,855,000	350,000
Unamortized premium on revenue bonds	294,432	-	(36,804)	257,628	-
Total long-term liabilities, net	\$ 55,346,822	\$ 1,407,405	\$ (4,138,568)	\$ 52,615,659	\$ 4,552,651
	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007	Current Portion
Business-type activities					
Compensated absences (see note 9)	\$ 183,560	\$ 21,950	\$ (36,410)	\$ 169,100	\$ 15,020
Certificates of participation payable	2,120,000	-	(155,000)	1,965,000	160,000
Unamortized discount on certificates of participation	(49,063)	-	5,337	(43,726)	-
Total long-term liabilities, net	\$ 2,254,497	\$ 21,950	\$ (186,073)	\$ 2,090,374	\$ 175,020

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

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

Notes Payable

During March 1994, the Covina Redevelopment Agency issued a note payable of \$450,000 to provide funds for the purchase of land located at 543 N. Citrus Avenue. This note has a term of fifteen years. Monthly payments of \$4,300 began on April 1, 1994 which include principal and interest of 8%. \$ 80,042

On April 28, 1998, the Covina Redevelopment Agency purchased the Chick's East property located at 626 S. Citrus Avenue for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052. The Agency took over the leases of three current tenants and entered into a lease with Chick's Sporting Goods for their retail outlet. Interest on the unpaid principal shall accrue at a variable rate which was 6.824% per annum at June 30, 2007. Monthly payments were \$13,197 at June 30, 2007. 944,039

On December 24, 2003, The Covina Redevelopment Agency purchased the property located at 980 W. San Bernardino Road for \$1,504,618. The purchase was paid by cash deposit of \$1,004,618 and by securing a note of \$500,000. Interest on the note was 5% per annum for the first year. The interest rate is reevaluated in December, and if necessary, adjusted as required under the terms of the note. Monthly payments of \$9,534 began in April 2007. 163,317

Total notes payable \$ 1,187,398

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

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 47,264	\$ 4,341	\$ 51,605
2009	<u>32,778</u>	<u>699</u>	<u>29,379</u>
	<u>\$ 80,042</u>	<u>\$ 5,040</u>	<u>\$ 80,984</u>

Tax Allocation Bonds Payable

Revenue Bonds of 1997, Series A

On July 30, 1997, the Covina Public Financing 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 until 2022. \$ 1,530,000

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Revenue Bonds of 1997, Series B

On November 1, 1997, the Covina Public Financing 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.

4,360,000

Revenue Bonds of 2002, Series A

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 Revenue Bonds of 2002, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 4.75%. Payment of principal on the bonds started December 1, 2002, and they are due on December 1 each year until 2023. Included in the June 30, 2007 balance is \$1,754,989 of the accreted interest on the capital appreciation bonds.

10,712,251

Tax Allocation Revenue Bonds of 2004 Series A

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

16,085,000

Tax Allocation Revenue Bonds of 2004, Series B

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

8,005,000

Total tax allocation bonds payable

\$40,692,251

The annual requirements to amortize the tax allocation bonds payable (excluding accreted interest of \$1,754,989) included in the governmental activities are as follows:

Years Ending June 30,	Principal	Interest	Total
2008	\$ 2,075,000	\$ 1,487,213	\$ 3,562,213
2009	2,145,000	1,408,801	3,553,801
2010	2,225,000	1,321,261	3,546,261
2011	2,320,000	1,224,662	3,544,662
2012	2,425,000	1,121,016	3,546,016
2013-2017	13,910,000	3,788,542	17,698,542
2018-2022	11,100,122	6,709,298	17,809,420
2023-2024	2,737,140	4,265,769	7,002,909
	<u>\$ 38,937,262</u>	<u>\$ 21,326,562</u>	<u>\$ 60,263,824</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Revenue Bonds Payable, Transportation Fund

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

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

\$ 2,855,000

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

Years Ending June 30,	Principal	Interest	Total
2008	\$ 350,000	\$ 143,875	\$ 493,875
2009	370,000	126,375	496,375
2010	385,000	107,875	492,875
2011	405,000	88,625	493,625
2012	425,000	68,375	493,375
2013-2014	920,000	70,625	990,625
	<u>\$ 2,855,000</u>	<u>\$ 605,750</u>	<u>\$ 3,460,750</u>

Certificates of Participation Payable, Water Enterprise Fund

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

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

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 3.6% to 5.45%. Payment of principal on the refunding certificates start on October 1, 2000, and are due on October 1 each year until 2016. \$ 1,965,000

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

Years Ending June 30,	Principal	Interest	Total
2008	\$ 160,000	\$ 96,665	\$ 256,665
2009	165,000	89,148	254,148
2010	170,000	81,190	251,190
2011	180,000	72,655	252,655
2012	190,000	63,403	253,403
2013-2017	<u>1,100,000</u>	<u>154,275</u>	<u>1,254,275</u>
	<u>\$ 1,965,000</u>	<u>\$ 557,336</u>	<u>\$ 2,522,336</u>

13. NOTES RECEIVABLE

The Redevelopment Agency has sold parcels of land as well as provided loans to various companies and developers for the purpose of developing businesses in the City. \$ 575,995

14. LOANS RECEIVABLE

The City's Community Development Block Grant program and the Covina Redevelopment Agency (Agency) provide low-income housing and economic assistance to qualifying households and businesses. Subsequently, the City and Agency acquired deferred payment loans from the homeowners and businesses. Due to the long-term nature of the loans, the City and Agency have deferred recognition of revenues in the governmental funds until receipt (see note 2). \$1,478,303

15. FUND BALANCE DESIGNATIONS

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

Unreserved fund balances were designated and undesignated as follows:

	<u>June 30, 2007</u>
Fund Balance Designations:	
General liability claims	\$2,058,000
Workers' compensation claims	3,774,000
Emergency contingency	7,585,400
Continuing appropriations	1,587,020
Subsequent year budget	711,760
Undesignated	<u>1,966,437</u>
Total General Fund	<u>17,682,617</u>
Low-Moderate Income Housing Fund-special revenue purposes	<u>9,543,338</u>
Redevelopment Agency-capital improvements	<u>20,532,018</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

Non-major governmental funds:	
Special revenue purposes	3,341,232
Capital improvements	<u>1,965,913</u>
Total non-major governmental funds	<u>5,307,145</u>
Total unreserved fund balances	<u>\$53,065,118</u>

16. CONTINGENCIES

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

17. MORTGAGE REVENUE AND CONSTRUCTION BONDS

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

<u>Description</u>	<u>Original Amounts</u>	<u>Outstanding Balance at June 30, 2007</u>
1994 Refunding Mortgage Revenue Bonds (Shadowhills)	\$13,980,000	\$12,825,000

The Bonds are special obligations payable solely from payments made on the loans and are secured by a pledge of such loans. Neither the faith and credit nor the taxing power of the City of Covina or the Agency have been pledged to the payment of the bonds; therefore, the bonded indebtedness is not shown in the financial statements of the City.

18. JOINT VENTURE

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

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

Complete financial statements for Covina Irrigating Company can be obtained from the Company. Summarized audited information of the Company for the fiscal year ended June 30, 2007 is as follows:

Operating revenues	\$ 3,969,769
Operating expenses	<u>2,641,834</u>
Operating gain	<u>\$ 1,327,935</u>
Net gain	<u>\$ 1,318,946</u>
Total assets	<u>\$ 8,457,649</u>
Total liabilities	<u>\$1,435,253</u>
Fund equity-contributed capital:	
City of Covina	\$ 2,955,726
Other participants	<u>4,066,670</u>
Total fund equity	<u>\$ 7,022,396</u>
Total liabilities and fund equity	<u>\$ 8,457,649</u>
Working deficit	<u>\$(1,000,302)</u>

CITY OF COVINA, CALIFORNIA
Notes to the Financial Statements
June 30, 2007

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

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

19. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE

The City of Covina provides a retiree medical benefit to employees that retire from the City of Covina with at least ten years of service and retire into the Public Employees Retirement System. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. For retired employees under 65, the City provides benefits through an insurance company whose premiums are based on the benefits paid during the year. The City provides benefits on a quarterly basis with the amounts based on the applicable employee group Memorandum of Understanding at the time of retirement. Each employee has to obtain his or her own insurance coverage. The cost to provide these retiree benefits is not separate from the cost of providing benefits for active employees. At June 30, 2007, 40 employees under 65 and 91 employees over 65 were eligible to receive the benefits. All benefits are provided for on a pay as you go basis.

The following table summarizes the quarterly benefits paid for retiree medical as of June 30, 2007:

<u>Employee Group</u>	<u>Amount per Quarter</u>	<u>Number of Employees</u>
Fire	\$4,786	1
Fire	2,608	2
Fire	2,200	1
Fire	1,921	1
Fire	1,209	1
Fire	810	1
Police Management	1,650	1
Police Management	1,567	4
Various	1,416	32
AFSCME	235	53
Unaffiliated	102	8
Various	94	26

20. NET ASSETS-ENTERPRISE FUNDS

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

Rate balance	\$ 44,581
Water capital	<u>3,912,559</u>
Total designated net assets	<u>\$3,957,140</u>

21. BOND DEFEASANCE

A. Tax Allocation Bonds

In prior years, the Covina Redevelopment Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The following bond issues are considered defeased: 1977 Issue of \$7,000,000, 1983 Issue of \$7,000,000 and 1985 Issue of \$6,750,000. The outstanding balances of these bond issues at June 30, 2007 are: 1977 Issue is \$595,000, 1983 Issue is \$2,690,000 and the 1985 Issue is \$1,835,000.

B. Water Certificates of Participation

In October 1999, the Covina Public Financing Authority issued the 1999 Refunding Water Certificates of Participation to refund the 1991 Water Certificates of Participation. The transaction refunded and defeased in substance the \$2,815,000 balance of the 1991 water certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the City's financial statements. The outstanding balance of the defeased 1991 water certificates at June 30, 2007 was \$1,965,000.

22. 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
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 16,593,915	\$ 16,593,915	\$ 16,593,915	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	3,808,810	3,808,810	4,136,565	327,755
Unsecured personal	170,000	170,000	146,082	(23,918)
Prior year secured and unsecured	15,280	15,280	8,340	(6,940)
Supplemental roll	215,000	215,000	431,051	216,051
Property tax in-lieu motor vehicle license	2,864,580	2,864,580	3,301,545	436,965
Interest and penalties	21,000	21,000	26,130	5,130
Sales taxes	8,762,390	8,762,390	9,035,103	272,713
Transient occupancy taxes	478,160	478,160	491,226	13,066
Property transfer taxes	225,000	225,000	324,113	99,113
Business license taxes	400,650	400,650	367,023	(33,627)
Business registration penalties	21,470	21,470	15,176	(6,294)
Utility users taxes	5,481,850	5,481,850	5,395,617	(86,233)
Franchise taxes:				
Cable TV	175,000	175,000	184,977	9,977
Gas utility	137,800	137,800	162,381	24,581
Electric utility	211,430	211,430	247,766	36,336
Refuse service	322,000	322,000	326,542	4,542
Towing	170,000	170,000	248,237	78,237
Other	16,100	16,100	17,498	1,398
Licenses and permits	549,900	549,900	476,306	(73,594)
Intergovernmental:				
Federal-Emergency preparedness	-	-	2,772	2,772
State:				
Homeowner exemption	43,200	43,200	42,895	(305)
Mandated cost reimbursement	21,000	21,000	262,184	241,184
Public safety augmentation	326,400	326,400	372,091	45,691
POST subvention	30,000	30,000	30,699	699
Motor vehicle in-lieu tax	300,880	300,880	287,432	(13,448)
Off-highway vehicle tax	2,000	2,000	-	(2,000)
Library services grant	2,000	2,540	2,097	(443)
Library foundation grant	19,460	19,460	28,506	9,046
County:				
Prop A discretionary	45,000	45,000	-	(45,000)
School district	162,990	162,990	185,671	22,681
Other government units	30,750	30,750	19,663	(11,087)
Charges for services:				
General government	525,400	525,400	480,079	(45,321)
Public safety	184,530	184,530	87,343	(97,187)
Public works	45,500	45,500	132,264	86,764
Culture and recreation	685,020	685,020	676,649	(8,371)
Community development	293,500	293,500	430,137	136,637
Fines and forfeits	615,000	615,000	826,974	211,974
Investment earnings	280,500	300,500	819,474	518,974
Miscellaneous	60,050	60,050	44,844	(15,206)
Amounts available for appropriation	<u>44,313,515</u>	<u>44,334,055</u>	<u>46,667,367</u>	<u>2,333,312</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City council	\$ 145,320	\$ 150,060	\$ 143,280	\$ 6,780
City clerk	3,460	4,200	4,193	7
City treasurer	3,750	3,750	3,690	60
City manager	548,170	600,010	600,006	4
City attorney	194,390	264,040	264,037	3
Finance	1,273,680	1,332,510	1,332,497	13
Elections	52,000	61,870	61,868	2
Records management	251,380	206,910	206,901	9
Human resources	524,510	519,290	489,840	29,450
Employee development	15,000	21,730	21,724	6
Workers compensation	690,630	778,400	778,392	8
Public liability	701,140	680,510	382,896	297,614
General insurance	564,500	473,270	473,263	7
Duplicating services	141,880	132,550	132,547	3
Public information	231,900	227,100	227,089	11
Civic center	157,630	157,630	133,764	23,866
Indirect cost allocation	(1,569,610)	(1,569,610)	(1,569,730)	120
Total general government	<u>3,929,730</u>	<u>4,044,220</u>	<u>3,686,257</u>	<u>357,963</u>
Public safety:				
Police administration	1,011,130	1,032,990	1,032,989	1
Crime prevention	363,360	356,860	356,809	51
Police investigation	1,805,900	1,477,900	1,477,835	65
Police patrol	6,081,130	5,763,980	5,743,263	20,717
Police records	408,760	525,360	525,354	6
Police jail	360,310	358,430	358,282	148
Traffic safety	360,780	335,780	335,363	417
Parking control	221,560	223,410	223,404	6
Communication services	1,024,330	986,330	950,787	35,543
Police training	298,140	382,050	382,050	-
Police computer services	373,790	384,790	383,944	846
Fire suppression	6,371,450	7,020,650	7,020,650	-
Disaster preparedness	9,990	9,990	9,324	666
Animal control	173,060	160,060	159,242	818
Indirect cost allocation	(30,270)	(30,270)	(30,270)	-
Total public safety	<u>18,833,420</u>	<u>18,988,310</u>	<u>18,929,026</u>	<u>59,284</u>
Public works:				
Public works administration	287,610	343,390	343,382	8
Engineering	442,730	415,730	403,049	12,681
Streets	814,770	1,774,990	636,583	1,138,407
Street lighting	161,210	147,210	147,125	85
Traffic control	98,730	98,820	98,818	2
Yard center	158,210	136,210	94,525	41,685
Indirect cost allocation	(515,420)	(515,420)	(515,450)	30
Total public works	<u>1,447,840</u>	<u>2,400,930</u>	<u>1,208,032</u>	<u>1,192,898</u>

(Continued)

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Statement
 General Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks-recreation administration	\$ 360,950	\$ 365,130	\$ 365,121	\$ 9
Community relations	101,260	102,220	102,219	1
Recreation services	421,510	393,510	393,192	318
Community programs	62,500	56,800	56,795	5
Park facilities	602,570	536,570	530,725	5,845
Senior services	282,630	287,630	243,121	44,509
Community events	111,450	120,150	120,118	32
Aquatics	274,020	243,020	242,317	703
Cultural arts	14,850	21,520	21,501	19
Library services	1,350,540	1,422,580	1,282,762	139,818
Total culture and recreation	<u>3,582,280</u>	<u>3,549,130</u>	<u>3,357,871</u>	<u>191,259</u>
Community development:				
Development administration	424,450	439,450	439,445	5
Planning	341,950	274,950	274,949	1
Building inspection	341,260	444,550	444,550	-
Code enforcement	124,840	92,940	92,874	66
Indirect cost allocation	(384,830)	(384,830)	(384,830)	-
Total community development	<u>847,670</u>	<u>867,060</u>	<u>866,988</u>	<u>72</u>
Nondepartmental:				
Intergovernmental	18,920	18,920	2,509	16,411
Community outreach	21,250	26,380	26,373	7
Downtown Business District	7,750	7,750	206	7,544
Prospero Park District	10,400	10,400	8,250	2,150
Natural Hazard Mitigation Plan	23,710	29,910	6,200	23,710
Contingency	750,000	237,390	-	237,390
Total nondepartmental	<u>832,030</u>	<u>330,750</u>	<u>43,538</u>	<u>287,212</u>
Debt service:				
Principal retirement	130,790	99,790	99,719	71
Interest	47,400	42,400	41,934	466
Total debt service	<u>178,190</u>	<u>142,190</u>	<u>141,653</u>	<u>537</u>
Transfers out:				
Community Development Block Grant Fund	60,690	60,690	60,690	-
Law Enforcement Fund	69,720	76,560	76,554	6
Lighting Assessment District Fund	62,470	69,590	69,582	8
Library Grant Fund	64,190	64,190	64,190	-
Park Development Fund	-	75,320	75,320	-
Transportation Fund	20	20	20	-
Shoppers Lane Parking District Fund	17,150	17,150	11,572	5,578
Total transfers out	<u>274,240</u>	<u>363,520</u>	<u>357,928</u>	<u>5,592</u>
Total charges to appropriations	<u>29,925,400</u>	<u>30,686,110</u>	<u>28,591,293</u>	<u>2,094,817</u>
Budgetary fund balance, June 30	<u>\$ 14,388,115</u>	<u>\$ 13,647,945</u>	<u>\$ 18,076,074</u>	<u>\$ 4,428,129</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 Budgetary Comparison Schedule
 Low-Moderate Income Housing Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 10,444,557	10,444,557	\$ 10,444,557	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	1,108,380	1,108,380	1,283,390	175,010
Unsecured personal	123,580	123,580	108,474	(15,106)
Prior year secured and unsecured	13,000	13,000	3,920	(9,080)
Supplemental roll	37,900	37,900	73,298	35,398
Intergovernmental:				
State-homeowner exemption	6,500	6,500	6,621	121
Investment earnings	181,450	181,450	442,971	261,521
Miscellaneous	191,120	191,120	-	(191,120)
Amounts available for appropriation	<u>12,106,487</u>	<u>12,106,487</u>	<u>12,363,231</u>	<u>256,744</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Housing	780,530	825,530	563,977	261,553
Neighborhood preservation	184,140	184,140	171,189	12,951
Total redevelopment and housing	<u>964,670</u>	<u>1,009,670</u>	<u>735,166</u>	<u>274,504</u>
Debt service:				
Principal retirement	170,000	170,000	170,000	-
Interest and fiscal charges	233,790	233,790	223,169	10,621
Total debt service	<u>403,790</u>	<u>403,790</u>	<u>393,169</u>	<u>10,621</u>
Nondepartmental-contingency	9,330	9,330	-	9,330
Total charges to appropriations	<u>1,377,790</u>	<u>1,422,790</u>	<u>1,128,335</u>	<u>294,455</u>
Budgetary fund balance, June 30	<u>\$ 10,728,697</u>	<u>\$ 10,683,697</u>	<u>\$ 11,234,896</u>	<u>\$ 551,199</u>

See accompanying note to the required supplementary information.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. City departments submit budget and service requests to the City Manager. The City Manager prepares a recommended budget to be presented to the City Council.
2. The annual budget is adopted by the City Council on or before June 30 of each fiscal year after holding public hearings to receive input for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
3. The appropriated budget is prepared by fund, program, and activity. Departments may make appropriation transfers within activities. The City Manager is authorized to make appropriation transfers between activities within funds excluding the contingency appropriation. The City Council approves total budgeted appropriations and any amendments between funds and the use of contingency appropriation. This "appropriated budget" covers City expenditures in all governmental funds. Actual expenditures may not exceed budgeted appropriations at the activity level within each fund. Budget figures used in the accompanying financial statements are the original budget including prior year carryovers and the final budget including current year amendments.
4. Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances at year end lapse, and then are added to the following year's budgeted appropriations.
5. Annual budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt budgets for this fund type.
6. Appropriations for capital projects and certain grants and contributions authorized but not constructed or completed during the year lapse at year end, and then are included as part of appropriations in the following year's annual budget.
7. Under Article XIII B of the California Constitution (the Gann Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

B. Excess of Charges over Appropriations-General Fund

For the fiscal year ended June 30, 2007, no charges exceeded appropriations.

CITY OF COVINA, CALIFORNIA
 Required Supplementary Information
 CALPERS Schedule of Funding Progress
 June 30, 2007

\$ Amount in Thousands

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
06/30/04 Miscellaneous	\$ 40,474	\$ 41,310	\$ (837)	102.1%	\$ 6,220	(13.5%)
06/30/05 Miscellaneous	\$ 43,745	\$ 43,246	\$ 498	98.9%	\$ 6,268	7.9%
06/30/06 Miscellaneous	\$ 46,238	\$ 45,513	\$ 725	98.4%	\$ 6,682	10.9%

NOTE: The City of Covina safety plan had less than 100 active members and was required by PERS to participate in the 3% at 50 risk pool. The PERS information for compliance with GASB 27 for the June 30, 2005 actuarial includes the funding status and funding progress for all risk pool participants. The public safety pool does not have superfund status. The following is the funding progress of the 3% at 50 risk pool.

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
06/30/04	\$5,383,922	\$ 4,424,587	\$ 959,335	82.2%	\$ 575,296	166.8%
06/30/05	\$6,367,049	\$ 5,295,150	\$1,071,899	83.2%	\$ 664,148	161.4%
06/30/06	\$7,278,049	\$ 6,102,616	\$1,175,433	83.8%	\$ 754,730	155.7%

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

	Special Revenue Funds					Air Quality
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	
Assets						
Cash and investments	\$ -	\$ -	\$ 180,044	\$ 457,599	\$ 1,259,575	\$ 147,274
Cash and investments-fiscal agent	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	-	1,291	-	-	44,011	-
Special assessments	-	-	-	-	-	-
Loans	564,510	-	-	-	-	-
Due from other governments	128,230	312,363	-	83,945	-	15,415
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 692,740</u>	<u>\$ 313,654</u>	<u>\$ 180,044</u>	<u>\$ 541,544</u>	<u>\$ 1,303,586</u>	<u>\$ 162,689</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 30,088	\$ -	\$ -	\$ -	\$ 37,046	\$ -
Deposits payable	-	-	-	-	-	-
Accrued liabilities	1,825	8,041	-	-	1,862	-
Due to other governments	740	-	-	-	-	-
Due to other funds	99,785	100,480	-	-	-	-
Deferred revenue	560,302	-	-	-	-	-
Total liabilities	<u>692,740</u>	<u>108,521</u>	<u>-</u>	<u>-</u>	<u>38,908</u>	<u>-</u>
Fund balances:						
Reserved for restricted revenue	-	-	-	-	-	-
Unreserved	-	205,133	180,044	541,544	1,264,678	162,689
Total fund balances	<u>-</u>	<u>205,133</u>	<u>180,044</u>	<u>541,544</u>	<u>1,264,678</u>	<u>162,689</u>
Total liabilities and fund balances	<u>\$ 692,740</u>	<u>\$ 313,654</u>	<u>\$ 180,044</u>	<u>\$ 541,544</u>	<u>\$ 1,303,586</u>	<u>\$ 162,689</u>

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Library Grant	City Donation	Total
\$ 296,614	\$ 14,404	\$ 186,430	\$ 850,188	\$ -	\$ -	\$ 370,400	\$ 3,762,528
-	-	-	-	-	-	-	-
566	-	-	-	-	-	-	566
-	-	-	-	-	4,264	-	49,566
-	3,798	7,485	3,128	-	-	-	14,411
-	-	-	-	-	-	-	564,510
-	-	-	-	-	4,444	-	544,397
-	-	-	-	-	-	-	-
<u>\$ 297,180</u>	<u>\$ 18,202</u>	<u>\$ 193,915</u>	<u>\$ 853,316</u>	<u>\$ -</u>	<u>\$ 8,708</u>	<u>\$ 370,400</u>	<u>\$ 4,935,978</u>
\$ 1,843	\$ 18,202	\$ 6,024	\$ 16,655	\$ 11,752	\$ 43	\$ -	\$ 121,653
-	-	-	-	-	-	4,522	4,522
-	-	-	-	-	1,899	-	13,627
-	-	-	-	-	-	-	740
-	-	-	313,291	7,910	6,558	-	528,024
-	-	-	-	-	-	-	560,302
<u>1,843</u>	<u>18,202</u>	<u>6,024</u>	<u>329,946</u>	<u>19,662</u>	<u>8,500</u>	<u>4,522</u>	<u>1,228,868</u>
-	-	-	-	-	-	365,878	365,878
295,337	-	187,891	523,370	(19,662)	208	-	3,341,232
295,337	-	187,891	523,370	(19,662)	208	365,878	3,707,110
<u>\$ 297,180</u>	<u>\$ 18,202</u>	<u>\$ 193,915</u>	<u>\$ 853,316</u>	<u>\$ -</u>	<u>\$ 8,708</u>	<u>\$ 370,400</u>	<u>\$ 4,935,978</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

	Capital Projects Funds				Total Non-Major Governmental Funds	
	General Projects	Park Development	Transportation	Shoppers Lane Parking District		Total
Assets						
Cash and investments	\$ -	\$ -	\$ 516,009	\$ -	\$ 516,009	\$ 4,278,537
Cash and investments-fiscal agent	-	-	265,662	-	265,662	265,662
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	-	-	-	566
Accounts	-	-	-	-	-	49,566
Special assessments	-	-	-	-	-	14,411
Loans	-	-	-	-	-	564,510
Due from other governments	52,996	290,745	539,987	-	883,728	1,428,125
Due from other funds	<u>1,264,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,264,931</u>	<u>1,264,931</u>
Total assets	<u>\$ 1,317,927</u>	<u>\$ 290,745</u>	<u>\$ 1,321,658</u>	<u>\$ -</u>	<u>\$ 2,930,330</u>	<u>\$ 7,866,308</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 145,756	\$ 83,057	\$ 3,135	\$ -	\$ 231,948	\$ 353,601
Deposits payable	-	-	-	-	-	4,522
Accrued liabilities	-	-	-	-	-	13,627
Due to other governments	-	-	-	-	-	740
Due to other funds	621,466	111,003	-	-	732,469	1,260,493
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,302</u>
Total liabilities	<u>767,222</u>	<u>194,060</u>	<u>3,135</u>	<u>-</u>	<u>964,417</u>	<u>2,193,285</u>
Fund balances:						
Reserved for restricted revenue	-	-	-	-	-	365,878
Unreserved	<u>550,705</u>	<u>96,685</u>	<u>1,318,523</u>	<u>-</u>	<u>1,965,913</u>	<u>5,307,145</u>
Total fund balances	<u>550,705</u>	<u>96,685</u>	<u>1,318,523</u>	<u>-</u>	<u>1,965,913</u>	<u>5,673,023</u>
Total liabilities and fund balances	<u>\$ 1,317,927</u>	<u>\$ 290,745</u>	<u>\$ 1,321,658</u>	<u>\$ -</u>	<u>\$ 2,930,330</u>	<u>\$ 7,866,308</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, 2007

	Special Revenue Funds					
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-
Intergovernmental	441,462	565,494	9,078	973,367	836,594	59,366
Charges for services	-	15,063	-	-	200,617	-
Special assessments	-	-	-	-	-	-
Investment earnings	-	6,982	5,665	17,530	38,639	5,196
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>441,462</u>	<u>587,539</u>	<u>14,743</u>	<u>990,897</u>	<u>1,075,850</u>	<u>64,562</u>
Expenditures:						
Current:						
Public safety	-	662,108	-	-	-	-
Public works	-	-	-	1,086,317	-	45,386
Culture and recreation	-	-	-	-	-	-
Transit	-	-	-	-	637,775	-
Redevelopment and housing	375,904	-	-	-	-	-
Capital outlay	126,248	-	-	-	-	-
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>502,152</u>	<u>662,108</u>	<u>-</u>	<u>1,086,317</u>	<u>637,775</u>	<u>45,386</u>
Excess (deficiency) of revenues over expenditures	(60,690)	(74,569)	14,743	(95,420)	438,075	19,176
Other financing sources-transfers in	<u>60,690</u>	<u>76,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	1,985	14,743	(95,420)	438,075	19,176
Fund balances at beginning of year	-	203,148	165,301	636,964	826,603	143,513
Fund balances at end of year	<u>\$ -</u>	<u>\$ 205,133</u>	<u>\$ 180,044</u>	<u>\$ 541,544</u>	<u>\$ 1,264,678</u>	<u>\$ 162,689</u>

(Continued)

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2007

	Special Revenue Funds					
	Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Sewer Assessment District	Community Facilities District	Library Grant
Revenues:						
Property taxes	\$ 24,343	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-
Intergovernmental	12	-	-	-	-	43,910
Charges for services	71,842	-	-	-	-	-
Special assessments	-	122,257	103,990	169,746	-	-
Investment earnings	9,331	-	6,686	26,418	-	-
Miscellaneous	-	-	-	-	-	4,264
Total revenues	<u>105,528</u>	<u>122,257</u>	<u>110,676</u>	<u>196,164</u>	<u>-</u>	<u>48,174</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	-
Public works	88,114	191,839	120,271	406,489	19,662	-
Culture and recreation	-	-	-	-	-	112,368
Transit	-	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>88,114</u>	<u>191,839</u>	<u>120,271</u>	<u>406,489</u>	<u>19,662</u>	<u>112,368</u>
Excess (deficiency) of revenues over expenditures	17,414	(69,582)	(9,595)	(210,325)	(19,662)	(64,194)
Other financing sources-transfers in	-	69,582	-	-	-	64,190
Net change in fund balances	17,414	-	(9,595)	(210,325)	(19,662)	(4)
Fund balances at beginning of year	277,923	-	197,486	733,695	-	212
Fund balances at end of year	<u>\$ 295,337</u>	<u>\$ -</u>	<u>\$ 187,891</u>	<u>\$ 523,370</u>	<u>\$ (19,662)</u>	<u>\$ 208</u>

Special Revenue Funds		Capital Projects Funds					Total Non-Major Governmental Funds
City Donation	Total	General Projects	Park Development	Transportation	Shoppers Lane Parking District	Total	
\$ -	\$ 24,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,343
-	-	-	-	-	1,055	1,055	1,055
-	2,929,283	62,065	238,371	1,923,762	-	2,224,198	5,153,481
-	287,522	416,910	-	2,625	-	419,535	707,057
-	395,993	-	-	-	-	-	395,993
12,257	128,704	8,814	1,220	57,379	-	67,413	196,117
4,890	9,154	-	-	-	-	-	9,154
17,147	3,774,999	487,789	239,591	1,983,766	1,055	2,712,201	6,487,200
-	662,108	-	-	-	-	-	662,108
-	1,958,078	-	-	-	12,627	12,627	1,970,705
7,811	120,179	-	13,040	-	-	13,040	133,219
-	637,775	-	-	-	-	-	637,775
-	375,904	62,065	-	-	-	62,065	437,969
-	126,248	-	238,372	1,666,525	-	1,904,897	2,031,145
-	-	-	-	335,000	-	335,000	335,000
-	-	-	-	160,625	-	160,625	160,625
7,811	3,880,292	62,065	251,412	2,162,150	12,627	2,488,254	6,368,546
9,336	(105,293)	425,724	(11,821)	(178,384)	(11,572)	223,947	118,654
-	271,016	-	75,320	20	11,572	86,912	357,928
9,336	165,723	425,724	63,499	(178,364)	-	310,859	476,582
356,542	3,541,387	124,981	33,186	1,496,887	-	1,655,054	5,196,441
\$ 365,878	\$ 3,707,110	\$ 550,705	\$ 96,685	\$ 1,318,523	\$ -	\$ 1,965,913	\$ 5,673,023

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Tax Allocation Debt Service Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,512,494	\$ 1,512,494	\$ 1,512,494	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	3,948,420	3,948,420	5,133,562	1,185,142
Unsecured personal	523,610	523,610	433,897	(89,713)
Prior year secured and unsecured	26,500	26,500	15,678	(10,822)
Supplemental roll	102,200	102,200	293,192	190,992
County pass-through	-	-	(694,233)	(694,233)
Intergovernmental:				
State-homeowner exemption	23,000	23,000	26,485	3,485
Investment earnings	39,800	39,800	155,989	116,189
Amounts available for appropriation	<u>6,176,024</u>	<u>6,176,024</u>	<u>6,877,064</u>	<u>701,040</u>
Charges to appropriations (outflows):				
Debt service:				
Principal retirement	2,113,410	2,113,410	2,066,319	47,091
Interest and fiscal charges	<u>1,717,640</u>	<u>1,717,640</u>	<u>1,614,049</u>	<u>103,591</u>
Total debt service	3,831,050	3,831,050	3,680,368	150,682
Transfers out - Redevelopment Agency Fund	<u>1,075,250</u>	<u>1,075,250</u>	<u>1,075,250</u>	-
Total charges to appropriations	<u>4,906,300</u>	<u>4,906,300</u>	<u>4,755,618</u>	<u>150,682</u>
Budgetary fund balance, June 30	<u>\$ 1,269,724</u>	<u>\$ 1,269,724</u>	<u>\$ 2,121,446</u>	<u>\$ 851,722</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Redevelopment Agency Capital Projects Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 40,738,812	\$ 40,738,812	\$ 40,738,812	\$ -
Resources (inflows):				
Charges for services-redevelopment and housing	853,010	853,010	857,920	4,910
Investment earnings	367,210	367,210	1,380,866	1,013,656
Miscellaneous	135,920	135,920	40,358	(95,562)
Transfers in-Tax Allocation Fund	1,075,250	1,075,250	1,075,250	-
Gain on sale and disposal of capital assets	1,695,000	1,695,000	-	(1,695,000)
Amounts available for appropriation	<u>44,865,202</u>	<u>44,865,202</u>	<u>44,093,206</u>	<u>(771,996)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
Redevelopment-housing administration	777,560	777,560	760,852	16,708
Marketing	402,400	402,400	270,552	131,848
Redevelopment	<u>9,450,080</u>	<u>9,450,080</u>	<u>3,525,992</u>	<u>5,924,088</u>
Total redevelopment and housing	10,630,040	10,630,040	4,557,396	6,072,644
Nondepartmental-contingency	82,430	82,430	-	82,430
Loss on sale and disposal of capital assets	-	445,840	445,834	6
Total charges to appropriations	<u>10,712,470</u>	<u>11,158,310</u>	<u>5,003,230</u>	<u>6,155,080</u>
Budgetary fund balance, June 30	<u>\$ 34,152,732</u>	<u>\$ 33,706,892</u>	<u>\$ 39,089,976</u>	<u>\$ 5,383,084</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Development Block Grant Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-Community Development Block Grant	621,370	771,620	441,462	(330,158)
Transfers in-General Fund	<u>60,690</u>	<u>60,690</u>	<u>60,690</u>	<u>-</u>
Amounts available for appropriation	<u>682,060</u>	<u>832,310</u>	<u>502,152</u>	<u>(330,158)</u>
Charges to appropriations (outflows):				
Redevelopment and housing:				
CDBG administration	105,720	105,720	105,718	2
Business assistance	225,270	225,270	155,587	69,683
Public service	67,550	67,550	67,187	363
Residential rehabilitation	122,440	122,440	47,412	75,028
Public improvements	<u>161,080</u>	<u>311,330</u>	<u>126,248</u>	<u>185,082</u>
Total charges to appropriations	<u>682,060</u>	<u>832,310</u>	<u>502,152</u>	<u>330,158</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplementary information.

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Law Enforcement Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 203,148	\$ 203,148	\$ 203,148	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
Local Law Enforcement Block Grant	26,420	26,420	-	(26,420)
Homeland Security Grant	301,980	301,980	318,347	16,367
State:				
Supplemental Law Enforcement Grant	100,000	100,000	100,000	-
Traffic Safety Grant and other	-	138,020	123,470	(14,550)
Other governmental units	123,330	123,330	23,677	(99,653)
Charges for services-police fee	-	-	15,063	15,063
Investment earnings	-	-	6,982	6,982
Transfers in-General Fund	<u>69,720</u>	<u>76,560</u>	<u>76,554</u>	<u>(6)</u>
Amounts available for appropriation	<u>824,598</u>	<u>969,458</u>	<u>867,241</u>	<u>(102,217)</u>
Charges to appropriations (outflows):				
Public safety:				
Police Administration	97,170	97,170	93,396	3,774
Crime prevention	70,650	70,650	22,954	47,696
Police investigation	11,830	11,830	-	11,830
Police patrol	214,160	214,160	89,391	124,769
Police computer services	430,780	430,780	318,347	112,433
Traffic Safety	<u>-</u>	<u>138,020</u>	<u>138,020</u>	<u>-</u>
Total charges to appropriations	<u>824,590</u>	<u>962,610</u>	<u>662,108</u>	<u>300,502</u>
Budgetary fund balance, June 30	<u>\$ 8</u>	<u>\$ 6,848</u>	<u>\$ 205,133</u>	<u>\$ 198,285</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Narcotic Seizure Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 165,301	\$ 165,301	\$ 165,301	\$ -
Resources (inflows):				
Intergovernmental:				
State-Narcotic Seizure Program Grant	-	-	9,078	9,078
Investment earnings	-	-	5,665	5,665
Budgetary fund balance, June 30	<u>\$ 165,301</u>	<u>\$ 165,301</u>	<u>\$ 180,044</u>	<u>\$ 14,743</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 State Gas Tax Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 636,964	\$ 636,964	\$ 636,964	\$ -
Resources (inflows):				
Intergovernmental:				
State-gas tax	891,000	891,000	973,367	82,367
Investment earnings	-	-	17,530	17,530
Amounts available for appropriation	<u>1,527,964</u>	<u>1,527,964</u>	<u>1,627,861</u>	<u>99,897</u>
Charges to appropriations (outflows):				
Public works:				
Streets	968,420	968,420	780,213	188,207
Street lighting	80,600	80,600	71,880	8,720
Traffic control	249,290	249,290	234,224	15,066
Total charges to appropriations	<u>1,298,310</u>	<u>1,298,310</u>	<u>1,086,317</u>	<u>211,993</u>
Budgetary fund balance, June 30	<u>\$ 229,654</u>	<u>\$ 229,654</u>	<u>\$ 541,544</u>	<u>\$ 311,890</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transit Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 826,603	\$ 826,603	\$ 826,603	\$ -
Resources (inflows):				
Intergovernmental:				
County-Proposition A	750,000	750,000	836,594	86,594
Charges for services-transit	261,000	261,000	200,617	(60,383)
Investment earnings	5,000	5,000	38,639	33,639
Amounts available for appropriation	<u>1,842,603</u>	<u>1,842,603</u>	<u>1,902,453</u>	<u>59,850</u>
Charges to appropriations (outflows):				
Transit:				
Transit administration	154,450	154,450	136,295	18,155
Transit operation	646,310	646,310	501,480	144,830
Total charges to appropriations	<u>800,760</u>	<u>800,760</u>	<u>637,775</u>	<u>162,985</u>
Budgetary fund balance, June 30	<u>\$ 1,041,843</u>	<u>\$ 1,041,843</u>	<u>\$ 1,264,678</u>	<u>\$ 222,835</u>

CITY OF COVINA, CALIFORNIA/
 Budgetary Comparison Schedule
 Air Quality Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 143,513	\$ 143,513	\$ 143,513	\$ -
Resources (inflows):				
Intergovernmental:				
Other government units-motor vehicle environmental	56,950	56,950	59,366	2,416
Investment earnings	1,000	1,000	5,196	4,196
Amounts available for appropriation	<u>201,463</u>	<u>201,463</u>	<u>208,075</u>	<u>6,612</u>
Charges to appropriations (outflows):				
Public works-air quality	<u>60,000</u>	<u>60,000</u>	<u>45,386</u>	<u>14,614</u>
Budgetary fund balance, June 30	<u>\$ 141,463</u>	<u>\$ 141,463</u>	<u>\$ 162,689</u>	<u>\$ 21,226</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Municipal Parking District Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 277,923	\$ 277,923	\$ 277,923	\$ -
Resources (inflows):				
Property taxes:				
Secured real and personal	26,800	26,800	23,228	(3,572)
Unsecured personal	700	700	1,058	358
Prior year secured and unsecured	500	500	92	(408)
Supplemental roll	20	20	(66)	(86)
Interest and penalties	200	200	31	(169)
Intergovernmental:				
State-homeowner exemption	20	20	12	(8)
Charges for services-public works	76,000	76,000	71,842	(4,158)
Investment earnings	5,000	5,000	9,331	4,331
Amounts available for appropriation	387,163	387,163	383,451	(3,712)
Charges to appropriations (outflows):				
Public works-public parking	120,200	120,200	88,114	32,086
Budgetary fund balance, June 30	<u>\$ 266,963</u>	<u>\$ 266,963</u>	<u>\$ 295,337</u>	<u>\$ 28,374</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Lighting Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Special assessments	119,920	122,250	122,257	7
Transfers in-General Fund	<u>62,470</u>	<u>69,590</u>	<u>69,582</u>	<u>(8)</u>
Amounts available for appropriation	182,390	191,840	191,839	(1)
Charges to appropriations (outflows):				
Public works-street lighting	<u>182,390</u>	<u>191,840</u>	<u>191,839</u>	<u>1</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Landscaping Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 197,486	\$ 197,486	\$ 197,486	\$ -
Resources (inflows):				
Special assessments	73,500	73,500	103,990	30,490
Investment earnings	<u>2,500</u>	<u>2,500</u>	<u>6,686</u>	<u>4,186</u>
Amounts available for appropriation	273,486	273,486	308,162	34,676
Charges to appropriations (outflows):				
Public works-street landscaping	<u>146,990</u>	<u>146,990</u>	<u>120,271</u>	<u>26,719</u>
Budgetary fund balance, June 30	<u>\$ 126,496</u>	<u>\$ 126,496</u>	<u>\$ 187,891</u>	<u>\$ 61,395</u>

CITY OF COVINA, CALIFORNIA/
 Budgetary Comparison Schedule
 Sewer Assessment District Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 733,695	\$ 733,695	\$ 733,695	\$ -
Resources (inflows):				
Special assessments	133,000	133,000	169,746	36,746
Investment earnings	<u>15,000</u>	<u>15,000</u>	<u>26,418</u>	<u>11,418</u>
Amounts available for appropriation	881,695	881,695	929,859	48,164
Charges to appropriations (outflows):				
Public works-sanitary sewer	<u>434,160</u>	<u>434,160</u>	<u>406,489</u>	<u>27,671</u>
Budgetary fund balance, June 30	<u>\$ 447,535</u>	<u>\$ 447,535</u>	<u>\$ 523,370</u>	<u>\$ 75,835</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Community Facilities District Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Charges to appropriations (outflows):				
Public Works:				
Police Patrol	-	18,400	18,089	311
Park Facilities	-	1,600	1,573	27
Total charges to appropriations	-	20,000	19,662	338
Budgetary fund balance, June 30	\$ -	\$ (20,000)	\$ (19,662)	\$ 338

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Library Grant Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 212	\$ 212	\$ 212	\$ -
Resources (inflows):				
Intergovernmental-State:				
Literacy Grant	25,000	36,840	43,910	7,070
Other	10,000	10,000	-	(10,000)
Investment earnings	-	-	-	-
Miscellaneous-donations	10,000	10,000	4,264	(5,736)
Transfers in-General Fund	64,190	64,190	64,190	-
Amounts available for appropriation	<u>109,402</u>	<u>121,242</u>	<u>112,576</u>	<u>(8,666)</u>
Charges to appropriations (outflows):				
Culture and recreation-library services	<u>109,190</u>	<u>121,030</u>	<u>112,368</u>	<u>8,662</u>
Budgetary fund balance, June 30	<u>\$ 212</u>	<u>\$ 212</u>	<u>\$ 208</u>	<u>\$ (4)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 City Donation Special Revenue Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 356,542	\$ 356,542	\$ 356,542	\$ -
Resources (inflows):				
Investment earnings	-	-	12,257	12,257
Miscellaneous-donations	-	360	4,890	4,530
Amounts available for appropriation	<u>356,542</u>	<u>356,902</u>	<u>373,689</u>	<u>16,787</u>
Charges to appropriations (outflows):				
Public safety:				
Police administration	240	240	-	240
Crime prevention	17,420	17,420	-	17,420
Traffic safety	2,490	2,490	-	2,490
Public works-public works administration	290	290	-	290
Culture and recreation:				
Community relations	22,050	22,050	-	22,050
Recreation services	74,640	74,640	-	74,640
Park facilities	5,600	5,600	-	5,600
Senior services	42,480	42,480	3,755	38,725
Aquatics	5,340	5,340	-	5,340
Cultural arts	12,170	12,170	3,170	9,000
Library services	<u>173,820</u>	<u>174,180</u>	<u>886</u>	<u>173,294</u>
Total charges to appropriations	<u>356,540</u>	<u>356,900</u>	<u>7,811</u>	<u>349,089</u>
Budgetary fund balance, June 30	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 365,878</u>	<u>\$ 365,876</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 General Projects Capital Projects Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 124,981	\$ 124,981	\$ 124,981	\$ -
Resources (inflows):				
Intergovernmental:				
Federal-EDI McGill Grant	-	62,070	62,065	(5)
Charges for services:				
Development impact fees	979,390	800,000	413,700	(386,300)
Bid packages	-	-	1,005	1,005
Variance fees	-	-	2,205	2,205
Investment earnings	-	-	8,814	8,814
Amounts available for appropriations	<u>1,104,371</u>	<u>987,051</u>	<u>612,770</u>	<u>(374,281)</u>
Charges to appropriations (outflows):				
Public works-sanitary sewer	979,390	800,000	-	800,000
Redevelopment and housing-housing	-	62,070	62,065	5
Total charges to appropriations	<u>979,390</u>	<u>862,070</u>	<u>62,065</u>	<u>800,005</u>
Budgetary fund balance, June 30	<u>\$ 124,981</u>	<u>\$ 124,981</u>	<u>\$ 550,705</u>	<u>\$ 425,724</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Park Development Capital Projects Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 33,186	\$ 33,186	\$ 33,186	\$ -
Resources (inflows):				
Intergovernmental:				
State-Park grants	422,670	422,670	209,250	(213,420)
County-Park grant	-	-	29,121	29,121
Investment earnings	-	-	1,220	1,220
Transfers in-General Fund	-	75,320	75,320	-
Amounts available for appropriation	455,856	531,176	348,097	(183,079)
Charges to appropriations (outflows):				
Culture and recreation-park facilities	422,670	422,670	251,412	171,258
Budgetary fund balance, June 30	<u>\$ 33,186</u>	<u>\$ 108,506</u>	<u>\$ 96,685</u>	<u>\$ (11,821)</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Transportation Capital Projects Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,496,887	\$ 1,496,887	\$ 1,496,887	\$ -
Resources (inflows):				
Intergovernmental:				
Federal:				
TEA-21 grant	500,000	500,000	-	(500,000)
Pedestrian grant	215,000	215,000	-	(215,000)
State:				
Traffic Congestion Relief	180,000	180,000	349,050	169,050
Transportation Program	548,000	548,000	437,060	(110,940)
County:				
Proposition C	560,000	560,000	659,390	99,390
MTA grant	560,000	560,000	422,804	(137,196)
Bicycle and Pedestrian	22,500	22,500	55,458	32,958
Other governmental units-Foothill Transit grant	15,000	15,000	-	(15,000)
Charges for services-bid packages	-	-	2,625	2,625
Investment earnings	40,000	40,000	57,379	17,379
Transfers in-General Fund	20	20	20	-
Amounts available for appropriation	<u>4,137,407</u>	<u>4,137,407</u>	<u>3,480,673</u>	<u>(656,734)</u>
Charges to appropriations (outflows):				
Public works:				
Streets	1,850,040	1,850,040	1,208,095	641,945
Traffic control	-	33,000	33,000	-
Transit-transit operation	1,290,000	1,290,000	425,430	864,570
Debt service:				
Principal retirement	335,000	335,000	335,000	-
Interest and fiscal charges	160,630	160,630	160,625	5
Total charges to appropriations	<u>3,635,670</u>	<u>3,668,670</u>	<u>2,162,150</u>	<u>1,506,520</u>
Budgetary fund balance, June 30	<u>\$ 501,737</u>	<u>\$ 468,737</u>	<u>\$ 1,318,523</u>	<u>\$ 849,786</u>

CITY OF COVINA, CALIFORNIA
 Budgetary Comparison Schedule
 Shoppers Lane Parking District Capital Projects Fund
 For the fiscal year ended June 30, 2007

	Budget Amounts		Actual Amounts Budgetary Basis	Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Business license taxes	1,000	1,000	1,055	55
Transfers in-General Fund	<u>17,150</u>	<u>17,150</u>	<u>11,572</u>	<u>(5,578)</u>
Amounts available for appropriation	18,150	18,150	12,627	(5,523)
Charges to appropriations (outflows):				
Public works-public parking	<u>18,150</u>	<u>18,150</u>	<u>12,627</u>	<u>5,523</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Internal Service Funds

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Management Information Systems	Central Equipment	Total
Assets			
Current assets:			
Cash and investments	\$ 648,103	\$ 1,053,231	\$ 1,701,334
Due from other governments	-	33,273	33,273
Prepaid items	44,655	-	44,655
Inventories	-	47,541	47,541
Total current assets	<u>692,758</u>	<u>1,134,045</u>	<u>1,826,803</u>
Capital assets:			
Machinery and equipment	2,572,020	4,004,753	6,576,773
Less accumulated depreciation	<u>(1,994,854)</u>	<u>(2,697,338)</u>	<u>(4,692,192)</u>
Total capital assets (net of accumulated depreciation)	<u>577,166</u>	<u>1,307,415</u>	<u>1,884,581</u>
Total assets	<u>1,269,924</u>	<u>2,441,460</u>	<u>3,711,384</u>
Liabilities			
Current liabilities:			
Accounts payable	11,246	56,288	67,534
Current portion of compensated absences payable	4,630	7,770	12,400
Accrued liabilities	<u>17,261</u>	<u>5,889</u>	<u>23,150</u>
Total current liabilities	<u>33,137</u>	<u>69,947</u>	<u>103,084</u>
Noncurrent liabilities:			
Compensated absences payable	28,990	49,620	78,610
Advances from other funds	<u>321,966</u>	<u>-</u>	<u>321,966</u>
Total noncurrent liabilities	<u>350,956</u>	<u>49,620</u>	<u>400,576</u>
Total liabilities	<u>384,093</u>	<u>119,567</u>	<u>503,660</u>
Net Assets			
Invested in capital assets, net of related deb	255,200	1,307,415	1,562,615
Unrestricted	<u>630,631</u>	<u>1,014,478</u>	<u>1,645,109</u>
Total net assets	<u>\$ 885,831</u>	<u>\$ 2,321,893</u>	<u>\$ 3,207,724</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Net Asset
Internal Service Funds
For the fiscal year ended June 30, 2007

	Management Information Systems	Central Equipment	Total
Operating Revenues:			
Information technology charges	\$ 978,720	\$ -	\$ 978,720
Motor pool charges	-	1,365,947	1,365,947
Total operating revenues	<u>978,720</u>	<u>1,365,947</u>	<u>2,344,667</u>
Operating expenses:			
Management information systems:			
Administration	190,850	-	190,850
General systems	267,269	-	267,269
Citywide network	64,749	-	64,749
Financial systems	148,245	-	148,245
Central equipment:			
Administration	-	201,838	201,838
Vehicle and equipment operation	-	850,056	850,056
Depreciation	311,014	428,963	739,977
Total operating expenses	<u>982,127</u>	<u>1,480,857</u>	<u>2,462,984</u>
Operating income (loss)	<u>(3,407)</u>	<u>(114,910)</u>	<u>(118,317)</u>
Nonoperating revenues (expenses)			
Interest revenue	20,170	31,586	51,756
Interest expense	(23,611)	-	(23,611)
Gain on sale and disposal of capital assets	-	12,363	12,363
Total nonoperating revenues (expenses)	<u>(3,441)</u>	<u>43,949</u>	<u>40,508</u>
Change in net assets	(6,848)	(70,961)	(77,809)
Net assets at beginning of year	<u>892,679</u>	<u>2,392,854</u>	<u>3,285,533</u>
Net assets at end of year	<u>\$ 885,831</u>	<u>\$ 2,321,893</u>	<u>\$ 3,207,724</u>

CITY OF COVINA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2007

	Management Information Systems	Central Equipment	Total
Increase in cash and cash equivalents			
Cash flows from operating activities			
Cash received from customers and users	\$ 978,720	\$ 1,363,794	\$ 2,342,514
Cash paid to suppliers for goods and services	(391,774)	(470,824)	(862,598)
Cash paid to employees for services	(230,957)	(247,155)	(478,112)
Cash paid for interfund services	(29,692)	(363,000)	(392,692)
Net cash provided by operating activities	<u>326,297</u>	<u>282,815</u>	<u>609,112</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets		21,319	21,319
Acquisition of capital assets	(83,326)	(187,779)	(271,105)
Principal paid on advances from other funds	(107,330)	-	(107,330)
Interest paid on advances from other funds	(23,611)	-	(23,611)
Net cash used by capital and related financing activities	<u>(214,267)</u>	<u>(166,460)</u>	<u>(380,727)</u>
Cash flows from investing activities - interest and dividends:			
received on investments	<u>24,205</u>	<u>37,927</u>	<u>62,132</u>
Net increase (decrease) in cash and cash equivalents	136,235	154,282	290,517
Cash and investments at beginning of year	<u>511,868</u>	<u>898,949</u>	<u>1,410,817</u>
Cash and investments at end of year	<u>\$ 648,103</u>	<u>\$ 1,053,231</u>	<u>\$ 1,701,334</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating income (loss)	\$ (3,407)	\$ (114,910)	\$ (118,317)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	311,014	428,963	739,977
Change in operating assets and liabilities:			
Increase in due from other government	-	(2,153)	(2,153)
Increase in prepaid items	(7,756)	-	(7,756)
Decrease in inventories	-	19,358	19,358
Increase (decrease) in accounts payable	5,691	(42,070)	(36,379)
Increase (decrease) in compensated absences payable	7,170	(7,870)	(700)
Increase (decrease) in accrued liabilities	13,585	1,497	15,082
Total adjustments	<u>329,704</u>	<u>397,725</u>	<u>727,429</u>
Net cash provided by operating activities	<u>\$ 326,297</u>	<u>\$ 282,815</u>	<u>\$ 609,112</u>
Noncash capital, financing and investing activities:			
Deletion of capital assets	\$ -	\$ (130,385)	\$ (130,385)
Deletion of accumulated depreciation on capital assets	-	121,429	121,429
Net effect of noncash activities	<u>\$ -</u>	<u>\$ (8,956)</u>	<u>\$ (8,956)</u>

Statistical Section

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

Financial Trends

Page No.

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

98

Revenue Capacity

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

105

Debt Capacity

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

111

Demographic and Economic Information

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

116

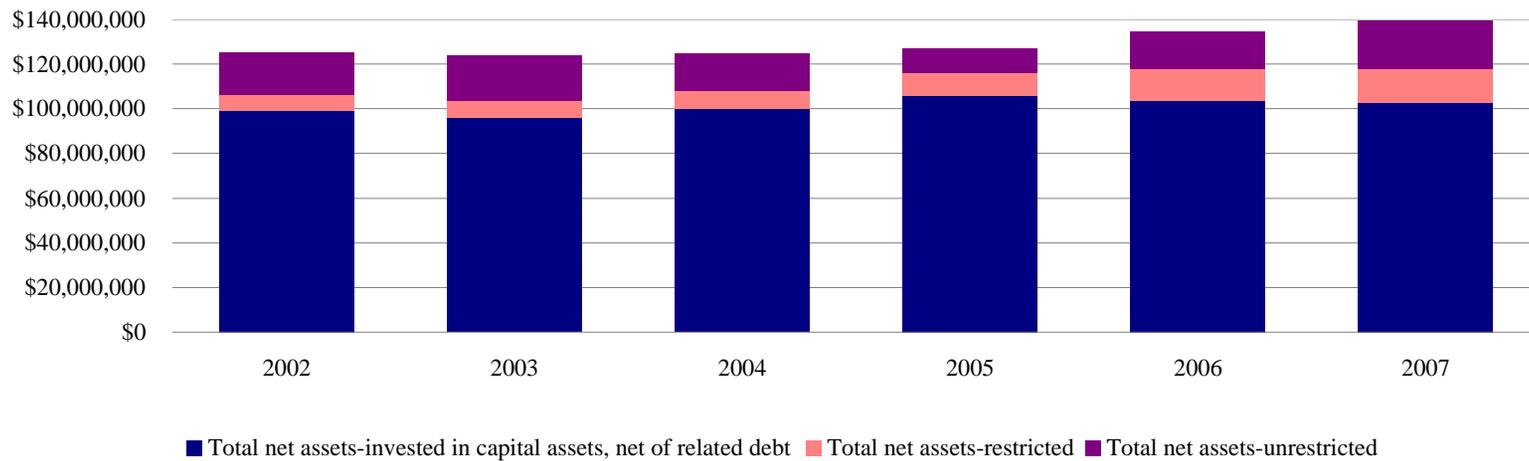
Operating Information

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

118

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

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



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

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

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

(Continued)

CITY OF COVINA, CALIFORNIA

Changes in Net Assets

Last Six Fiscal Years ⁽¹⁾

(accrual basis of accounting)

(Continued)

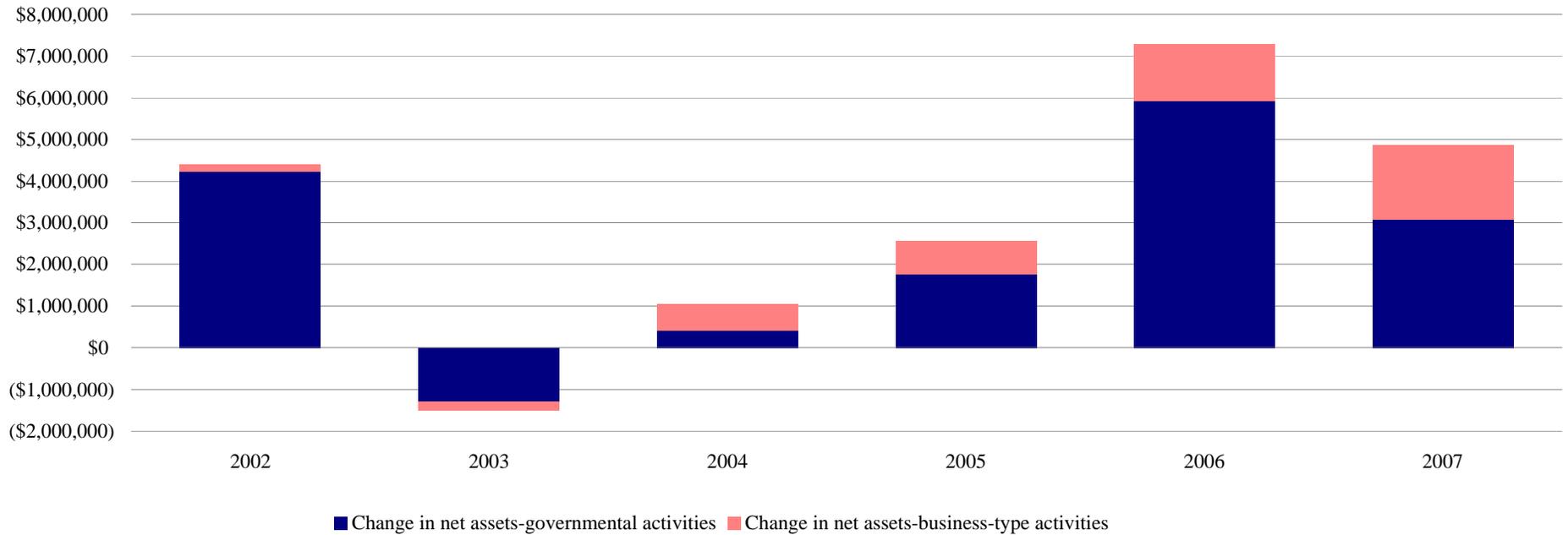
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Business-type activities:						
Charges for services:						
Water utility	4,670,235	4,323,149	5,168,104	5,088,097	5,967,600	6,096,964
Environmental protection	1,893,273	2,739,078	2,903,358	2,815,351	3,372,873	3,628,004
Operating grants and contributions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

(Continued)

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

(Continued)

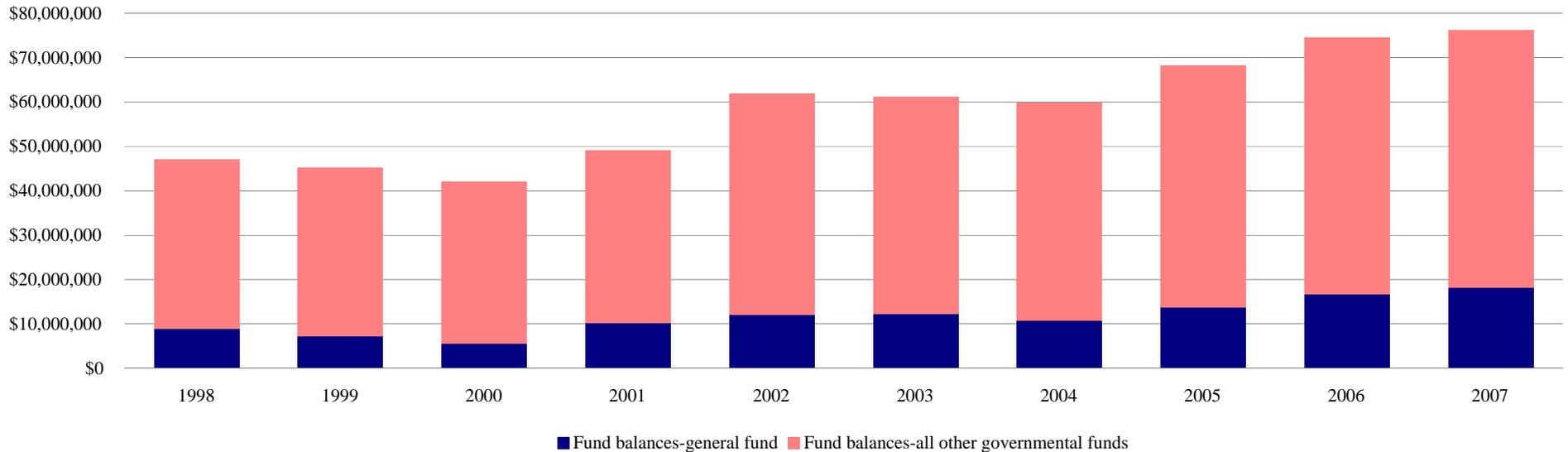
	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Change in net assets						
Governmental activities	\$ 4,229,187	\$ (1,307,475)	\$ 412,256	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898
Business-type activities	162,091	(200,176)	656,149	791,215	1,356,782	1,774,583
Total changes in net assets	<u>\$ 4,391,278</u>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



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

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 562,269	\$ 156,968	\$ 1,158,351	\$ 1,074,415	\$ 968,917	\$ 926,014	\$ 723,878	\$ 679,451	\$ 621,107	\$ 393,457
Unreserved ⁽²⁾	8,340,340	7,053,920	4,386,761	9,199,000	11,089,316	11,347,192	10,087,859	12,946,351	15,972,808	17,682,617
Total general fund	<u>\$ 8,902,609</u>	<u>\$ 7,210,888</u>	<u>\$ 5,545,112</u>	<u>\$ 10,273,415</u>	<u>\$ 12,058,233</u>	<u>\$ 12,273,206</u>	<u>\$ 10,811,737</u>	<u>\$ 13,625,802</u>	<u>\$ 16,593,915</u>	<u>\$ 18,076,074</u>
All other governmental funds										
Reserved ⁽³⁾	\$ 23,276,650	\$ 23,018,672	\$ 21,378,908	\$ 22,337,916	\$ 23,449,036	\$ 22,495,111	\$ 22,407,267	\$ 22,119,157	\$ 24,441,157	\$ 22,736,840
Unreserved, reported in:										
Special revenue funds ⁽⁴⁾	5,866,293	6,623,715	5,035,568	3,423,736	6,243,082	5,539,794	6,324,620	9,087,613	11,860,367	12,884,570
Capital projects funds ⁽⁵⁾	9,071,772	8,451,031	10,069,478	13,034,231	20,219,196	20,958,335	20,378,168	23,435,032	21,590,780	22,497,931
Total all other governmental funds	<u>\$ 38,214,715</u>	<u>\$ 38,093,418</u>	<u>\$ 36,483,954</u>	<u>\$ 38,795,883</u>	<u>\$ 49,911,314</u>	<u>\$ 48,993,240</u>	<u>\$ 49,110,055</u>	<u>\$ 54,641,802</u>	<u>\$ 57,892,304</u>	<u>\$ 58,119,341</u>



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

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

⁽³⁾ The decrease in all other governmental funds reserved fund balance for fiscal year 1998 is attributed to a \$15.5 million payment to refunded bond account.

⁽⁴⁾ Starting with fiscal year 2000, refuse and waste management special revenue funds were reclassified as an enterprise fund.

⁽⁵⁾ Fiscal year 2002 includes \$10.3 million bond proceeds.

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 18,189,400	\$ 18,267,367	\$ 19,452,663	\$ 20,695,284	\$ 21,979,093	\$ 22,561,573	\$ 23,724,167	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949
Licenses and permits	386,741	374,209	445,700	309,713	438,883	468,629	454,286	547,173	711,271	476,306
Intergovernmental	5,381,999	5,716,185	6,292,973	11,716,006	8,040,162	6,880,556	6,590,089	8,214,081	6,726,942	6,420,597
Charges for services	4,455,975	4,978,890	3,180,337	3,407,112	2,532,169	2,568,621	2,522,203	2,756,536	2,873,894	3,371,448
Fines and forfeits	430,484	596,104	652,480	588,206	679,925	672,087	612,436	610,936	801,161	826,974
Special assessments	224,834	351,478	356,394	347,926	356,644	231,217	349,486	330,191	363,188	395,993
Investment earnings	1,669,118	1,347,489	1,352,668	1,551,873	1,317,112	789,431	620,233	1,131,554	1,765,829	2,995,417
Miscellaneous	222,868	352,390	168,367	216,219	290,061	281,231	712,631	426,675	712,168	94,356
Total revenues	30,961,419	31,984,112	31,901,582	38,832,339	35,634,049	34,453,345	35,585,531	38,678,198	43,196,032	46,123,040
Expenditures										
General government	2,636,857	2,968,779	2,734,096	3,074,918	2,467,443	2,867,488	3,718,980	3,393,950	3,221,988	3,679,816
Public safety	12,696,383	13,130,842	13,410,351	14,088,206	14,218,547	15,054,273	15,624,940	16,352,997	17,090,419	19,206,150
Public works	3,744,713	3,813,987	1,741,536	1,776,650	1,946,387	1,751,669	1,665,903	1,619,766	1,563,035	2,499,640
Culture and recreation	2,274,844	2,537,503	2,635,387	2,606,767	2,906,262	2,922,969	3,136,303	3,012,519	3,263,493	3,442,872
Community development	514,328	501,466	475,029	468,885	729,903	595,454	584,543	630,836	675,795	866,988
Transit	342,352	357,495	314,497	184,303	443,396	477,462	440,271	430,828	487,012	637,775
Redevelopment and housing	2,930,109	4,350,559	3,808,517	3,330,304	3,230,177	6,111,182	3,042,821	3,139,888	3,359,792	5,730,531
Nondepartmental	80,000	-	-	75,899	25,316	10,098	57,759	52,244	77,591	43,538
Capital outlay	3,482,884	3,089,120	3,538,908	2,771,310	3,274,971	1,652,685	5,357,704	9,171,791	2,447,000	3,149,885
Debt service:										
Principal	5,395,282	895,078	964,592	1,067,422	1,139,310	1,507,592	1,563,789	1,892,752	2,531,225	2,671,038
Interest and fiscal charges	2,922,542	1,988,725	2,082,172	2,146,867	2,618,035	2,205,574	2,142,342	2,215,516	2,162,865	2,039,777
Bond issuance costs	159,614	-	-	-	-	-	-	1,283,370	-	-
Payment to refunded bond account	-	-	-	-	-	-	-	1,735,000	-	-
Total expenditures	37,179,908	33,633,554	31,705,085	31,591,531	32,999,747	35,156,446	37,335,355	44,931,457	36,880,215	43,968,010
Excess of revenues over (under) expenditures	(6,218,489)	(1,649,442)	196,497	7,240,808	2,634,302	(703,101)	(1,749,824)	(6,253,259)	6,315,817	2,155,030

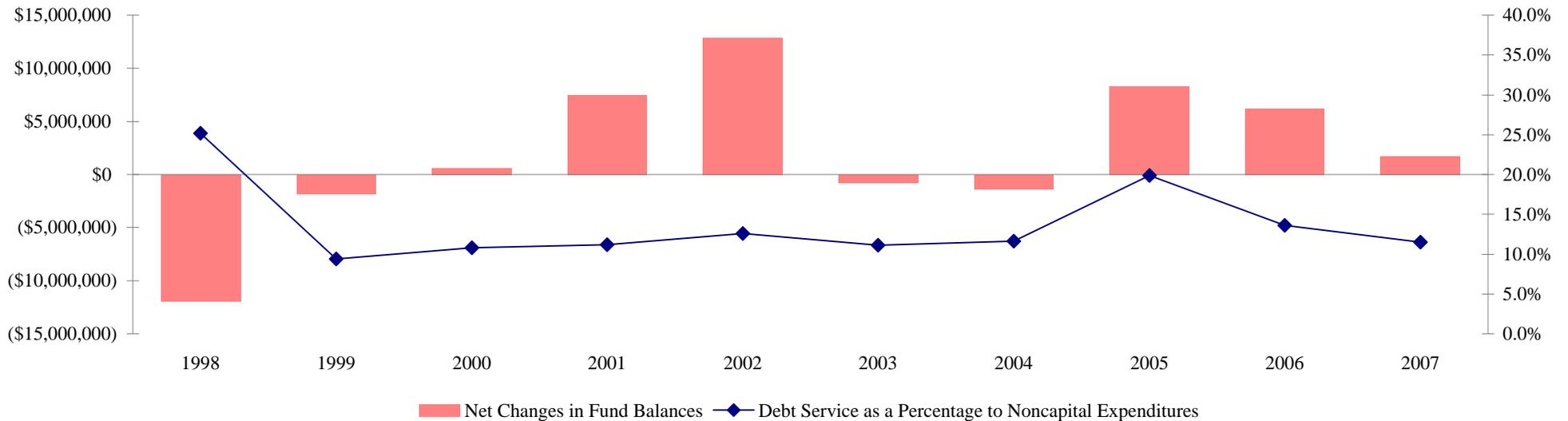
(Continued)

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

(Continued)

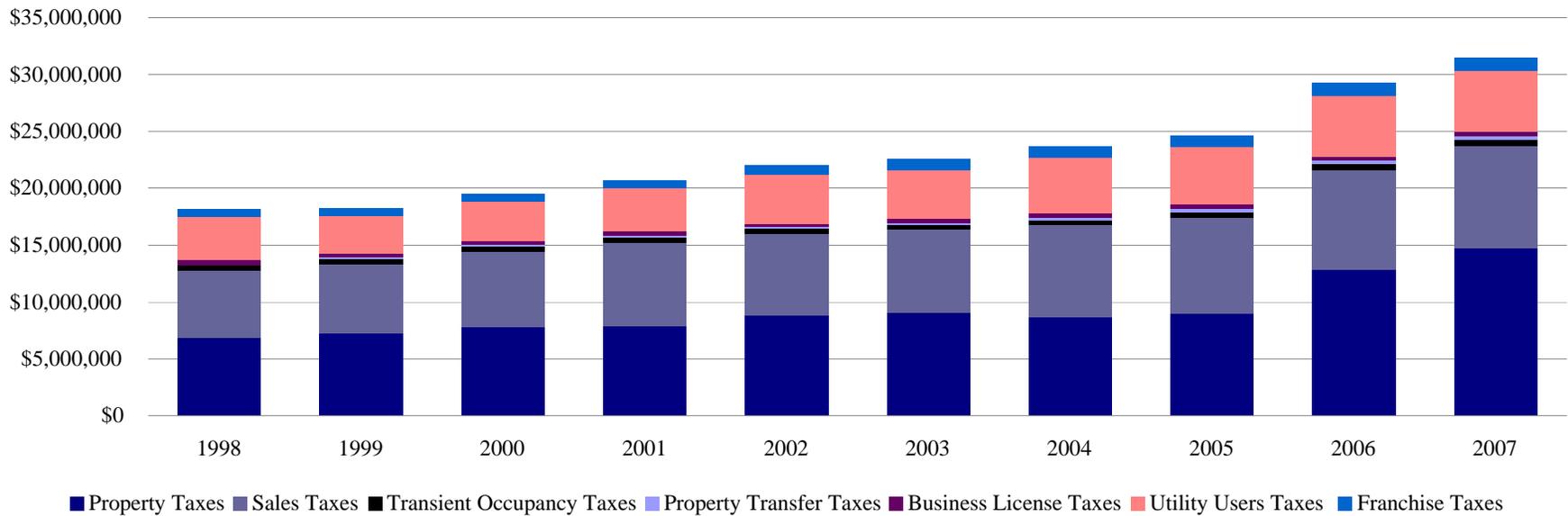
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Transfers in	\$ 5,518,366	\$ 6,779,625	\$ 5,354,153	\$ 1,758,824	\$ 380,635	\$ 2,626,130	\$ 4,401,386	\$ 530,984	\$ 1,222,967	\$ 1,433,178
Transfers out	(5,395,636)	(6,943,201)	(5,418,945)	(1,811,064)	(380,635)	(2,626,130)	(4,496,216)	(530,984)	(1,222,967)	(1,433,178)
Capital leases	-	-	667,514	172,442	-	-	-	-	-	-
Tax allocation bonds issued	8,134,863	-	-	-	10,262,262	-	-	26,850,000	-	-
Revenue bonds issued	-	-	-	-	-	-	-	3,725,000	-	-
Premium on bond debt	-	-	-	-	3,685	-	-	1,141,939	-	-
Notes issued	1,520,051	-	-	-	-	-	500,000	-	-	-
Payment to refunded bond account	(15,510,000)	-	-	-	-	-	-	(17,117,668)	-	-
Gain (loss) on sale and disposal of capital assets	-	-	(206,259)	122,755	-	-	-	-	(97,202)	(445,834)
Total other financing sources (uses)	(5,732,356)	(163,576)	396,463	242,957	10,265,947	-	405,170	14,599,271	(97,202)	(445,834)
Net changes in fund balances	<u><u>\$ (11,950,845)</u></u>	<u><u>\$ (1,813,018)</u></u>	<u><u>\$ 592,960</u></u>	<u><u>\$ 7,483,765</u></u>	<u><u>\$ 12,900,249</u></u>	<u><u>\$ (703,101)</u></u>	<u><u>\$ (1,344,654)</u></u>	<u><u>\$ 8,346,012</u></u>	<u><u>\$ 6,218,615</u></u>	<u><u>\$ 1,709,196</u></u>

Debt service as a percentage of noncapital expenditures	25.2%	9.4%	10.8%	11.2%	12.6%	11.1%	11.6%	19.9%	13.6%	11.5%
--	-------	------	-------	-------	-------	-------	-------	-------	-------	-------



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

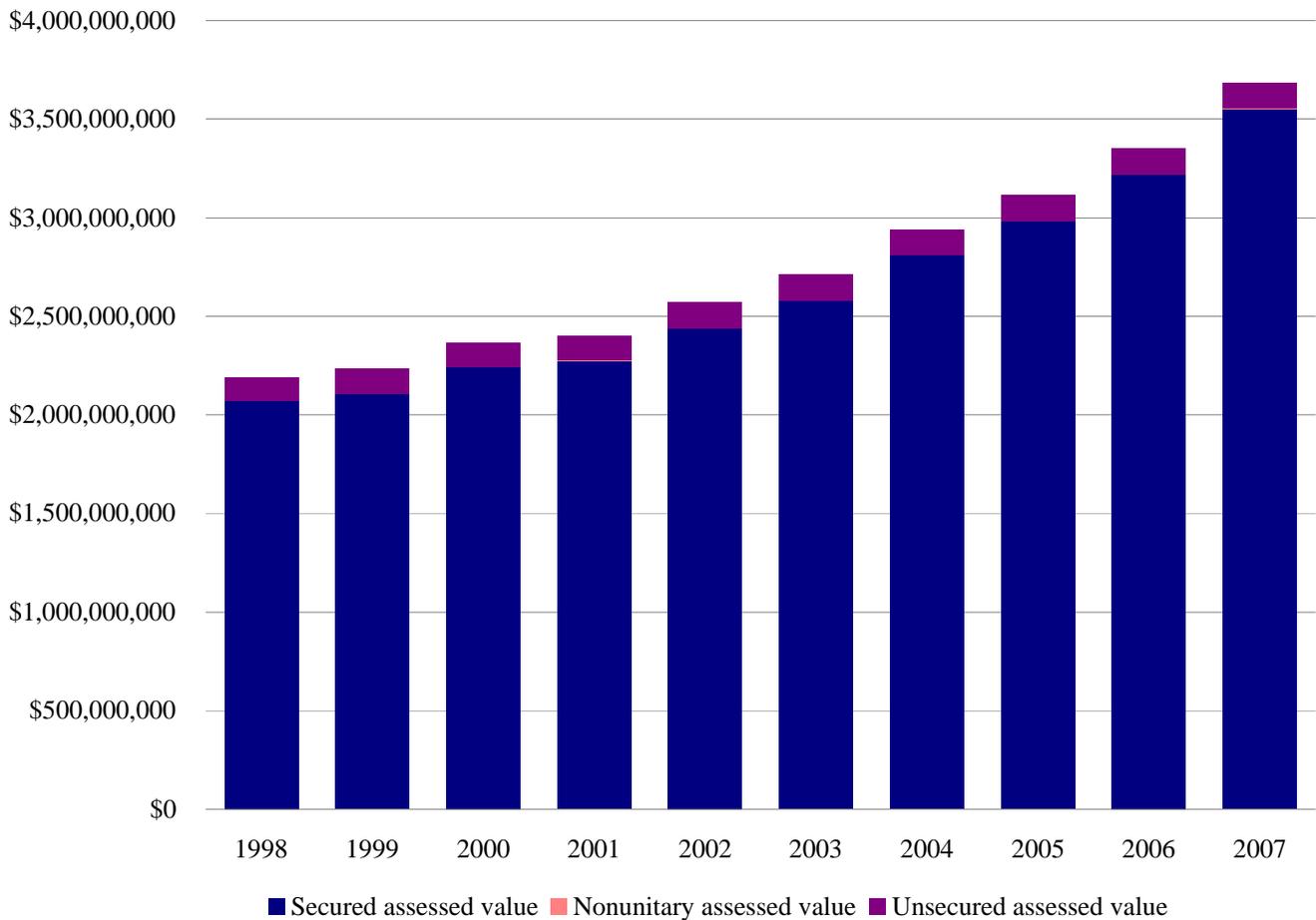
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
1998	\$ 6,842,483	\$ 5,904,769	\$ 446,764	\$ 83,547	\$ 367,776	\$ 3,875,791	\$ 668,270	\$ 18,189,400
1999	7,207,189	6,126,438	446,875	134,126	341,806	3,344,015	666,918	18,267,367
2000	7,817,580	6,588,760	477,869	126,121	354,953	3,423,750	663,630	19,452,663
2001	7,942,478	7,237,890	485,115	161,482	351,109	3,802,354	714,856	20,695,284
2002	8,846,245	7,150,926	426,572	163,780	317,044	4,279,152	795,374	21,979,093
2003	9,066,253	7,290,885	424,727	177,504	324,899	4,311,903	965,402	22,561,573
2004	8,693,770	8,053,254	449,872	223,353	385,820	4,887,082	1,031,016	23,724,167
2005	9,041,899	8,347,572	484,621	307,612	418,336	5,032,784	1,028,228	24,661,052
2006	12,803,622	8,774,728	578,418	296,459	360,265	5,329,099	1,098,988	29,241,579
2007	14,725,235	9,035,103	491,226	324,113	383,254	5,395,617	1,187,401	31,541,949



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

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

Fiscal Year	Assessed Value ⁽¹⁾				Total Direct Rate
	Secured	Nonunitary	Unsecured	Total	
1998	\$ 2,071,749,312	\$ 1,207,543	\$ 117,136,757	\$ 2,190,093,612	0.33062%
1999	2,104,727,447	1,271,482	130,174,840	2,236,173,769	0.32923%
2000	2,241,933,468	1,161,475	121,305,416	2,364,400,359	0.34148%
2001	2,274,365,467	1,143,542	126,431,976	2,401,940,985	0.32136%
2002	2,436,925,925	1,164,338	131,187,913	2,569,278,176	0.32477%
2003	2,578,946,079	1,155,401	135,690,684	2,715,792,164	0.32407%
2004	2,811,124,444	1,341,807	127,121,867	2,939,588,118	0.31334%
2005	2,981,472,508	1,173,835	131,297,709	3,113,944,052	0.30933%
2006	3,216,896,758	689,018	132,900,062	3,350,485,838	0.30800%
2007	3,553,763,633	634,373	130,918,125	3,685,316,131	0.30936%

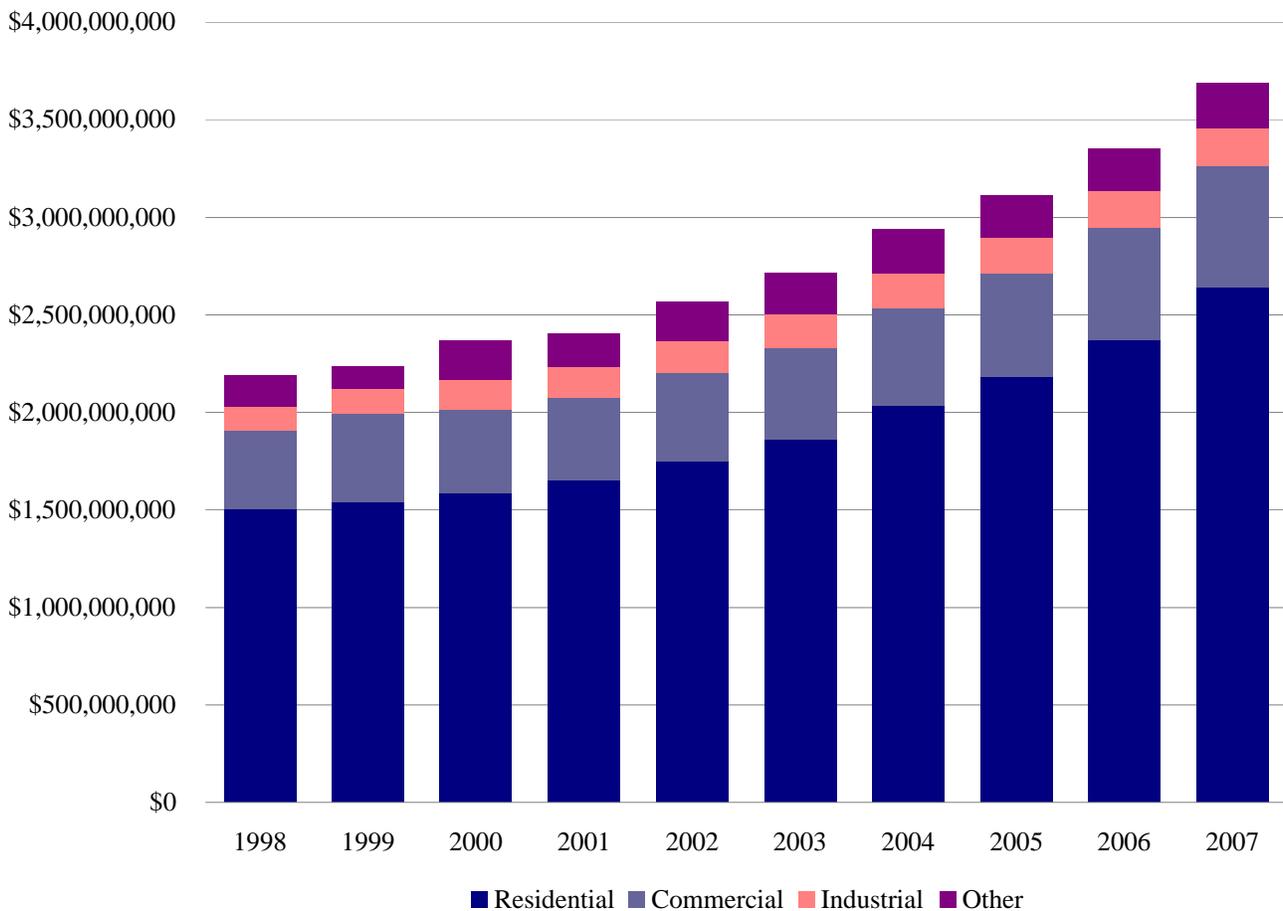


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Assessed Value ⁽¹⁾					Total Direct Rate
	Residential	Commercial	Industrial	Other	Total	
1998	\$ 1,505,589,198	\$ 399,675,449	\$ 123,227,251	\$ 161,601,714	\$ 2,190,093,612	0.33062%
1999	1,540,402,545	454,357,455	126,539,182	114,874,587	2,236,173,769	0.32923%
2000	1,585,674,551	430,268,561	149,785,845	198,671,402	2,364,400,359	0.34148%
2001	1,650,169,306	425,756,702	156,373,309	169,641,668	2,401,940,985	0.32136%
2002	1,749,015,590	453,874,642	163,818,342	202,569,602	2,569,278,176	0.32477%
2003	1,864,162,218	469,980,635	168,547,933	213,101,378	2,715,792,164	0.32407%
2004	2,033,624,138	498,130,278	181,385,545	226,448,157	2,939,588,118	0.31334%
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	0.30933%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	0.30800%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	0.30936%

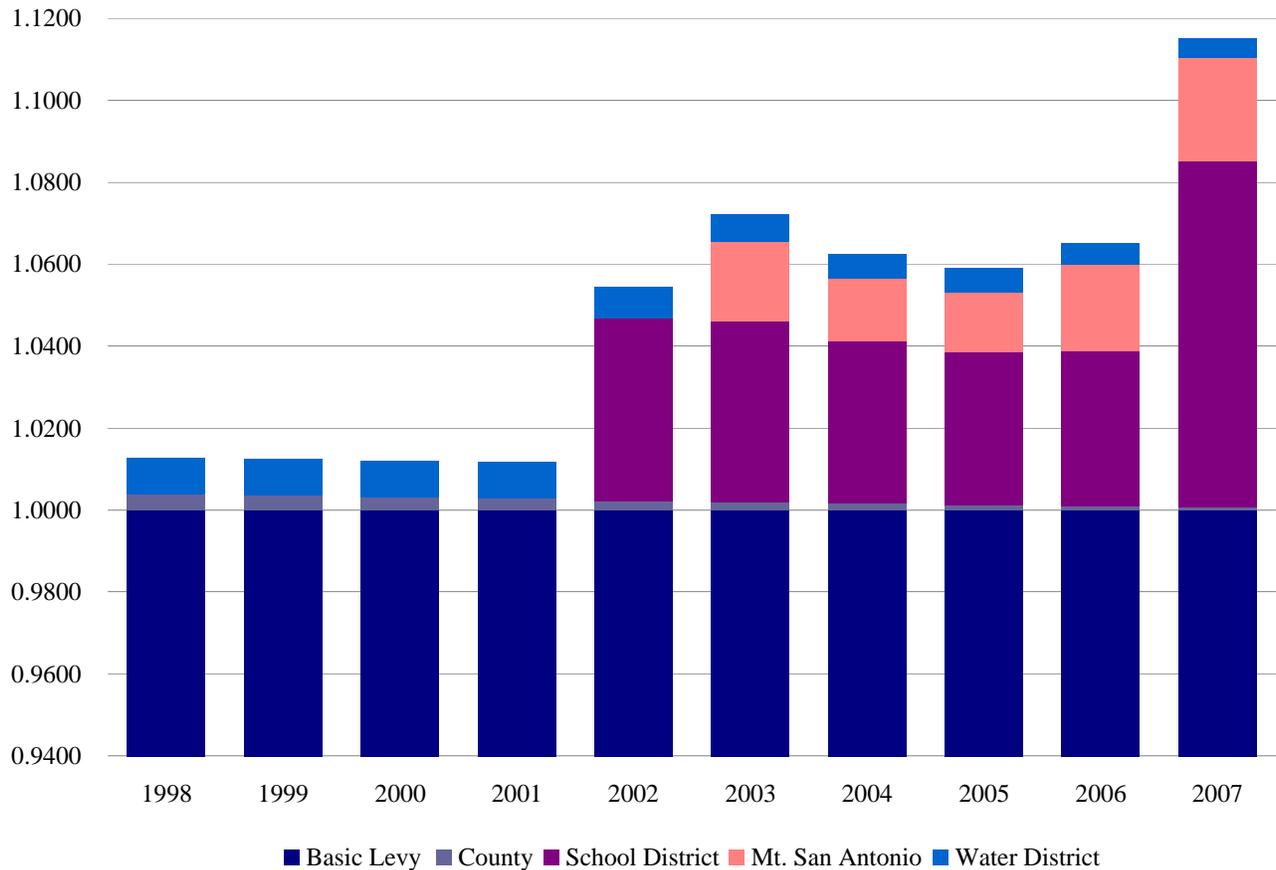


⁽¹⁾ Net of exemptions

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Mt. San Antonio	Water District	Total
		General	Flood Control	Total				
1998	1.0000	0.0016	0.0022	0.0038	0.0000	0.0000	0.0089	1.0127
1999	1.0000	0.0015	0.0020	0.0035	0.0000	0.0000	0.0089	1.0124
2000	1.0000	0.0014	0.0018	0.0032	0.0000	0.0000	0.0089	1.0121
2001	1.0000	0.0013	0.0016	0.0029	0.0000	0.0000	0.0088	1.0117
2002	1.0000	0.0011	0.0011	0.0022	0.0444	0.0000	0.0077	1.0543
2003	1.0000	0.0010	0.0009	0.0019	0.0441	0.0195	0.0067	1.0722
2004	1.0000	0.0010	0.0005	0.0015	0.0397	0.0153	0.0061	1.0626
2005	1.0000	0.0009	0.0002	0.0011	0.0375	0.0147	0.0058	1.0591
2006	1.0000	0.0008	0.0001	0.0009	0.0379	0.0212	0.0052	1.0652
2007	1.0000	0.0007	0.0001	0.0008	0.0842	0.0253	0.0047	1.1150



⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Basic levy for City (\$0.156), County (\$0.338), Covina Valley Unified School District (\$0.184) and other agencies (\$0.322).

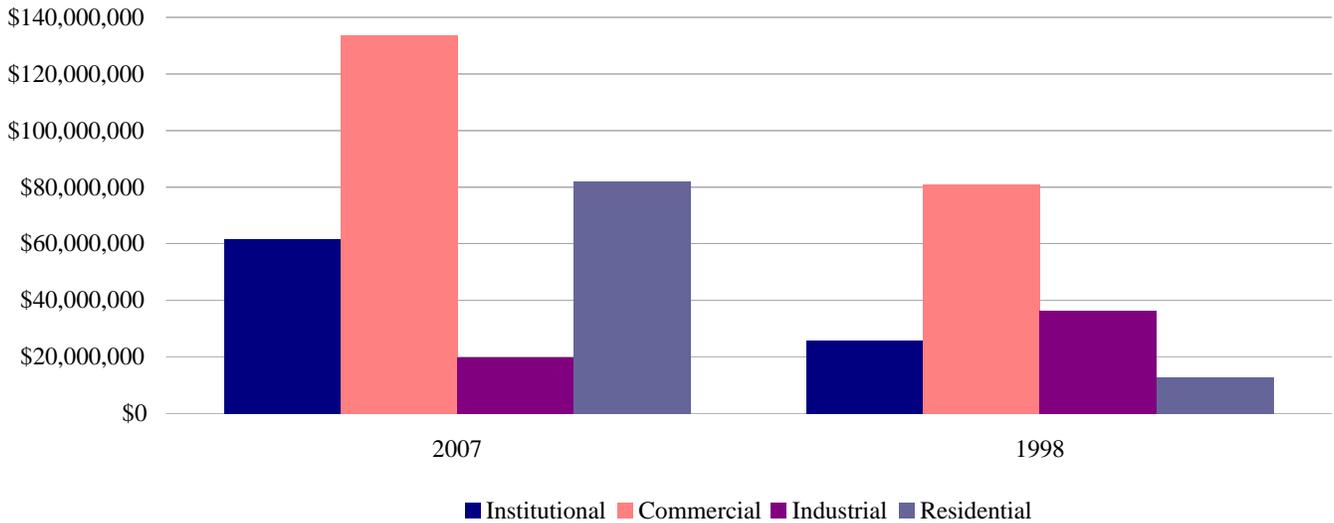
⁽³⁾ Covina Unified School District

Source: Los Angeles County/Hdl Companies

CITY OF COVINA, CALIFORNIA
Principal Property Owners
June 30, 2007

Taxpayer	Primary Use	2007		1998		1998	
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Ikea california LLC	Commercial	\$ 56,285,722	1	1.47%	\$ -	-	-
PPC Covina Apartments LLC	Residential	42,431,256	2	1.11%	-	-	-
Citrus Valley Health Partners Inc.	Institutional	40,421,997	3	1.05%	25,547,656	2	1.12%
KIR Covina Limited Partnership	Commercial	35,071,539	4	0.91%	-	-	-
Spirit SPE Covina LLC	Commercial	25,092,000	5	0.65%	-	-	-
Coastal Shadowhills LLC	Residential	21,792,435	6	0.57%	12,559,601	4	0.55%
Citrus Valley Medical Center	Institutional	20,974,884	7	0.55%	-	-	-
Medsep Corporation	Industrial	19,575,314	8	0.51%	16,362,526	3	0.72%
Covina Gardens LLC	Residential	17,778,733	9	0.46%	-	-	-
Granada Covina Racquet Club	Commercial	17,334,934	10	0.45%	10,725,295	7	0.47%
Alexander Haagen Properties	Commercial	-	-	-	37,337,813	1	1.64%
Am Mark Label Inc.	Commercial	-	-	-	12,141,819	5	0.53%
Smith's Food and Drug	Commercial	-	-	-	10,865,087	6	0.48%
Vita Pakt Citrus Products	Industrial	-	-	-	10,383,437	8	0.46%
Covina Assembly of God Church	Commercial	-	-	-	9,698,606	9	0.43%
Caco Pacific Corporation	Industrial	-	-	-	9,513,537	10	0.42%
Total		\$ 296,758,814		7.73%	\$ 155,135,377		6.82%

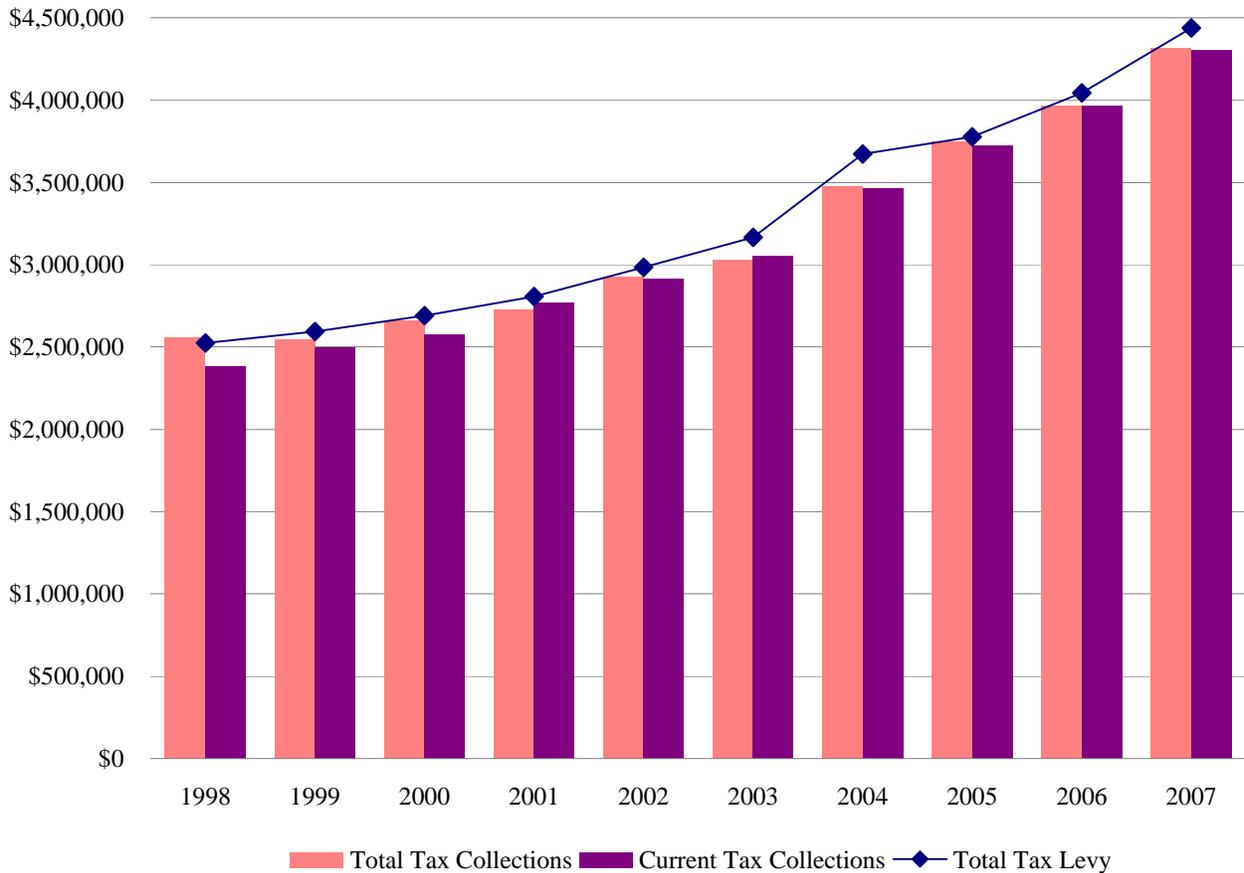
Principal Property Owners



⁽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
1998	\$ 2,526,094	\$ 2,381,039	94.3%	\$ 179,225	\$ 2,560,264	101.4%
1999	2,594,078	2,495,759	96.2%	49,691	2,545,450	98.1%
2000	2,691,977	2,573,142	95.6%	89,471	2,662,613	98.9%
2001	2,806,479	2,767,589	98.6%	(42,922)	2,724,667	97.1%
2002	2,984,786	2,914,015	97.6%	14,073	2,928,088	98.1%
2003	3,166,766	3,052,281	96.4%	(25,212)	3,027,069	95.6%
2004	3,671,615	3,463,795	94.3%	12,253	3,476,048	94.7%
2005	3,777,764	3,725,369	98.6%	19,890	3,745,259	99.1%
2006	4,044,043	3,968,302	98.1%	-	3,968,302	98.1%
2007	4,439,472	4,306,933	97.0%	8,432	4,315,365	97.2%



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

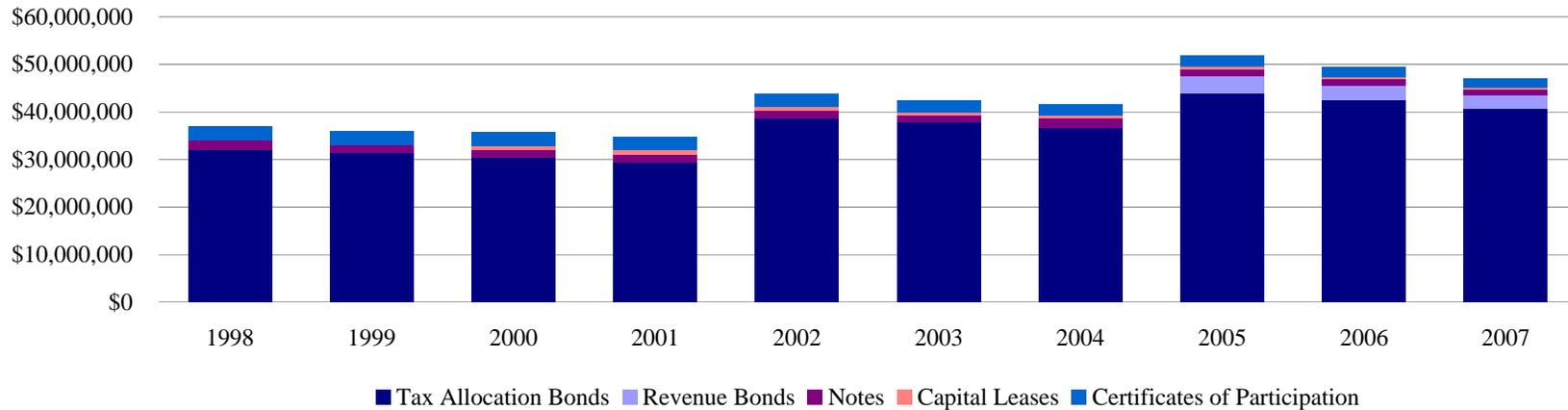
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses

Source: Los Angeles County

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

Fiscal Year	Governmental Activities				Business Activities	Total	Percentage of Taxable Assessed Valuation ⁽¹⁾	Per Capita ⁽²⁾
	Tax Allocation Bonds	Revenue Bonds	Notes	Capital Leases	Certificates of Participation			
1998	\$ 32,105,000	\$ -	\$ 1,875,605	\$ 100,252	\$ 2,900,000	\$ 36,980,857	1.69%	\$ 789
1999	31,275,000	-	1,810,527	87,655	2,815,000	35,988,182	1.61%	757
2000	30,380,000	-	1,740,936	717,787	2,925,000	35,763,723	1.51%	764
2001	29,445,000	-	1,661,555	814,708	2,800,000	34,721,263	1.45%	732
2002	38,722,262	-	1,578,207	711,717	2,675,000	43,687,186	1.70%	908
2003	37,816,561	-	1,480,689	636,796	2,545,000	42,479,046	1.56%	872
2004	36,800,522	-	1,821,000	557,697	2,410,000	41,589,219	1.41%	848
2005	43,897,627	3,510,000	1,612,139	473,805	2,265,000	51,758,571	1.66%	1,050
2006	42,381,251	3,190,000	1,394,483	386,405	2,120,000	49,472,139	1.48%	1,002
2007	40,692,251	2,855,000	1,187,398	286,687	1,965,000	46,986,336	1.27%	945

Outstanding Debt by Type-Last Ten Fiscal Years



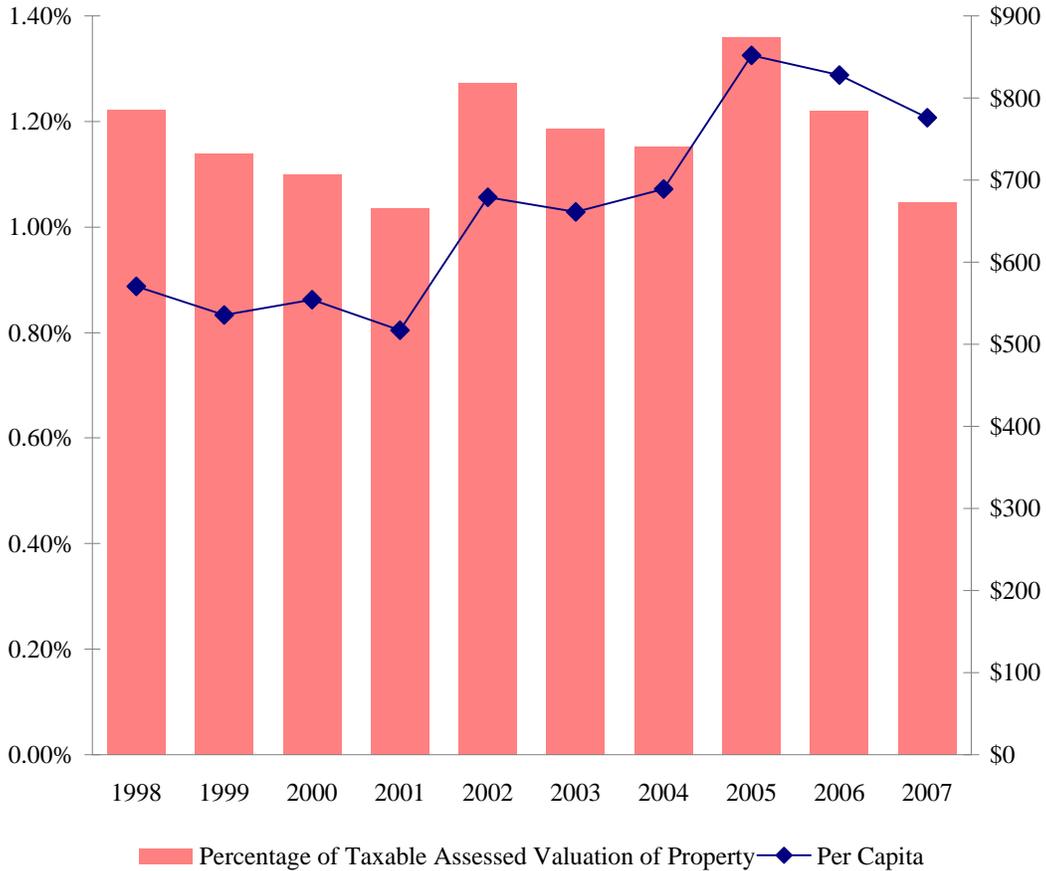
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 106.

⁽²⁾ See Demographic Statistics on page 116.

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

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt		Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
			Service Fund			
1998	\$ 32,105,000	\$ 5,343,155	\$ 26,761,845	1.22%	\$ 571	
1999	31,275,000	5,815,826	25,459,174	1.14%	536	
2000	30,380,000	4,414,861	25,965,139	1.10%	554	
2001	29,445,000	4,604,978	24,840,022	1.03%	524	
2002	38,722,262	6,040,554	32,681,708	1.27%	679	
2003	37,816,561	5,600,545	32,216,016	1.19%	661	
2004	36,800,522	2,952,367	33,848,155	1.15%	690	
2005	43,897,627	1,685,302	42,212,325	1.36%	857	
2006	42,381,251	1,512,494	40,868,757	1.22%	828	
2007	40,692,251	2,121,446	38,570,805	1.05%	776	



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

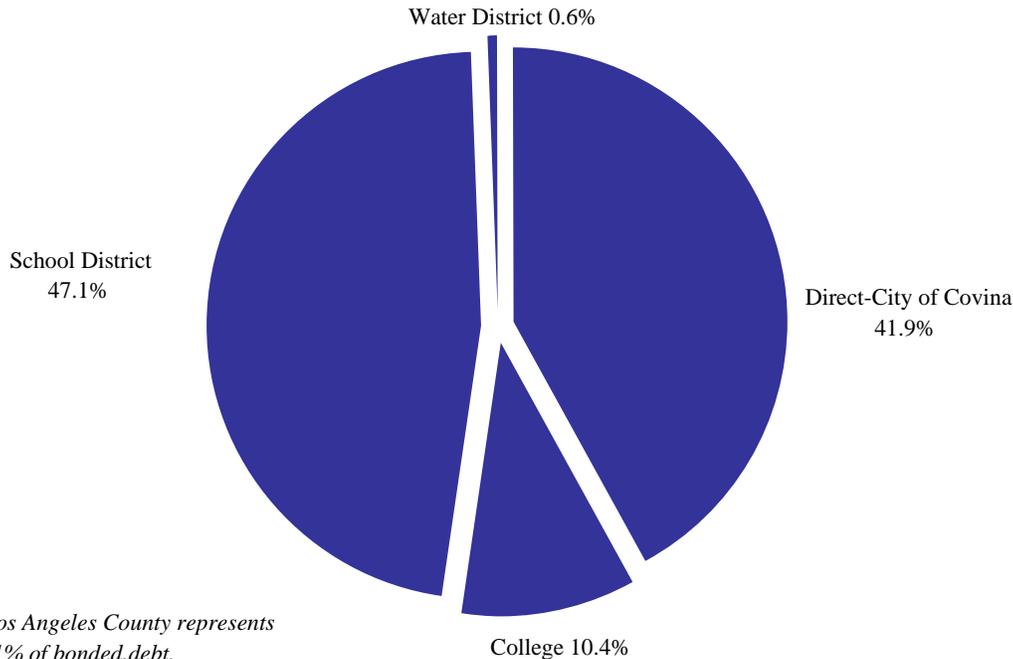
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 106.

⁽²⁾ See Demographic Statistics on page 116.

CITY OF COVINA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Deb
As of June 30, 2007

Jurisdiction	Net General Activities Bonded Debt Outstanding	Percentage Applicable to City of Covina	Amount Applicable to City of Covina
Direct-City of Covina ⁽¹⁾	\$ 43,547,251	100.000%	\$ 43,547,251
Overlapping:			
Los Angeles County:			
Flood Control Storm Drainage Bonds No. 4	370,000	0.378%	1,399
Water District:			
Metropolitan Water District Area 1112	165,681,509	0.128%	212,474
Metropolitan Water District Area 1116001	165,681,509	0.279%	462,378
College:			
Citrus-2004 Series A Debt Service	57,100,000	0.428%	244,150
Mt. San Antonio-2001 Series A Debt Service	5,585,000	5.970%	333,438
Mt. San Antonio-2004 Series B Debt Service	16,040,000	5.956%	955,389
Mt. San Antonio-2005 Debt Service	75,295,843	5.956%	4,484,839
Mt. San Antonio-2006 Series C Debt Service	79,996,203	5.958%	4,766,306
School District:			
Azusa Unified 1993 Refunding Bonds Debt Service	495,000	1.668%	8,257
Azusa Unified 2002 Series A Bonds Debt Service	27,398,763	1.668%	457,012
Charter Oak Unified 2000 Series A Debt Service	240,000	37.029%	88,869
Charter Oak Unified 2000 Series B Debt Service	1,710,000	37.029%	633,193
Charter Oak Unified 2005 Debt Service	9,660,000	37.029%	3,576,983
Charter Oak Unified 2006 Series D Debt Service	17,336,487	37.029%	6,419,495
Covina Valley Unified 2001 Series A Debt Service	15,660,000	42.393%	6,638,781
Covina Valley Unified 2001 Series B Debt Service	26,725,506	42.393%	11,329,808
Covina Valley Unified 2001 Series B Debt Service	47,000,000	42.393%	19,908,732
Total direct and overlapping debt			<u>\$ 104,068,754</u>

Amount Applicable to City of Covina



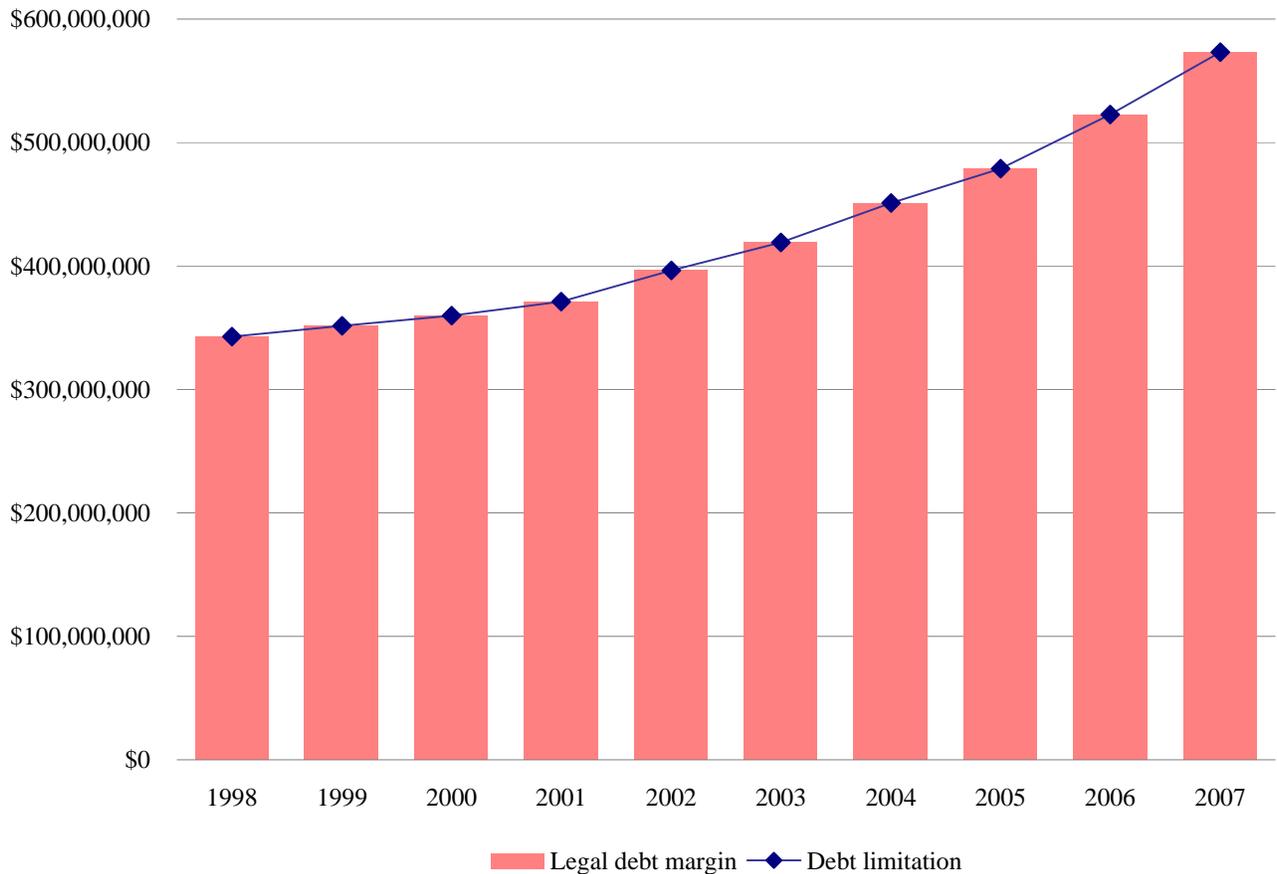
NOTE: Los Angeles County represents only 0.001% of bonded debt.

⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 111.

Source: Los Angeles County/Hdl Company:

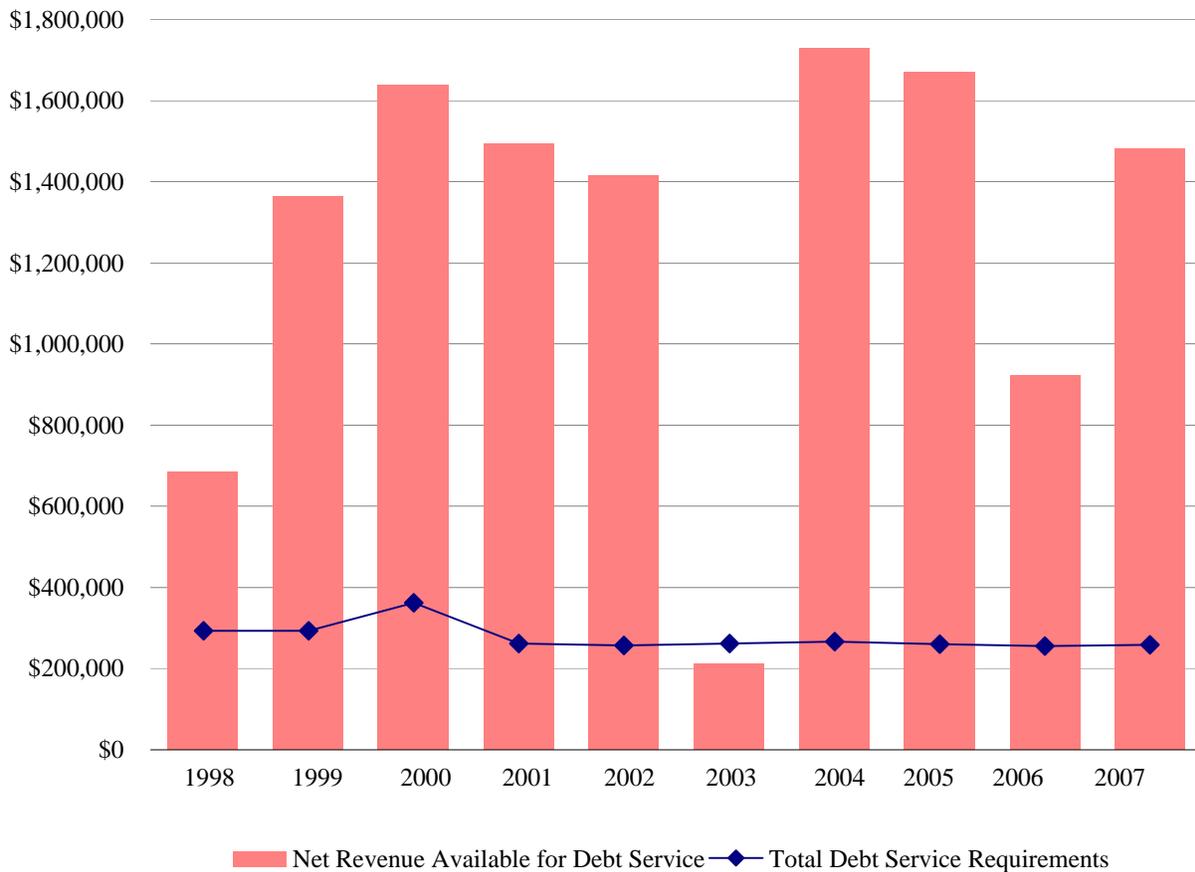
CITY OF COVINA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

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
1998	\$ 2,190,093,612	\$ 95,064,388	\$ 2,285,158,000	\$ 342,773,700	\$ -	\$ 342,773,700
1999	2,236,173,769	105,804,450	2,341,978,219	351,296,733	-	351,296,733
2000	2,364,400,359	35,403,429	2,399,803,788	359,970,568	-	359,970,568
2001	2,401,940,985	71,592,181	2,473,533,166	371,029,975	-	371,029,975
2002	2,569,278,176	74,585,939	2,643,864,115	396,579,617	-	396,579,617
2003	2,715,792,164	78,627,437	2,794,419,601	419,162,940	-	419,162,940
2004	2,939,588,118	66,744,821	3,006,332,939	450,949,941	-	450,949,941
2005	3,113,944,052	79,029,647	3,192,973,699	478,946,055	-	478,946,055
2006	3,350,485,838	133,793,779	3,484,279,617	522,641,943	-	522,641,943
2007	3,685,316,131	135,164,362	3,820,480,493	573,072,074	-	573,072,074



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

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$ 3,763,730	\$ 3,080,586	\$ 683,144	\$ 80,000	\$ 213,325	\$ 293,325	2.33
1999	4,291,121	2,927,072	1,364,049	85,000	208,245	293,245	4.65
2000	4,671,666	3,032,830	1,638,836	90,000	272,500	362,500	4.52
2001	4,432,185	2,937,946	1,494,239	125,000	137,310	262,310	5.70
2002	4,752,183	3,338,198	1,413,985	125,000	132,623	257,623	5.49
2003	4,354,917	4,143,789	211,128	135,000	127,586	262,586	0.80
2004	5,238,474	3,509,173	1,729,301	145,000	122,218	267,218	6.47
2005	5,118,717	3,448,245	1,670,472	145,000	116,045	261,045	6.40
2006	5,339,489	4,416,669	922,820	145,000	110,243	255,243	3.62
2007	5,649,525	4,169,737	1,479,788	155,000	103,716	258,716	5.72

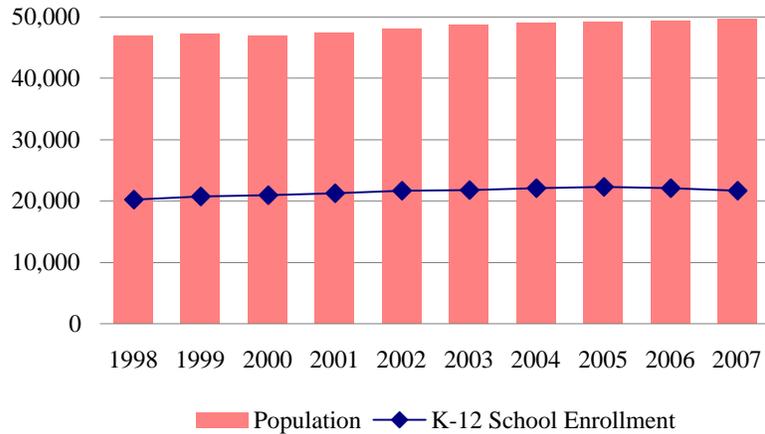


⁽¹⁾ Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.
⁽²⁾ Total operating expenses exclusive of depreciation.

CITY OF COVINA, CALIFORNIA
Demographic and Economic Statistics

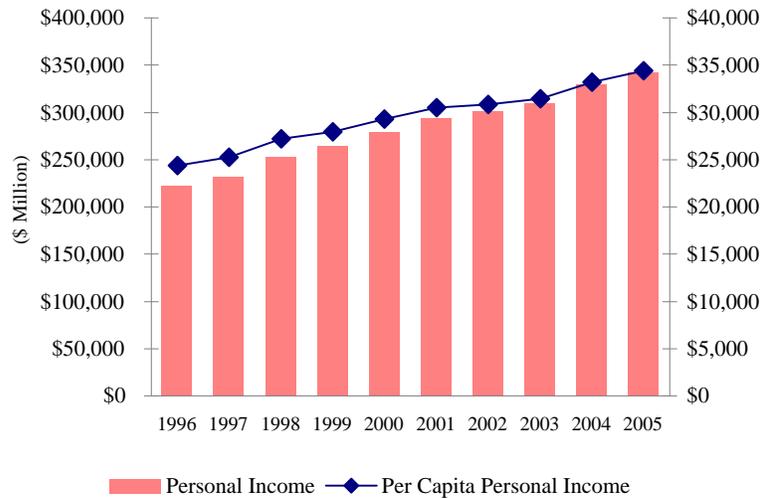
Last Ten Fiscal Years

Year	Population ⁽¹⁾	K-12 School Enrollment ⁽²⁾
1998	46,900	20,265
1999	47,350	20,711
2000	46,837	20,966
2001	47,444	21,299
2002	48,137	21,670
2003	48,726	21,744
2004	49,052	22,145
2005	49,272	22,316
2006	49,378	22,144
2007	49,720	21,689



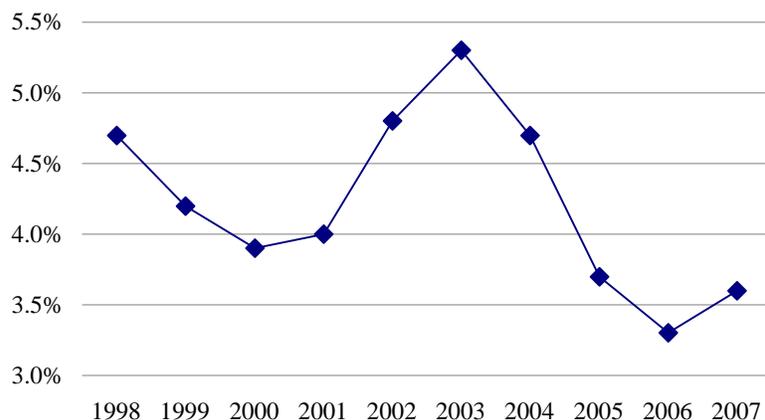
Fiscal Years 1996-2005

Year	Los Angeles County ⁽³⁾	
	Personal Income (\$ Million)	Per Capita Personal Income
1996	\$ 222,773	\$ 24,408
1997	232,360	25,239
1998	253,516	27,220
1999	263,987	27,973
2000	279,050	29,323
2001	294,508	30,503
2002	301,003	30,828
2003	310,044	31,452
2004	329,048	33,179
2005	342,231	34,426



Last Ten Fiscal Years

Year	Unemployment Rate ⁽⁴⁾
1998	4.7%
1999	4.2%
2000	3.9%
2001	4.0%
2002	4.8%
2003	5.3%
2004	4.7%
2005	3.7%
2006	3.3%
2007	3.6%



⁽¹⁾ State Department of Finance.

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

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

⁽⁴⁾ State Employment Development Department

CITY OF COVINA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2007

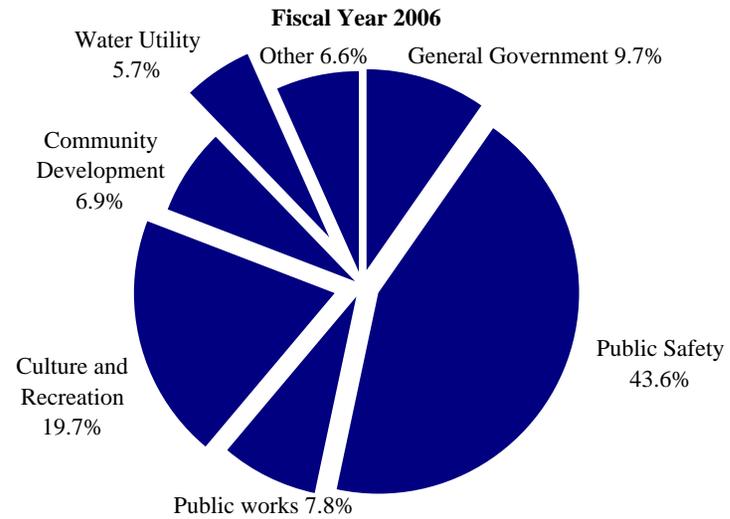
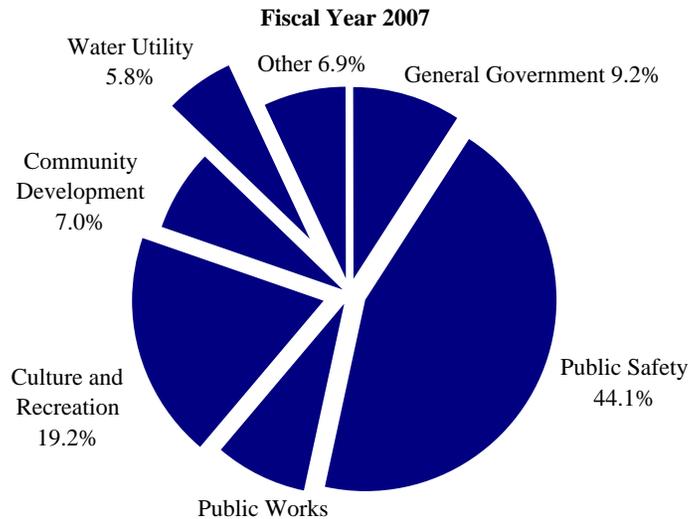
Employer	2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Covina Valley Unified School District	2,426	1	14.30%	2,494	1	15.91%
Intercommunity Hospital	845	2	4.98%	845	2	5.39%
Charter Oak Unified School District	486	3	2.86%	249	4	1.59%
City of Covina	282	4	1.66%	307	3	1.96%
Magan Medical Clinic	279	5	1.64%	277	5	1.77%
Pall Medical	279	6	1.64%	241	7	1.54%
Bert's Mega Mall	249	7	1.47%	249	6	1.59%
Medical Staffing Network	218	8	1.28%	218	8	1.39%
Land America Tax & Flood Services	215	9	1.27%	206	9	1.31%
Wal-Mart	213	10	1.26%	205	10	1.31%
	<u>5,492</u>		<u>32.36%</u>	<u>5,291</u>		<u>33.76%</u>

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

Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Intercommunity Hospital.

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

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



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

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

	<u>2007</u>	<u>2006</u>
Public safety		
Police:		
Physical arrests	4,231	3,455
Parking violations	19,893	21,775
Traffic violations	8,091	8,019
Fire:		
Number of calls answered	3,477	3,511
Inspections	2,521	2,630
Culture and recreation		
Parks and recreation:		
Voluteen participants	70	70
Youth sports participants	2,313	1,093
Summer evening event attendees	6,013	10,500
Senior service participants	12,075	18,123
Special events	28,000	53,200
Aquatic participants	9,630	15,132
Library:		
Adult and children services	29,017	30,270
Literacy hours tutored	4,000	5,792
Library materials added	4,183	6,242
Community development		
Planning reviews	267	450
Inspections	1,901	2,974
Permits issued	373	1,544
Transit		
Average daily parking customers (station & structure paid)	757	550
Dial-A-Cab participants (monthly average)	835	1,000
Subsidized bus passes (monthly average)	119	125
Water utility		
Average daily consumption (gallons)	6,472,445	6,305,734
Environmental protection		
Refuse collected (tons/month)	3,759	2,700
Recyclables collected (tons/month)	226	290
Green waste collected (tons/month)	579	620
Compressed natural gas sold (gallon equivalents)	19,521	22,318

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

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

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

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