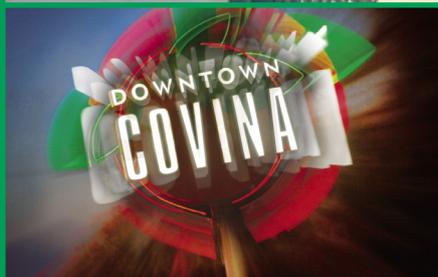




# City of Covina, California

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2014



# **CITY OF COVINA, CALIFORNIA**

## **Comprehensive Annual Financial Report**

**For the fiscal year ended June 30, 2014**

Walter Allen III, Mayor

Peggy Delach  
Mayor Pro Tem



John C. King  
Council Member

Jorge A. Marquez  
Council Member

Kevin Stapleton  
Council Member

Kim Raney, Acting 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, 2014**  
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# CITY OF COVINA

125 East College Street ● Covina, California 91723-2199

December 8, 2014

Honorable Mayor and City Council  
City of Covina  
Covina, California

The Comprehensive Annual Financial Report of the City of Covina (City), California, as of June 30, 2014 and for the year then ended, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

***Independent Audit.*** City policy requires that its financial statements be audited by a certified public accountant. Moss Levy & Hartzheim LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2014. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report.

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

## Profile of the City of Covina

The City is a mature, suburban city located twenty-three miles east of downtown Los Angeles in the eastern portion of the San Gabriel Valley. The City encompasses an area of approximately seven square miles and is virtually completely built out. There are four major retail areas, three industrial areas, and an office park and high rise. The current population is 48,346 according to the State of California Department of Finance.

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

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

This report includes all the funds of the City. The City provides a full range of services including police and fire protection (via a contract with the Los Angeles County Fire Department); construction and maintenance of highways, streets and infrastructure; library and recreational services; public transportation; planning and economic development; housing; and administrative services. In addition to general municipal activities, the City provides water, sewer, and refuse and recycling collection services (via a contract with Covina Disposal).

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

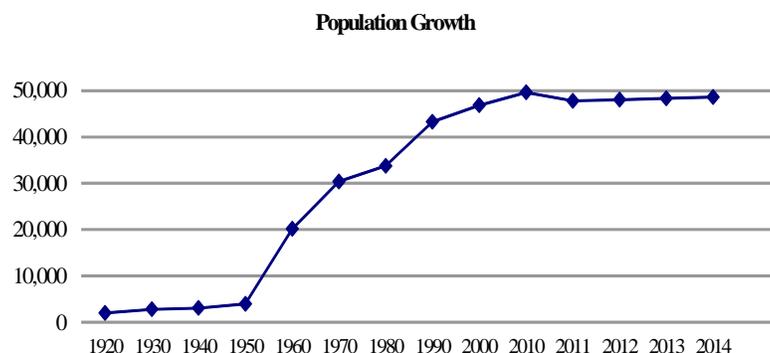
In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Covina Public Financing Authority, the Successor Agency to the Covina Redevelopment Agency, and the Covina Housing Authority in the financial report.

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

## Economic Condition and Outlook

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

<u>Year</u>	<u>Population</u>
1920	1,999
1930	2,775
1940	3,043
1950	3,956
1960	20,124
1970	30,380
1980	33,751
1990	43,287
2000	46,837
2010	49,622
2011	47,796
2012	48,038
2013	48,346
2014	48,619



*Source: California Department of Finance*

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

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

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

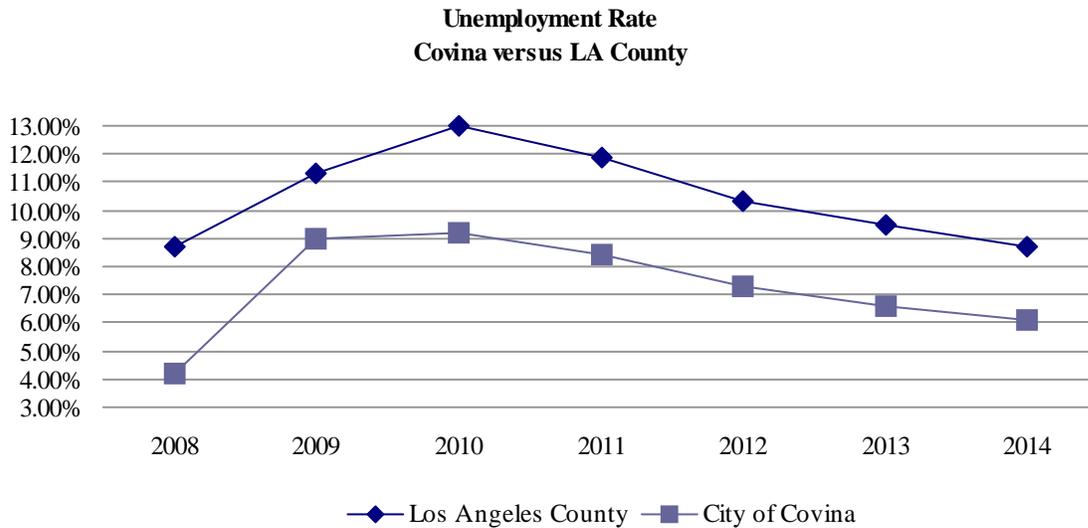
The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City for calendar years 2009 through October 2013:

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

	2010		2011		2012		2013		2014	
	<u>County</u>	<u>City</u>								
Civilian Labor Force (2)	4,909	25.70	4,899	25.70	4,840	25.50	4,992	26.40	5,021	26.60
Employment	4,272	23.30	4,316	23.50	4,339	23.70	4,520	24.60	4,585	25.00
Unemployment	637	2.40	583	2.20	501	1.90	472	1.80	436	1.60
Unemployment Rate	13.00%	9.20%	11.90%	8.40%	10.30%	7.30%	9.50%	6.60%	8.70%	6.10%

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

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



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

**Long-term Financial Planning**

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

Program - Base Budget

*1. Appropriations*

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

*2. Estimated Revenues*

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

- Identify general revenues vs. restricted revenues

### 3. *Fund Balances/Working Capital*

- Program-base budget will calculate available fund balances and/or working capital available in the various funds
- Program-base budget will establish adequate reserves
  - *Capital needs*
  - *Offset economic hard times*
  - *Stabilize fluctuations in cash flow requirements*
  - *Emergency Situations*
- General Fund
  - *Minimum of 20% of operating expenses-reserve exclusive of risk management requirements*
  - *Excess reserves will be assigned for nonrecurring activities or capital improvements*
  - *Maintain general liability and worker's compensation reserves based on actuarial recommendations*
- Restricted Funds
  - *Reserves can be used for only restricted purposes*
  - *Excess reserves can be restricted for recurring and nonrecurring activities or capital improvements depending on the nature of the fund*

### Program – Base Budget Will Link Resources with Results

1. *Identifying community needs for essential services*
2. *Describing the programs required to provide the essential services*
3. *Identifying the purpose of activities performed in delivering services*
4. *Establishing goals and objectives which define the nature and level of services required*
5. *Identifying resources required to perform program activities and accomplish goals and objectives*
6. *Setting standards to measure and evaluate*
  - Output and outcomes of program activities
  - Accomplishment of program activities
  - Staffing levels
  - Program activity revenue and appropriations

- *Make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses*
- *The greater the uncertainty and/or volatility of the budgetary and financial estimates, the more conservative the estimates*

Program Base Budget-Change in Service

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

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

1. *Ongoing and recurring costs shall be funded with ongoing and recurring revenues*
2. *One-time and nonrecurring costs shall be funded with excess ongoing revenues, available one-time revenues or excess reserves*
3. *One-time or nonrecurring revenues shall not fund ongoing cost*
4. *Current costs shall be recognized and funded in the current year, not deferred or funded in future years*
5. *Maintain current full costs providing City services*
6. *The General Fund shall try to maintain a minimum \$100,000 operating contingency for unanticipated events*
7. *Make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only a portion of the tax paying public*

Infrastructure Maintenance

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

- Facilities shall be amortized to cover ongoing maintenance and cyclical repairs, and for the replacement or expansion of major structures

#### Exceptions

##### *1. City Council/Agency Board authorization required for*

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

#### Implementation

*1. The City Manager shall be responsible for the preparation and submission of the program-based budget.*

*2) The City Manager shall be authorized to make the appropriate changes to adhere to the budget policy.*

*3) Staff shall report to the City Council 30 days after the end of each fiscal quarter with an update on actual revenues and expenditures as shown in the adopted budget.*

A majority of the policy guidelines have been implemented to date. City staff is in the process of developing a five-year financial plan. The challenge in developing such a plan has been the periodic impacts local governments have experienced as a result of the State fiscal crisis.

#### ***Major Accomplishments for the Year.***

The City of Covina received an unmodified opinion for the audit ending June 30, 2013 and received the Excellence in Financial Reporting award from the Government Finance Officers Association.

The Finance Department successfully completed the final phase of the Tyler MUNIS ERP system. The final phase consisted of the Business License and Permitting modules.

Successor Agency to the Covina Redevelopment Agency, CDBG and Housing are activities of the Finance Department.

Two businesses were approved for participation in the CDBG Economic Development program in FY 13-14, for a total grant award of \$100,000. One of the businesses expended the funds awarded (\$50,000); the second business has not yet drawn down on funds, and the project will be amended to be active in the next fiscal year (FY 14-15). Additional grant funds awarded in FY 11-12 in the amount of \$150,000 were also drawn down this year, for a total disbursement of \$200,000 in CDBG Economic Development grants. The latter project was delayed due to the ability of the property being obtained to have clear title. Two businesses funded in the prior year completed tenant improvements and opened for business in FY 13-14. A total of eleven new, full-time equivalent positions were created and reported.

The CDBG Residential Rehabilitation program assisted five low-income households with installation of new roofs which totaled \$49,695.

Under the Housing activity, the City-owned McGill transitional house for homeless women and children assisted five adults and nine children during the 2013-14 fiscal year.

The Parks & Recreation department has continued to provide high quality community programs, services and events to the residents of Covina. The department, along with the Covina Christmas Parade Committee volunteers coordinated the 63<sup>rd</sup> Annual Covina Christmas Parade with over 20,000 in attendance. The department also provided logistical coordination to the Covina Downtown Association to present the Thunderfest Car Show and Music Festival, which attracted over 25,000 people to Covina's downtown.

The Community Relations Division secured over \$18,000 in sponsorships for the Summer Evening Entertainment program, which was attended by over 25,000 people.

In the Recreation Services Division, the Summer Day Camp program was attended by over 520 youth. The Leisure Lifestyle Classes program continued to be successful with over 6,600 registrants and gross revenues exceeding \$240,000. In the Youth Sports area, more than 900 children between the ages of 3 and 11 learned new skills and had fun playing t-ball, softball, soccer, flag football, and basketball. The Leaders-in-Training program gave 54 teens the opportunity to learn valuable life skills and serve the community with over 4,200 volunteer hours.

The Senior Services Division provided older adults in the community with programs and services to enhance their lives. Over 16,000 meals were served as part of the daily Nutrition Program, and more than 20,000 seniors took part in or benefited from information and referral services, case management services, seminars, classes, excursions and special events. The division has continued to seek sponsorships to offset event costs, and was successful in securing over \$7,000 this year. The City is in receipt of a grant of approximately \$650,000 from the County of Los Angeles to retrofit the Joslyn Center roof and replace windows. The City will utilize some of its own funds to complement this grant to complete the building envelope.

In the Aquatics Division, swim lessons, lap swimming, aqua aerobics, recreational swimming and swim team served over 10,700 participants from June through October.

The Library continued to be successful as a Family Place Library. The Family Place Area of the Library, containing developmentally appropriate toys and books for children and resource materials for parents and caregivers, continues to be a popular area for families. There are over 600 children ages 5 and under who have their own library card, which is a 40% increase from the previous year. The Library also purchased additional education books and DVDs as well as four iPads. The Library successfully implemented their new catalog system, SirsiDynix Symphony.

During the 2013-14 fiscal year, the Human Resources Department completed negotiations with the Police Association of Covina, Police Supervisory Group, Police Management Group, Unaffiliated, and AFSCME-represented employees. Staff conducted 32 recruitments. In addition, the Risk Management Division managed 28 workers' compensation claims and coordinated workers' compensation training sessions for safety employees; during the same

period, 29 liability claims were filed. Another achievement that occurred in the 2013-14 fiscal year was HR staff working with one of our vendors to assist in coordinating the requirements under the Affordable Care Act.

The Public Works Department completed the upgrade to the Compressed Natural Gas pumps located at the Corporate Yard. The facility is open to the public when the Yard is in operation. New electric charging stations were installed at the City Hall Wests Parking Structure as well as the Metrolink Parking Structure. Additionally the Public Works Department completed \$781,000 of Sewer infrastructure and \$1,063,000 of Water infrastructure projects during this fiscal year. The Department received the prestigious award of Project of the Year from American Public Works Association for the Citywide Sewer Rehabilitation project.

The Building Division implemented an electronic plan submission system that enables the receipt, comment and routing of building plans increasing the efficiency/flow of plan checking. The Code Enforcement Division in conjunction with the Information Technology GIS staff implemented an application to track/monitor the rental inspection program. The innovative program resulted in the receipt of the prestigious **Helen Putnum** award for Excellence in Internal Innovation awarded during the Annual League of California Cities conference.

The Transportation Division was successful in obtaining a grant in the amount of \$827,000 for bike lanes. Additionally the Division was successful in obtaining a grant in the amount of \$1,100,000 Metrolink improvement project.

Economic Development – A significant accomplishment that included cooperation across all department lines was the signing of an agreement with **Sage Chevrolet** to establish a dealership at 633-635 South Citrus Avenue. **Howards TV and Appliance** is moving into the old Taste of Texas Restaurant site at 545 N. Citrus. New housing projects in the community include a 52 unit condominium project under construction and a mixed used project consisting of 9,000 square feet of retail/office space and 68 condominium units expected to be under construction in the spring of 2015.

A new **Stater Brothers** supermarket shall occupy the former Albertson's supermarket location that will energize the shopping center located at 1027 N. Grand Avenue.

Independent restaurant owners are investing in the City and renovating underutilized buildings which can be seen in the Shoppers Lane business area where **Old World Deli** is relocating from West Covina to Covina. Downtown, a former Redevelopment Agency-owned building is being rehabilitated into a new upscale California cuisine restaurant; the **Citrus Grill**. Also, downtown, two new Italian restaurants recently opened their doors, **Pan E Vino**, and **Artists Pizza**. Artists Pizza renovated a building that has been blighted and underutilized for many years. Finally, **The Brew and Meatball Company** opened in Downtown at the former Stella Dog location.

The Police Department received a tactical vehicle from the military valued at \$600,000. With in-kind donations the department converted this vehicle for its use. The Police Chief and the City Council conducted town hall meetings to explain the impacts of AB 109 (prison realignment) to the community. These meetings were well attended and questions from the community were addressed by the law enforcement community.

The Police Department increased its social media presence by actively posting its events on Facebook and notifying residents via Facebook and Twitter on any neighborhood events that the residents need to be aware of. The City Council approved two major projects for the Department (1) Downtown Cameras and (2) new Computer Aided Dispatch and Record Management System (CAD/RMS). The state of the art CAD/RMS will provide both field personnel and records staff more up to the minute information to increase response and productivity. The Camera project will enable the department to deploy resources as well as monitor major intersections that will aid the Department with its investigations

The Police Department traditionally provides excellent policing and customer service to the citizens of Covina. The communications division received 126,505 telephone calls which resulted in 39,093 dispatched calls for service. The average response time for Priority 1 calls for the year was 3:16 minutes. \$100,000 in grant money was received from the Citizens' Option for Public Safety (COPS) Program to fund two Community Services Officers and one part-time Community Services Specialist. The department also received the Edward Byrne Memorial Justice Assistance Grant (JAG) 2013 in the amount of \$12,231. JAG grant funds were used to fund one part time Community Services Officer in charge of the Youth Accountability Board (YAB) Program. The program goal is to defer criminal prosecution of juveniles who have committed minor offenses and who have successfully completed the prescribed program.

Covina entered into a partnership (JPA) with other San Gabriel Valley agencies (Glendora, La Verne, Azusa, West Covina, and Irwindale) to design and install a regional UHF radio system (Com-Net) to move closer to the goal of interoperability. As of September 1, the new radio system is operational. Chief Raney continues his participation as a board member for the countywide public safety radio interoperability project - LARICS.

The Covina Police Department continued to utilize technology to improve customer service and efficiency. Designated department staff has been charged with making social media a priority as a tool to communicate with and inform the community. Staff has received training on social media best practices and is actively utilizing Facebook, Twitter and Instagram.

The implementation has begun on a new CAD/RMS system (Spillman) to improve system reliability and capabilities in the areas of full integration, data-sharing, crime analysis, incident mapping, and 24-7 technical support. A new city-wide camera system also has been purchased and installation is underway. This technology will allow police to monitor locations such as the downtown area, city-owned parks, and schools to deter crime and enhance public safety.

The Covina PD continues to participate in a regional task force with neighboring agencies to monitor and manage the AB 109 population. Due to the impact of AB 109 (prison realignment) which partially shifted the responsibility of incarcerating and monitoring the State's inmate population to the County level, the Department has assigned a police officer to participate in this AB 109 task-force on a full-time basis to assist in conducting area-wide compliance check operations. Funding is provided by the State through Los Angeles County.

The Police Officer Reserve Program has been implemented and is proving to be a success in augmenting patrol activities city-wide. The department has also re-introduced the 4-10 work schedule for patrol officers to allow for maximum deployment, shift coverage and supervision. The Special Enforcement Team (S.E.T.) has also been re-introduced in the department to support both the investigation and patrol divisions in crime suppression, focusing on high priority

criminal activities and prosecuting violators. Re-implementation of the department K-9 program is in the planning phase to supplement patrol and crime suppression.

Lastly, the department has acquired equipment free of charge from the Federal government's Defense Logistics Agency (1033 Procurement Program). This equipment has been repurposed by the department to provide operational and first responder support in case of local emergencies and disasters.

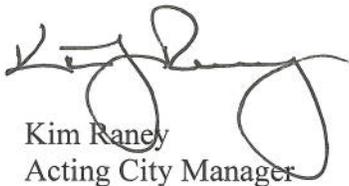
### **Awards and Acknowledgments**

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, 2013. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the finance department with special recognition of Tricia Cole, Debbie Pacheco, Marietta Santos, Steve Smith and Alan Sands. Credit also must be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Covina's finances and to the Department Directors for their cooperation and support during the annual audit.

Sincerely,



Kim Roney  
Acting City Manager



Ditu de Alwis  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Covina  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

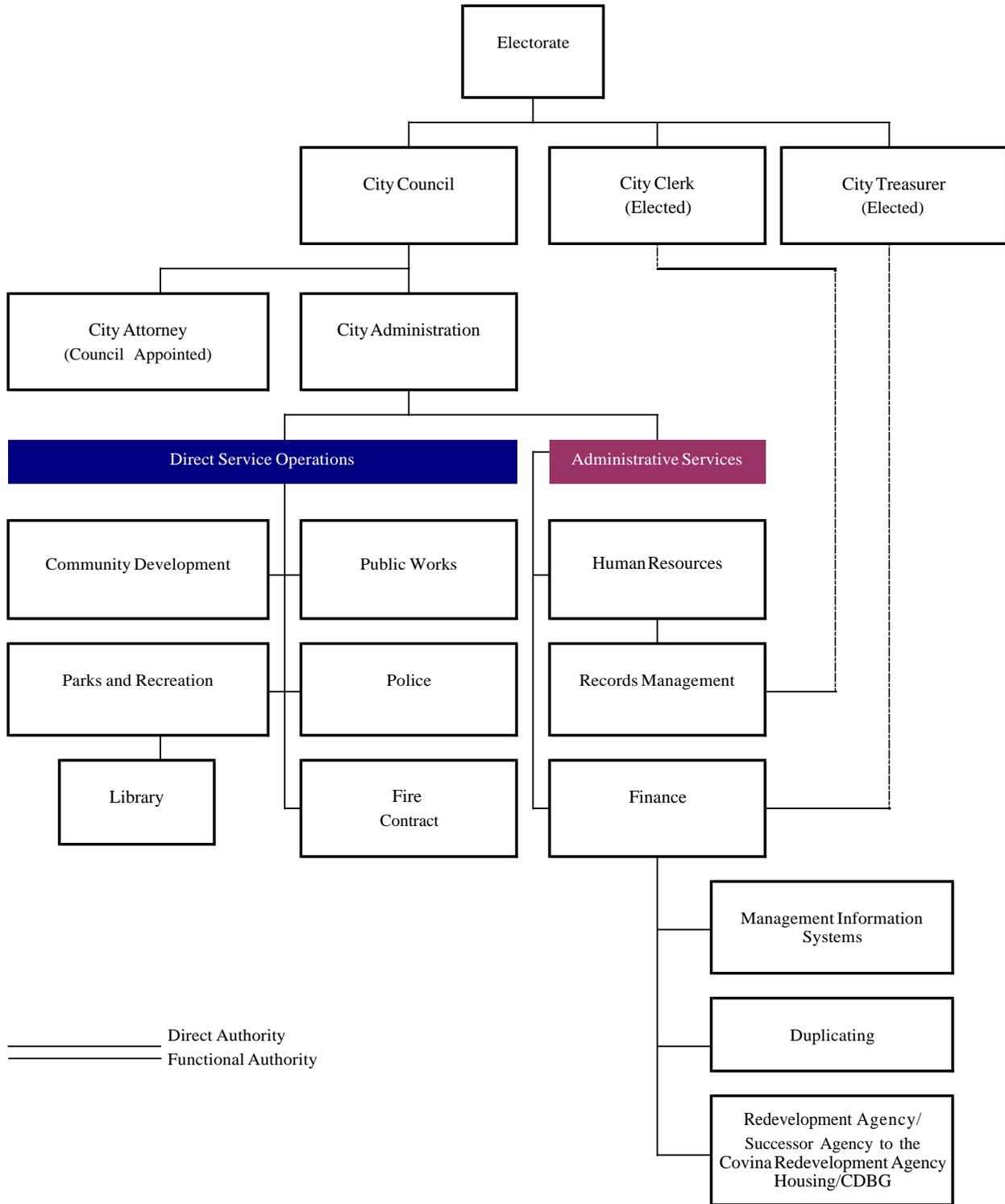
**June 30, 2013**

Executive Director/CEO

CITY OF COVINA, CALIFORNIA

Organizational Chart

June 30, 2014



CITY OF COVINA, CALIFORNIA  
List of Principal Officials  
2013-2014

<b><u>Elected Officials</u></b>	<b><u>Term Expires</u></b>
Mayor: Walter Allen III	March 2015
Mayor Pro Tem: Peggy Delach	March 2015
Council Members: John C. King	March 2015
Jorge Marquez	March 2017
Kevin Stapleton	March 2017
City Clerk: * Mary Lou Walczak	March 2017
City Treasurer: Geoffrey Cobbett	March 2017
<b><u>Administrative Staff</u></b>	<b><u>Date of Hire</u></b>
Acting City Manager: * Kim Raney	December 2014
City Attorney: * Marco Martinez	September 2010
Finance Director: Dilu de Alwis	September 2009
Human Resources Director: Anthony Arroyo	September 2009
Police Chief: Kim Raney	December 1977
Fire Chief: ** Daryl L. Osby	February 2011
Interim Public Works Director: Kalieh Honish	December 2006
Parks and Recreation Director: Amy Hall-McGrade	July 1983

\* Appointed by City Council

\*\* Appointed by Los Angeles County Fire District



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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Covina, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Covina, California as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covina, California, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As discussed in note 1 to the basic financial statements, effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statements; No. 65, *Items Previously Reported as Assets and Liabilities*, No. 66, *Technical Correction-2012*, No. 67, *Financial Reporting for Pension Plans*, and No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, trend information for pension and other postemployment benefits other than pensions, and budgetary comparison information on pages 17–29 and 85–88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the City of Covina, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Covina, California's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim LLP  
Culver City, California  
December 8, 2014

## Management's Discussion and Analysis Unaudited

The following discussion and analysis of the City of Covina's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. This report is prepared in conjunction with the accompanying transmittal letter and basic financial statements and notes.

### FINANCIAL HIGHLIGHTS

- \* The assets of the City exceeded its liabilities at the close of the fiscal year by \$137,712,238. The Governmental Activities have unrestricted net position of \$8,634,314, which is available to meet the City's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net position of \$22,391,275.
- \* The City's net position for Governmental and Business-type activities increased by \$3,630,562 or 2.7% from the previous fiscal year. The prior year net position previously reported at \$131,435,346 has been restated at \$134,081,676.
- \* The total cost of all City activities was \$53,637,044 for the current fiscal year. Net cost of all activities was \$22,497,942.
- \* During the current fiscal year, the City's expenses exceeded net revenues of the governmental activities by \$2,198,446.
- \* In the City's business-type activities, revenues exceeded expenses by \$5,829,008.
- \* The total fund balances of the City's governmental funds were \$19,522,788 at the close of the fiscal year. All of this amount is nonspendable, committed, restricted or assigned and is not available for spending at the City's discretion.
- \* General Fund expenditures exceeded revenues and other financing sources (uses) by \$2,950,141 for the fiscal year.
- \* The total fund balance of the General Fund was \$9,167,076 as of June 30, 2014. Of this amount, \$9,167,076 is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion, and \$0 is unassigned (see note 16 of *Notes to the Financial Statements*).

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

#### *Statement of Net Position*

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

#### *Statement of Activities*

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change

occurs, *regardless 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.

## Management's Discussion and Analysis (Continued)

### Unaudited

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include General Government, Public Safety, Public Works, Culture and Recreation, Community Development, Transit, Redevelopment and Housing, and Interest on Long-Term Debt. The business-type activities include Water Utility, Environmental Protection, and Sewer.

The Government-Wide Financial Statements include not only the City itself (known as the *primary government*) but also the blending of the legally separate Covina Public Financing Authority, and Covina Housing Authority for which the City is financially accountable. These *component units* are therefore included as an integral part of the primary government.

### Fund Financial Statements

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

### Governmental Funds

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

The focus of governmental funds is narrower than that of the Government-Wide Financial Statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. This will provide a better understanding of the long-term impact of the City's near-term financing decisions. Both the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Housing Authority, which are considered to be major funds. Information from the other non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information section of the report.

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

### Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City's enterprise funds account for the Water Utility, Environmental Protection and Sewer. *Internal service funds* are used to accumulate and allocate costs internally among various City functions. The City's internal service funds account for the Management Information Systems, Central Equipment, Workers' Compensation and General Liability services. These services predominately benefit governmental and business-type functions and have been allocated within the *governmental activities* as well as *business-type activities* in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Environmental Protection and Sewer. All proprietary funds are considered to be major funds of the City.

## Management's Discussion and Analysis (Continued)

### Unaudited

Conversely, all Central Equipment, Management Information Systems, Workers' Compensation and General Liability internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

#### **Fiduciary Funds**

Fiduciary funds (private purpose trust fund) are used to account for the assets and activities for which the City acts as trustee. The Statement of Fiduciary Net Position reports the assets and liabilities of the fund and the net position is reported as "held in trust for other governments".

The Government-Wide Financial Statements exclude fiduciary funds.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$137,712,238 at the close of the fiscal year.

The largest portion of the City's net position (62.1%) is in capital position (land, buildings and structures, infrastructure, and machinery and equipment) less any related debt outstanding used to acquire those assets. Capital assets are acquired for the purpose of providing services to citizens which make them unavailable for future spending. Resources needed to repay the related debt outstanding must be provided from other sources before liquidating capital assets to satisfy these liabilities.

An additional portion of net position (15.4%) represents resources that are subject to external restrictions on how it may be used; therefore \$21,146,284 may not be used to meet the City's ongoing obligations to citizens and creditors designated by certain federal, state, and local statutes.

The City's net position for Governmental and Business-type activities increased by \$3,630,562 or 2.7% from the previous fiscal year. The total cost of all City activities was \$53,637,044 for the fiscal year. Net cost of all activities was \$22,497,942.

#### **Governmental Activities**

This analysis focuses on the net position and changes in net position of the City's Governmental Activities which are presented in the Government-Wide Financial Statements.

#### **Governmental Activities Net Position**

	2014	2013 *
Current and other assets	\$ 41,938,714	\$ 41,719,436
Capital assets	72,284,235	75,155,730
Total assets	<u>114,222,949</u>	<u>116,875,166</u>
Long-term liabilities outstanding	9,505,426	9,901,240
Other liabilities	2,652,690	2,710,647
Total liabilities	<u>12,158,116</u>	<u>12,611,887</u>
Net position:		
Net Investment in capital assets	72,284,235	74,270,261
Restricted	21,146,284	15,229,058
Unrestricted	8,634,314	14,763,960
Total net position	<u>\$ 102,064,833</u>	<u>\$ 104,263,279</u>

\*Certain balances or amounts have been restated due to the return of prior year TDA funds, a correction from

## Management's Discussion and Analysis (Continued)

### Unaudited

the California State Controller regarding usage of Gas Tax and Traffic Congestion Funds, the implementation of GASB Statement No. 65 and a loan that was not previously recorded.

The net position of the governmental activities represents 74.1% of the City's total net position. Restricted assets include external restrictions relating to public safety, public works, culture and recreation, transit and redevelopment and housing. Restricted net position increased by \$5,917,226 or 38.9%.

#### Governmental Activities Change in Net Position

<b>Revenues</b>	2014	2013 *
Program revenues:		
Charges for services	\$ 7,288,298	\$ 5,193,054
Operating grants and contributions	5,131,366	5,597,878
Capital grants and contributions	1,483,056	611,661
General revenues:		
Property taxes	11,725,280	13,323,781
Sales taxes - intergovernmental unrestricted	5,643,574	5,835,052
Utility users taxes	5,055,632	5,065,228
Other taxes	2,402,854	2,253,739
Investment earnings	473,543	337,358
Other revenue	-	3,390,509
Gain on sale of capital assets	-	6,614
Total revenues	39,203,603	41,614,874
<b>Expenses</b>		
General government	879,859	1,923,009
Public safety	25,353,602	24,363,654
Public works	7,349,352	6,246,958
Culture and recreation	4,769,656	4,322,897
Community development	1,305,545	1,738,855
Transit	1,255,368	1,402,368
Redevelopment and housing	433,609	1,792,779
Interest on long-term debt	21,131	52,750
Total expenses	41,368,122	41,843,270
Decrease in net position before transfers	(2,164,519)	(228,396)
Transfers in (out)	(33,927)	26,880
Change in net position	(2,198,446)	(201,516)
Beginning net position	100,885,021	101,194,283
Prior period adjustments	3,378,258	3,270,512
Ending net position	\$ 102,064,833	\$ 104,263,279

\*Certain balances or amounts have been restated due to the return of prior year TDA funds, a correction from the California State Controller regarding usage of Gas Tax and Traffic Congestion Funds, the implementation of GASB Statement No. 65 and a loan that was not previously recorded.

The City's expenses exceeded net revenues of the governmental activities by \$2,164,519 before transfers. Total decrease of net position after transfers total \$2,198,446. Revenues show a decrease of \$2,411,271 while expenses decreased slightly by \$475,148.

Revenues decreased due to a prior period adjustment that was made for \$3,390,509 to record loans receivable from the Successor Agency to the Housing Authority which increased revenue in the prior year. An increase in Charges for Services of \$2,095,244 caused primarily by the donation of two police safety vehicles. An increase in Capital Grants and Contributions of \$871,395 was primarily due to the receipt of a capital grant from the California State Parks' Office of Grants and Local Services for the construction of Cougar Park. A decrease in Property Taxes of \$1,598,501 due to a one-time payment of property tax in the prior year due to the dissolution of the Covina Redevelopment Agency.

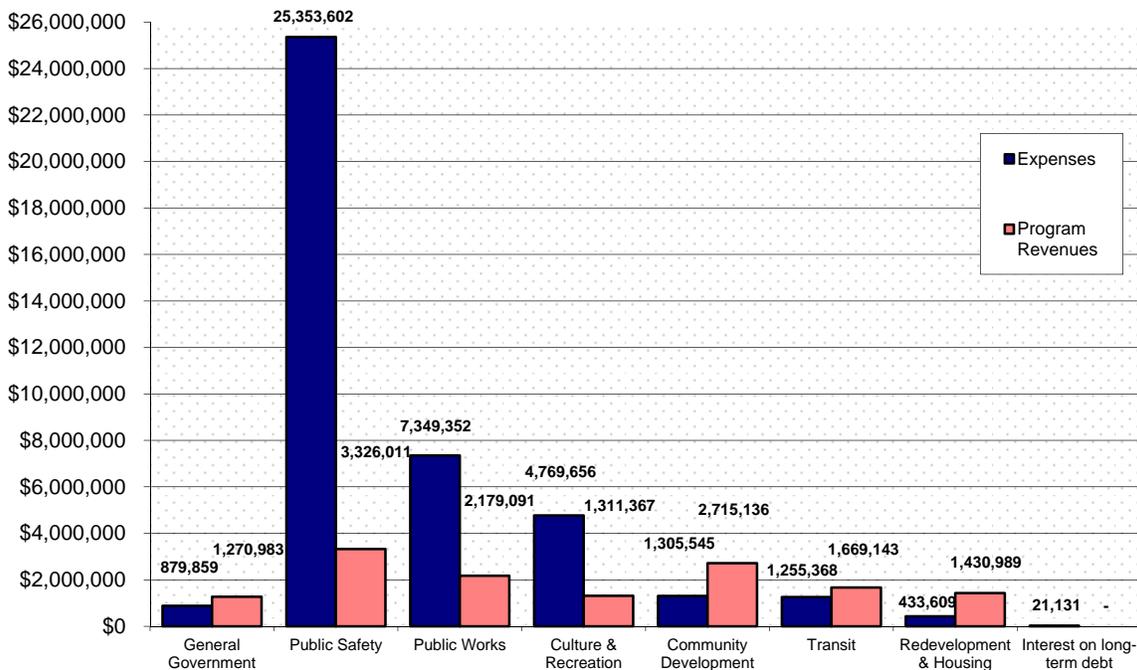
## Management's Discussion and Analysis (Continued)

### Unaudited

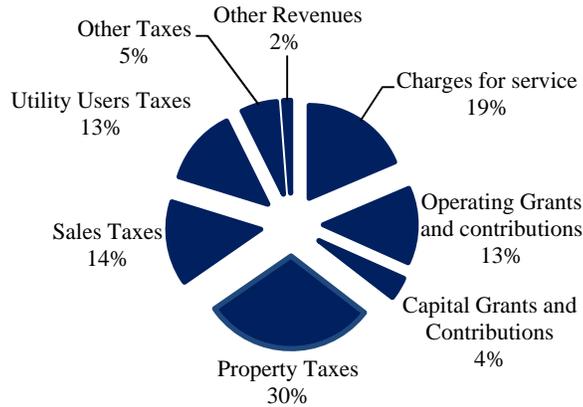
A net decrease in expenditures of \$475,148 is reported from the previous fiscal year. The decrease in General Government is primarily due to a decrease in OPEB, claims and judgments and compensated absences. The City contributed \$450,000 to a trust fund for the payment of future other postemployment benefit (OPEB) obligations, which decreased the current year obligation and corresponding expenditure. The net increase in Public Safety reflects an increase in the Los Angeles County fire contract and an increase in depreciation expensed on capitalized assets. The increase in Public Works is primarily due to an increase in personal services. Redevelopment and Housing expenses decreased in the current year due to a prior year expenditure which recorded an Allowance for Doubtful Accounts Receivable amount for loans that will be written off after 45 years.

Net Expenses is a good indication of the extent to which the services provided by the City are financed from taxes paid by the citizens as opposed to recovering the cost of these services with user fees and other contributions. The General Government, Community Development, Transit and Redevelopment and Housing functions recovered expenses incurred with program revenues. The Public Safety, Public Works, Culture and Recreation and Interest on Long-Term Debt functions are financed primarily from general revenues.

**Expenses and Program Revenues-Governmental Activities**

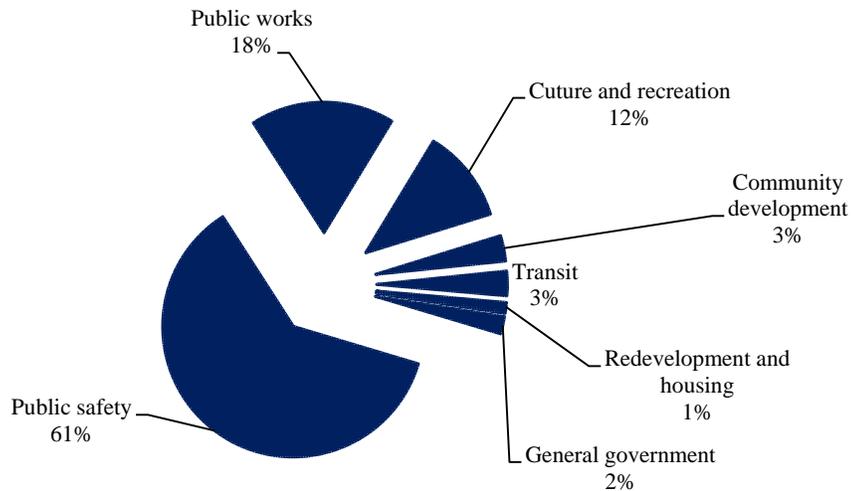


**Management’s Discussion and Analysis (Continued)**  
**Unaudited**  
**Revenue Sources-Governmental Activities**



Taxes, Operating Grants and Contributions, Charges for Services provide 98% of the overall revenue sources of the governmental activities. Taxes include property, sales, utility users and other (transient occupancy, property transfer, business license and franchise). The City is aggressive in the use of both operating and capital grants.

**Functions/Programs-Governmental Activities**



Public Safety and Public Works represent 79% of the programs of the Governmental Activities. This is consistent with the City’s highest priority of citizen safety and well-being. Culture and Recreation represent 12% of Governmental Activities as the City is committed to providing essential city services.

**Business-type Activities**

The analysis of business-type activities focuses on the net position and changes in net position of the City’s

## Management's Discussion and Analysis (Continued)

### Unaudited

Water Utility, Environmental Protection, and Sewer functions which are presented in the Government-Wide Financial Statements.

#### Business-Type Activities Net Position

	2014	2013 *
Current and other assets	\$ 35,755,086	\$ 34,815,713
Capital assets	34,009,226	32,150,463
Total assets	69,764,312	66,966,176
Long-term liabilities outstanding	32,766,340	34,699,029
Other liabilities	1,350,567	2,448,750
Total liabilities	34,116,907	37,147,779
Net position:		
Net Investment in capital assets	13,256,130	18,076,877
Unrestricted	22,391,275	11,741,520
Total net position	\$ 35,647,405	\$ 29,818,397

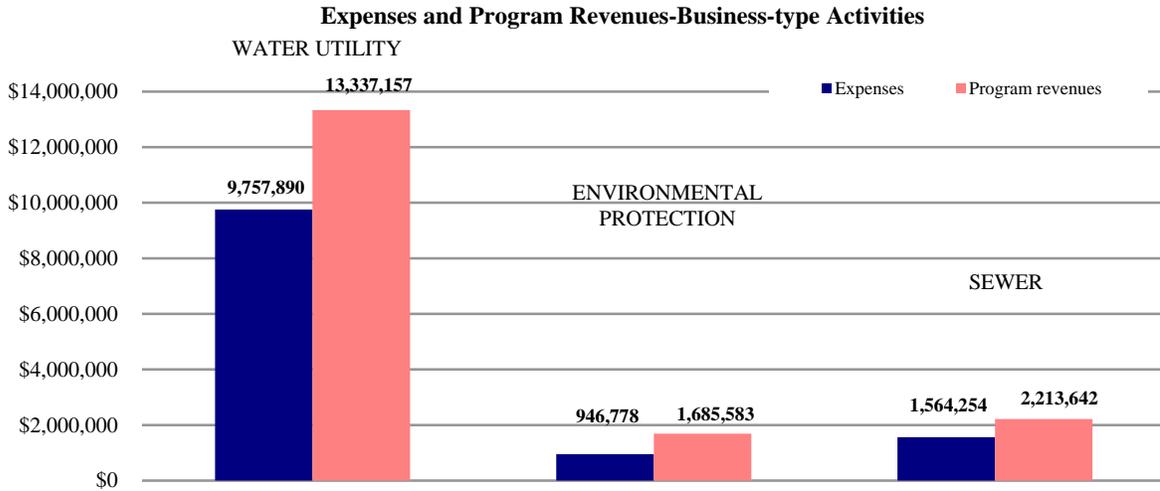
\*Certain balances or amounts have been restated due to the implementation of GASB Statement No. 65.

The net position of the business-type activities represents 25.9% of the City's total net position. Business-type net position increased by \$5,829,008 from the previous year.

#### Business-type Change in Net Position

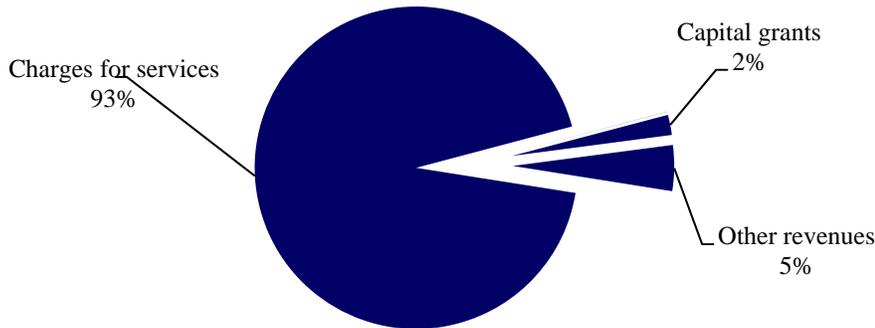
	2014	2013
Revenues		
Program Revenues:		
Charges for services	\$ 16,868,648	\$ 14,091,231
Operating grants and contributions	1,554	-
Capital grants and contributions	366,180	-
General revenues-investment earnings	827,621	286,952
Total Revenues	18,064,003	14,378,183
Expenses		
Water Utility	9,757,890	9,276,555
Environmental Protection	946,778	770,164
Sewer	1,564,254	1,272,822
Total Expenses	12,268,922	11,319,541
Change in net position before transfers	5,795,081	3,058,642
Transfers in (out)	33,927	(26,880)
Change in net position	\$ 5,829,008	\$ 3,031,762

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



The City’s business-type program revenues exceeded expenses by \$4,967,460. Water Utility and Sewer Charges for Services recovered both operating and interest expenses during the fiscal year. Environmental protection Charges for Services also recovered all operating expenses.

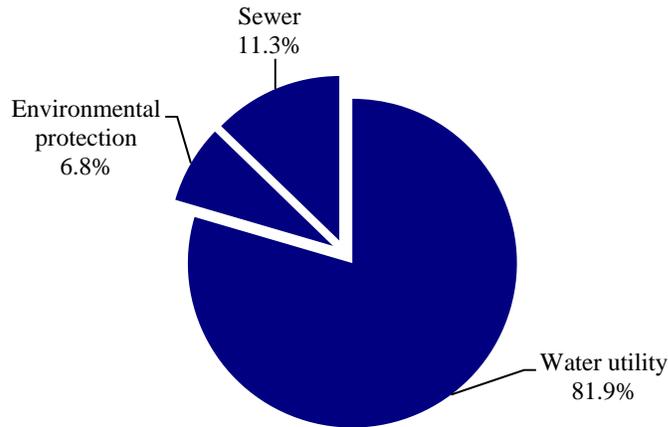
**Revenues by Source-Business-type Activities**



Total business-type revenues increased to \$17,236,382 from \$14,091,231 in the previous fiscal year. Charges for Services are the major revenue source which provides for both operating and capital maintenance costs. Water Utility Charges for Services include water sales, meter installation fees, connection fees and other miscellaneous charges. Environmental Protection charges include Environmental Fees for refuse and recycling services, and compressed Natural Gas (CNG) as well as permit fees for stormwater and industrial waste. Sewer Charges for Services include fees established to recover the cost of operating the sewer system throughout the City. The increase in revenue is attributable to; scheduled increase in water rates which generated an additional \$1.1 million in water sales in the current year, a one-time payment from the Covina Irrigating Company for leased water rights in the amount of \$1.38 million, the City completed the construction of a compressed natural gas (CNG) station during the year which generated sales revenue of compressed natural gas (CNG) to the public in the amount of \$150,000, industrial waste permit fees increased \$60,000 and Waste Management Integrated increased \$173,000.

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

**Functions/Programs - Business-type Activities**



Total business-type expenses increased to \$12,268,922 from \$11,319,541 in the previous fiscal year. The majority of the increase in expenses is attributed to Water Utility operation which includes general and administrative, utility billing, customer service, sales promotion, source and supply, production and storage, and transmission and distribution. The majority of the increase in Water Utility expenses is primarily attributed to the increase in the cost of purchased water. The Sewer increase in expenditures is due to an increase in general and administrative costs during the year. Environmental protection expenses include general and administrative, street sweeping, environmental services, refuse collection, industrial waste and waste management.

**FINANCIAL ANALYSIS OF THE CITY FUNDS**

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

**Governmental Funds**

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

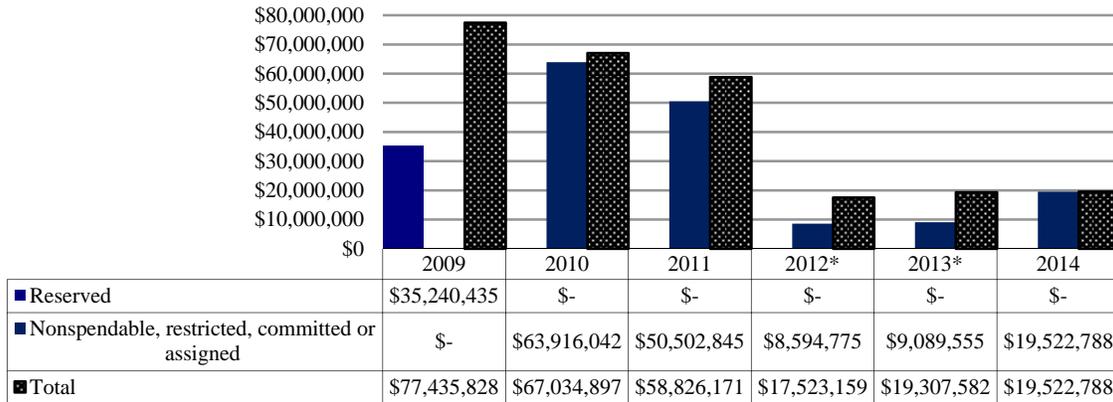
As of June 30, 2014, the City's governmental funds reported combined fund balances of \$19,522,788, an increase of \$215,206 from the prior year. There is no *Unassigned fund balance* available for designation and/or future spending at the City's discretion. All fund balance is nonspendable, restricted, committed or assigned and is not available for spending at the City's discretion.

## Management's Discussion and Analysis (Continued)

### Unaudited

The following is a summary of fund balances of the governmental funds for fiscal years 2009-2014:

**Fund Balances of Governmental Funds**



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

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance of the General Fund was \$9,167,076 of which \$0 was unassigned. Comparing both total and unassigned fund balances to total fund expenditures is a measure of the General Fund's liquidity. Total fund balance represents 27.7% of total General Fund expenditures and as there was no unassigned fund balance, therefore, 0% of unassigned fund balance is represented by total General Fund expenditures.

The fund balance of the General Fund decreased by \$2,477,849 during the fiscal year. The decrease in fund balance is attributed primarily to the following:

Revenues:

- Decrease in property tax revenues. In the prior fiscal year, the City received a portion of the lump sum payment made to the State of California due to the dissolution of the redevelopment agency.

Expenses:

- Increase in the capital outlay expenditures due to recording the donation of two police safety vehicles, aka MAMBA and MRAP.

The Housing Authority Special Revenue fund is a major fund of the City. The total fund balance of this fund is \$733,509 which is restricted and not *available for spending* at the City's discretion. The total fund balances increased by \$717,942 during the fiscal year due to the sale of property.

### Proprietary Funds

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

Unrestricted net position of the Water Utility fund increased to \$19,264,157 in the fiscal year from \$12,833,725 in the prior year. Environmental fund unrestricted net position increased to \$1,207,992 from \$684,662 in the prior year. The Sewer enterprise fund increased unrestricted net position to \$1,983,959 from negative unrestricted net position in the prior year of (\$1,831,495). Other factors concerning the finances of these three funds are addressed in the discussion of the business-type activities.

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

**General Fund Budgetary Highlights**

Differences between the original budget and the final budget are \$2,751,286 which represents a 8.5% increase. The most significant budgetary appropriation variances are as follows:

- **General Government.** The majority of this increase in appropriation includes \$450,000 for a contribution made to a trust fund for the payment of future OPEB obligations.
- **Capital Outlay.** Increased appropriation to \$1,052,360 to account for the donation of two police vehicles.
- **Transfer Out.** Increased appropriation for the General Fund transfer to the Lighting District special revenue fund of \$448,952 to cover the shortage of revenue generated for expenditures incurred. An appropriation for the General Fund transfer to the Public Liability internal service fund of \$104,039 to ensure reserves are at a 70% confidence level.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for governmental and business-type activities as of June 30, 2014, is \$106,293,461 (net of accumulated depreciation). Capital assets include buildings and structures, improvements other than buildings, domain infrastructure, water system infrastructure, sanitary sewer infrastructure, and machinery and equipment. The following is a summary of capital assets (net of accumulated depreciation) at June 30, 2014 and 2013:

	<b>Capital Assets (net of depreciation)</b>	
	2014	2013
<b>Governmental activities</b>		
Land	\$ 9,104,068	\$ 9,834,268
Buildings and structures	12,960,346	13,357,205
Improvements other than buildings	983,408	1,095,862
Public domain infrastructure	41,408,460	45,029,656
Sanitary sewer infrastructure	2,244,885	2,337,966
Machinery and equipment	3,605,847	2,692,028
Construction in progress	1,977,221	808,745
Total governmental activities	72,284,235	75,155,730
<b>Business-type activities</b>		
Land	377,408	377,408
Buildings and structures	10,373,687	4,667,270
Improvements other than buildings	132,978	110,100
Water system infrastructure	21,422,827	14,923,831
Machinery and equipment	1,089,302	355,585
Construction in progress	613,024	11,716,269
Total business-type activities	34,009,226	32,150,463
Total capital assets	\$ 106,293,461	\$ 107,306,193

There was a net decrease in Public Domain Infrastructure of \$3,621,196 during the current fiscal year primarily due to depreciation expense incurred. The net decrease of \$11,103,245 in Business-type activities Construction in Progress and increase in Building and Structures of \$5,706,417 and Water System Infrastructure of \$6,498,996 accounts for water and sewer projects completed during the fiscal year. Please refer to Note 9 of the Notes to the Financial Statements for a more capital asset information.

At June 30, 2014, \$3,093,279 is committed for capital expenditures related to the water system project. Also, \$6,280,716 is committed for capital expenditures related to the sewer system improvement project.

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

**Debt Administration**

At the end of the fiscal year, the City had total long-term debt outstanding of \$42,217,139. This includes notes, capital lease, and revenue bonds payable. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2014 and 2013:

	<b>Outstanding Debt</b> <b>(net of unamortized charges)</b>	
	2014	2013
<b>Governmental activities</b>		
Compensated absences	\$ 3,874,759	\$ 3,678,213
Claims and judgments	5,244,000	5,211,990
Postemployment benefit obligation	386,667	394,829
Capital lease payable	-	109,404
Revenue bonds payable	-	506,804
Total governmental activities	9,505,426	9,901,240
<b>Business-type activities</b>		
Compensated absences	335,389	319,280
Capital lease payable	4,033,567	4,355,402
Revenue bonds payable	28,342,757	29,235,770
Total business-type activities	32,711,713	33,910,452
Total outstanding debt	\$ 42,217,139	\$ 43,811,692

The decrease in long-term debt from 2013 to 2014 in both governmental and business type activities is primarily due to principal payments which reduced outstanding debt in the amount of \$1,796,238 made during the fiscal year ended June 30, 2014. The Governmental Capital Lease Payable and Revenue Bonds Payable were paid off during the year.

The Covina Public Financing Authority maintains an “AA” (insured) rating from Standard and Poor’s for the revenue bonds.

State statutes limit the amount of applicable debt the City may issue to 15 percent of the total assessed valuation. The current debt limitation for the City is \$670,372,381 which is also the current legal debt margin.

Additional information on the City’s long-term debt and other long-term liabilities can be found in note 14 of the *Notes to the Financial Statements*.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

Covina experienced a \$2.4 million or 5.8% revenue reduction in 2014 from 2013. The primary contributing factor for this decrease is one-time revenue from the dissolution of the Covina Redevelopment Agency and the distribution of excess cash within those funds in 2013. Sales tax for 2014 was 3.28% less than the prior year primarily due to the estimated payments from the State Board of Equalization being lower than projected and the higher clean-up payment received outside the accrual period.

The City applied good budgeting practices and considered new residential and retail development in formulating the 2015 budget and will continue to do so in future years.

Conservative budget policies put in place by Council direction and emphasized by the City Manager and supported by staff have enabled the City of Covina to remain fiscally solvent. We continue to maintain an emergency contingency reserve of \$7,082,741 or 20% of General Fund Appropriations as proof of this discipline.

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

**REQUESTS FOR INFORMATION**

This financial report is designated to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of the financial report is available for review at the Covina Public Library, 234 North Second Avenue, Covina, California, 91723. You may also find a copy of the report online at [www.covinaca.gov](http://www.covinaca.gov). Questions concerning any of the information provided in this report should be addressed to City of Covina Finance Department, 125 East College Street, Covina, California, 91723.

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## Government-Wide Financial Statements

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

- Statement of Net Position
- Statement of Activities

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

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

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

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

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

- Net investment in capital assets
- Restricted
- Unrestricted

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

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

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

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

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

CITY OF COVINA, CALIFORNIA  
Statement of Net Position  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 25,365,268	\$ 13,835,004	\$ 39,200,272
Cash and investments-fiscal agent		11,677,855	11,677,855
Receivables (net of allowances for uncollectibles):			
Interest	6,694	-	6,694
Accounts	279,071	3,416,789	3,695,860
Intergovernmental	4,240,738	33,701	4,274,439
Loans and notes	5,123,315	-	5,123,315
Internal balances	65,133	(65,133)	-
Inventories	85,288	59,999	145,287
Prepaid items	3,386,148	-	3,386,148
Due from successor agency	3,387,059	-	3,387,059
Investment in Covina Irrigating Company	-	6,796,871	6,796,871
Capital assets, not depreciated	11,081,289	990,432	12,071,721
Capital assets, depreciated, (net of accumulated depreciation)	61,202,946	33,018,794	94,221,740
Total assets	<u>114,222,949</u>	<u>69,764,312</u>	<u>183,987,261</u>
<b>Liabilities</b>			
Accounts payable	1,036,958	543,048	1,580,006
Deposits payable	225,770	306,358	532,128
Accrued liabilities	953,929	87,026	1,040,955
Due to other governments	2,875	-	2,875
Accrued interest payable	-	414,135	414,135
Unearned revenue	433,158	-	433,158
Long-term liabilities:			
Due within one year	1,313,983	1,256,112	2,570,095
Due in more than one year (net of unamortized discount and premium)	8,191,443	31,455,601	39,647,044
Total liabilities	<u>12,158,116</u>	<u>34,062,280</u>	<u>46,220,396</u>
<b>Deferred Inflows of Resources:</b>			
Unamortized gain on debt refunding	-	54,627	54,627
Total deferred inflows of resources	<u>-</u>	<u>54,627</u>	<u>54,627</u>
Total liabilities and deferred inflows of resources	<u>12,158,116</u>	<u>34,116,907</u>	<u>46,275,023</u>
<b>Net Position</b>			
Net investment in capital assets	72,284,235	13,256,130	85,540,365
Restricted for:			
Public safety	4,274,675	-	4,274,675
Public works	3,912,273	-	3,912,273
Culture and recreation	21,359	-	21,359
Transit	3,690,594	-	3,690,594
Redevelopment and housing	9,247,383	-	9,247,383
Unrestricted (deficit)	8,634,314	22,391,275	31,025,589
Total net position	<u>\$ 102,064,833</u>	<u>\$ 35,647,405</u>	<u>\$ 137,712,238</u>

*See accompanying notes to the financial statements.*

CITY OF COVINA, CALIFORNIA  
Statement of Activities  
For the fiscal year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 879,859	\$ 482,450	\$ 788,533	\$ -	\$ 391,124	\$ -	\$ 391,124
Public safety	25,353,602	2,506,468	819,543	-	(22,027,591)	-	(22,027,591)
Public works	7,349,352	579,193	1,599,898	-	(5,170,261)	-	(5,170,261)
Culture and recreation	4,769,656	1,184,544	113,018	13,805	(3,458,289)	-	(3,458,289)
Community development	1,305,545	1,245,885	-	1,469,251	1,409,591	-	1,409,591
Transit	1,255,368	316,429	1,352,714	-	413,775	-	413,775
Redevelopment and housing	433,609	973,329	457,660	-	997,380	-	997,380
Interest on long-term debt	21,131	-	-	-	(21,131)	-	(21,131)
<b>Total governmental activities</b>	<b>41,368,122</b>	<b>7,288,298</b>	<b>5,131,366</b>	<b>1,483,056</b>	<b>(27,465,402)</b>	<b>-</b>	<b>(27,465,402)</b>
<b>Business-type activities:</b>							
Water utility	9,757,890	13,337,157	-	-	-	3,579,267	3,579,267
Environmental protection	946,778	1,317,849	1,554	366,180	-	738,805	738,805
Sewer utility	1,564,254	2,213,642	-	-	-	649,388	649,388
<b>Total business-type activities</b>	<b>12,268,922</b>	<b>16,868,648</b>	<b>1,554</b>	<b>366,180</b>	<b>-</b>	<b>4,967,460</b>	<b>4,967,460</b>
<b>Total functions/programs</b>	<b>\$ 53,637,044</b>	<b>\$ 24,156,946</b>	<b>\$ 5,132,920</b>	<b>\$ 1,849,236</b>	<b>(27,465,402)</b>	<b>4,967,460</b>	<b>(22,497,942)</b>
<b>General revenues:</b>							
Property taxes					11,725,280	-	11,725,280
Sales taxes, intergovernmental, unrestricted					5,643,574	-	5,643,574
Transient occupancy taxes					349,310	-	349,310
Property transfer taxes					157,945	-	157,945
Business license taxes					415,362	-	415,362
Utility user taxes					5,055,632	-	5,055,632
Franchise taxes					1,480,237	-	1,480,237
Investment earnings					473,543	17,894	491,437
Investment gain in Covina Irrigating Company					-	809,727	809,727
Transfers					(33,927)	33,927	-
<b>Total general revenues and transfers</b>					<b>25,266,956</b>	<b>861,548</b>	<b>26,128,504</b>
<b>Change in net position</b>					<b>(2,198,446)</b>	<b>5,829,008</b>	<b>3,630,562</b>
Net position at beginning of fiscal year					100,885,021	30,550,325	131,435,346
Prior period adjustments					3,378,258	(731,928)	2,646,330
Net position at beginning of fiscal year, restated					104,263,279	29,818,397	134,081,676
<b>Net position at end of fiscal year</b>					<b>\$ 102,064,833</b>	<b>\$ 35,647,405</b>	<b>\$ 137,712,238</b>

See accompanying notes to the financial statements.

## Governmental Fund Financial Statements

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA

Balance Sheet  
Governmental Funds  
June 30, 2014

	General Fund	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 7,540,518	\$ 739,049	\$ 9,566,545	\$ 17,846,112
Accrued interest receivable	6,694	-	-	6,694
Utility user taxes receivable, net	49,591	-	-	49,591
Accounts receivable, net	142,675	-	36,823	179,498
Loans receivable	-	1,470,056	314,578	1,784,634
Notes receivable	-	4,742,000	-	4,742,000
Due from other governments	2,294,722	-	1,946,016	4,240,738
Due from other funds	1,275,915	-	-	1,275,915
Due from successor agency	2,654,430	3,390,509	-	6,044,939
Prepaid expenditures	13,094	-	-	13,094
Advances to other funds	15,000	-	-	15,000
Total assets	<u>\$ 13,992,639</u>	<u>\$ 10,341,614</u>	<u>\$ 11,863,962</u>	<u>\$ 36,198,215</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
Current Liabilities:				
Accounts payable	\$ 380,823	\$ 5,540	\$ 632,566	\$ 1,018,929
Deposits payable	225,770	-	-	225,770
Accrued liabilities	880,289	-	15,336	895,625
Due to other governments	-	-	2,875	2,875
Due to other funds	-	-	1,275,615	1,275,615
Due to successor agency	2,657,880	-	-	2,657,880
Unearned revenue	432,369	-	789	433,158
Total liabilities	<u>4,577,131</u>	<u>5,540</u>	<u>1,927,181</u>	<u>6,509,852</u>
Deferred Inflows of Resources:				
Unearned revenue - loans/advances	-	9,602,565	314,578	9,917,143
Unearned revenue - unavailable revenue (TOT)	248,432	-	-	248,432
Total deferred inflows of resources	<u>248,432</u>	<u>9,602,565</u>	<u>314,578</u>	<u>10,165,575</u>
Total liabilities and deferred inflows of revenues	<u>4,825,563</u>	<u>9,608,105</u>	<u>2,241,759</u>	<u>16,675,427</u>
Fund balances:				
Nonspendable	28,094	-	-	28,094
Committed	7,436,731	-	-	7,436,731
Restricted	21,359	733,509	8,145,669	8,900,537
Assigned	1,680,892	-	1,497,633	3,178,525
Unassigned	-	-	(21,099)	(21,099)
Total fund balances	<u>9,167,076</u>	<u>733,509</u>	<u>9,622,203</u>	<u>19,522,788</u>
Total liabilities and fund balances	<u>\$ 13,992,639</u>	<u>\$ 10,341,614</u>	<u>\$ 11,863,962</u>	<u>\$ 36,198,215</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2014

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

Fund balances-total governmental funds	\$	19,522,788
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of net position includes those capital assets (net of accumulated depreciation) among the assets of the City as a whole. Not including amounts reported in the internal service funds below.		70,745,556
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 outflows in the governmental funds and not included in fund balance. Unearned revenue associated with these assets is not included in the statement of net position.		10,165,575
CalPERS Side Fund asset is not an asset on the governmental funds as it is not available for use in the current period.		3,361,406
These loans are contingent loans that are to be forgiven or reissued on the property for 45 years. This is an allowance for the future collectibility.		(1,403,319)
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 position. Net of those included in internal service fund below.		(9,228,671)
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 position. These are net of amounts allocated to enterprises funds.		8,901,498
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities	\$	<u><u>102,064,833</u></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, 2014

	General Fund	Housing Authority	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 11,618,379	\$ -	\$ 106,901	\$ 11,725,280
Sales taxes, intergovernmental	5,643,574	-	-	5,643,574
Transient occupancy taxes	100,878	-	-	100,878
Property transfer taxes	157,945	-	-	157,945
Business license taxes	413,777	-	1,585	415,362
Utility user taxes	5,055,632	-	-	5,055,632
Franchise taxes	1,480,237	-	-	1,480,237
Licenses and permits	756,173	-	-	756,173
Intergovernmental	843,402	-	6,494,875	7,338,277
Charges for services	2,082,455	-	666,064	2,748,519
Fines and forfeits	828,444	-	-	828,444
Special assessments	-	-	725,365	725,365
Investment earnings	156,912	-	29,715	186,627
Miscellaneous and donations	1,341,387	20,415	7,921	1,369,723
Total revenues	<u>30,479,195</u>	<u>20,415</u>	<u>8,032,426</u>	<u>38,532,036</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	503,430	-	-	503,430
Public safety	23,985,753	-	429,963	24,415,716
Public works	1,672,834	-	1,510,239	3,183,073
Culture and recreation	4,501,958	-	44,573	4,546,531
Community development	1,289,508	-	-	1,289,508
Transit	-	-	980,911	980,911
Redevelopment and housing	-	8,571	457,661	466,232
Capital outlay	1,052,360	-	1,770,936	2,823,296
<b>Debt service:</b>				
Principal	109,404	-	470,000	579,404
Interest and fiscal charges	1	-	23,500	23,501
Total expenditures	<u>33,115,248</u>	<u>8,571</u>	<u>5,687,783</u>	<u>38,811,602</u>
Excess (deficiency) of revenues over expenditures	<u>(2,636,053)</u>	<u>11,844</u>	<u>2,344,643</u>	<u>(279,566)</u>
<b>Other financing sources (uses):</b>				
Gain on sale of property	-	706,098	14,278	720,376
Transfers out	(742,638)	-	(460,115)	(1,202,753)
Transfers in	428,550	-	548,599	977,149
Total other financing sources (uses)	<u>(314,088)</u>	<u>706,098</u>	<u>102,762</u>	<u>494,772</u>
Net change in fund balances	<u>(2,950,141)</u>	<u>717,942</u>	<u>2,447,405</u>	<u>215,206</u>
Fund balances at beginning of fiscal year	11,644,925	15,567	7,656,245	19,316,737
Prior period adjustments	472,292	-	(481,447)	(9,155)
Fund balances at beginning of fiscal year restated	12,117,217	15,567	7,174,798	19,307,582
Fund balances at end of fiscal year	<u>\$ 9,167,076</u>	<u>\$ 733,509</u>	<u>\$ 9,622,203</u>	<u>\$ 19,522,788</u>

See accompanying notes to the financial statements.

CITY OF COVINA, CALIFORNIA  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014

<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Net change in fund balances-total governmental funds	\$ 215,206
Capital assets purchased or constructed for governmental activities are reported as expenditures in the governmental funds. The statement of activities allocates those capital assets over their estimated useful lives as a depreciation expense charged for the year. This is the amount by which depreciation expense exceeds capital outlay. Net of deprecation included within internal service funds below.	(1,750,058)
The focus of governmental funds is on short-term financing, therefore, some assets are offset by unearned revenue or deferred inflows. Loans and notes issued during the year are reported as expenditures in the governmental funds when paid. Collections of loans and notes are reported as revenues in the governmental funds when received. The annual activity for loans and notes is not reported as revenues and expenses in the statement of activities. Net activity including establishment of an allowance.	281,193
Advance funding to pay OPEB costs. This amount reduces the liability in the Statement of Net Position.	450,000
Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as interest expense in governmental funds. The statement of activities reports accrued interest. This is net change.	2,370
Capital asset sales and disposal are not reflected in the governmental funds except for proceeds. In the government-wide statements the gain or loss is reported.	(1,152,610)
Long-term bond proceeds are reported as other financing sources. Principal bond retirement payments are reported as expenditures in the governmental funds and thus, contribute to the change in fund balance. Issuing bonded debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Principal bond payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized charges are included in the statement of net assets and are amortized as an expense in the statement of activities. These are the net changes.	(89,097)
Amortization of the CalPERS Side fund is an expenditure in the government-wide statement of activities. Also accrued interest on the Side fund asset is recognized as a revenue in the government-wide statement of activities. This is the amount by which the amortization (\$435,233) exceeds the earnings (\$249,974).	(185,259)
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.	29,809
Change in net position of governmental activities	<u>\$ (2,198,446)</u>

*See accompanying notes to the financial statements.*

## Proprietary Fund Financial Statements

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

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

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

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

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

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

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

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

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

**CITY OF COVINA, CALIFORNIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Enterprise Funds				Gov. Activities
	Water Utility	Environmental	Sewer	Total	Internal Services Funds
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 10,530,061	\$ 1,149,616	\$ 2,155,327	\$ 13,835,004	\$ 7,519,156
Cash and investments-fiscal agent	4,088,964	-	7,588,891	11,677,855	-
Accounts receivable, net	3,205,597	211,192	-	3,416,789	49,982
Due from other governments	-	-	33,701	33,701	-
Prepaid expenses	-	-	-	-	11,648
Inventories	59,999	-	-	59,999	85,288
Total current assets	<u>17,884,621</u>	<u>1,360,808</u>	<u>9,777,919</u>	<u>29,023,348</u>	<u>7,666,074</u>
Noncurrent assets:					
Investment in Covina Irrigating Company	6,796,871	-	-	6,796,871	-
Capital assets not being depreciated	990,432	-	-	990,432	-
Capital assets net of accumulated depreciation	24,818,459	960,143	7,240,192	33,018,794	1,538,679
Total noncurrent assets	<u>32,605,762</u>	<u>960,143</u>	<u>7,240,192</u>	<u>40,806,097</u>	<u>1,538,679</u>
Total assets	<u>50,490,383</u>	<u>2,320,951</u>	<u>17,018,111</u>	<u>69,829,445</u>	<u>9,204,753</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	465,861	72,788	4,399	543,048	18,029
Deposits payable	292,734	13,624	-	306,358	-
Current portion of compensated absences payable	44,660	9,500	9,910	64,070	58,545
Accrued liabilities	56,876	15,824	14,326	87,026	58,304
Due to other funds	300	-	-	300	-
Accrued interest payable	252,121	-	162,014	414,135	-
Current portion of capital lease payable	269,029	-	-	269,029	-
Current portion of revenue bonds payable, net	270,632	-	652,381	923,013	-
Total current liabilities	<u>1,652,213</u>	<u>111,736</u>	<u>843,030</u>	<u>2,606,979</u>	<u>134,878</u>
Noncurrent liabilities:					
Compensated absences payable	215,819	41,080	14,420	271,319	218,210
Advances from other funds	-	-	-	-	15,000
Capital lease payable	3,764,538	-	-	3,764,538	-
Revenue bonds payable, net	13,951,406	-	13,468,338	27,419,744	-
Total noncurrent liabilities	<u>17,931,763</u>	<u>41,080</u>	<u>13,482,758</u>	<u>31,455,601</u>	<u>233,210</u>
Total liabilities	<u>19,583,976</u>	<u>152,816</u>	<u>14,325,788</u>	<u>34,062,580</u>	<u>368,088</u>
<b>Deferred Inflows of Resources:</b>					
Unamortized gain on debt refunding	54,627	-	-	54,627	-
Total deferred inflows of resources	<u>54,627</u>	<u>-</u>	<u>-</u>	<u>54,627</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>19,638,603</u>	<u>152,816</u>	<u>14,325,788</u>	<u>34,117,207</u>	<u>368,088</u>
<b>Net position</b>					
Net investment in capital assets	11,587,623	960,143	708,364	13,256,130	1,538,679
Unrestricted	19,264,157	1,207,992	1,983,959	22,456,108	7,297,986
Total net position	<u>\$ 30,851,780</u>	<u>\$ 2,168,135</u>	<u>\$ 2,692,323</u>	<u>35,712,238</u>	<u>\$ 8,836,665</u>

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

(64,833)  
\$ 35,647,405

See accompanying notes to the financial statements.

**CITY OF COVINA, CALIFORNIA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year ended June 30, 2014**

	Enterprise Funds				Governmental Activities Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
Operating Revenues:					
Water sales	\$ 11,502,734	\$ -	\$ -	\$ 11,502,734	\$ -
Environmental fees	-	1,314,533	-	1,314,533	-
Sewer fees	-	-	2,213,642	2,213,642	-
Motor pool charges	-	-	-	-	1,432,650
Insurance charges	-	-	-	-	1,126,491
Fire line fees	296,116	-	-	296,116	-
Meter installation fees	34,796	-	-	34,796	-
Leased Water Rights and Other	1,503,511	3,316	-	1,506,827	-
Information technology charges	-	-	-	-	1,629,405
Intergovernmental revenue, unrestricted	-	1,554	-	1,554	-
Total operating revenues	<u>13,337,157</u>	<u>1,319,403</u>	<u>2,213,642</u>	<u>16,870,202</u>	<u>4,188,546</u>
Operating expenses:					
Management information systems	-	-	-	-	1,463,224
Central equipment	-	-	-	-	1,119,432
General and administrative	904,636	134,136	784,732	1,823,504	-
Utility billing	542,363	-	-	542,363	-
Customer service	522,682	-	-	522,682	-
Sales promotion	16,979	-	-	16,979	-
Source and supply	3,944,941	-	-	3,944,941	-
Production and storage	497,422	-	-	497,422	-
Transmission and distribution	1,394,900	-	-	1,394,900	-
Street sweeping	-	154,111	-	154,111	-
Environmental services	-	334,786	-	334,786	-
Insurance services	-	-	-	-	1,538,024
Refuse collection	-	380	-	380	-
Industrial waste	-	42,832	-	42,832	-
Waste management	-	266,844	-	266,844	-
Depreciation	867,235	13,689	110,795	991,719	381,764
Total operating expenses	<u>8,691,158</u>	<u>946,778</u>	<u>895,527</u>	<u>10,533,463</u>	<u>4,502,444</u>
Operating income	<u>4,645,999</u>	<u>372,625</u>	<u>1,318,115</u>	<u>6,336,739</u>	<u>(313,898)</u>
Nonoperating revenues (expenses):					
Gain on sale of capital assets	-	-	-	-	32,565
Interest expense	(947,271)	-	(668,727)	(1,615,998)	-
Investment gain-CIC	809,727	-	-	809,727	-
Investment earnings	1,965	-	15,929	17,894	-
Total nonoperating revenues	<u>(135,579)</u>	<u>-</u>	<u>(652,798)</u>	<u>(788,377)</u>	<u>32,565</u>
Transfers					
Transfer in	-	179,591	-	179,591	226,979
Transfer out	(122,940)	-	(22,724)	(145,664)	(35,302)
Total Transfers	<u>(122,940)</u>	<u>179,591</u>	<u>(22,724)</u>	<u>33,927</u>	<u>191,677</u>
Capital contributions	-	366,180	-	366,180	-
Change in net position	4,387,480	918,396	642,593	5,948,469	(89,656)
Net position at beginning of fiscal year, restated	26,464,300	1,249,739	2,049,730		8,926,321
Net position at end of fiscal year	<u>\$ 30,851,780</u>	<u>\$ 2,168,135</u>	<u>\$ 2,692,323</u>		<u>\$ 8,836,665</u>

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

Change in net position of business-type activities

(119,461)  
\$ 5,829,008

See accompanying notes to the financial statements.

**CITY OF COVINA, CALIFORNIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	Enterprise Funds				Internal Service Funds
	Water Utility	Environmental	Sewer	Total	
<b>Cash flows from operating activities:</b>					
Cash received from customers, users and grants	\$ 11,710,065	\$ 1,331,146	\$ 2,203,994	\$ 15,245,205	\$ 4,251,243
Cash paid to suppliers for goods and services	(5,837,292)	(425,990)	(1,393,722)	(7,657,004)	(2,987,813)
Cash paid to employees for services	(1,246,828)	(342,052)	(302,912)	(1,891,792)	(1,333,898)
Cash paid for interfund services-net	(232,031)	(115,560)	(191,260)	(538,851)	-
Net cash provided by operating activities	<u>4,393,914</u>	<u>447,544</u>	<u>316,100</u>	<u>5,157,558</u>	<u>(70,468)</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(1,648,162)	(42,575)	(1,336,882)	(3,027,619)	(412,936)
Proceeds from sale of capital assets	-	-	-	-	32,565
Capital lease payments	(256,390)	-	(65,444)	(321,834)	-
Revenue bonds principal repayments	(255,000)	-	(640,000)	(895,000)	-
Interest paid on revenue bonds	(961,961)	-	(665,108)	(1,627,069)	-
Net cash provided by (used for) capital and related financing activities	<u>(3,121,513)</u>	<u>(42,575)</u>	<u>(2,707,434)</u>	<u>(5,871,522)</u>	<u>(380,371)</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers to other funds	(122,940)	-	(22,724)	(145,664)	(35,302)
Transfers from other funds	-	179,591	-	179,591	226,979
Net cash used by non-capital financing activities	<u>(122,940)</u>	<u>179,591</u>	<u>(22,724)</u>	<u>33,927</u>	<u>191,677</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	1,965	-	15,929	17,894	-
Net increase (decrease) in cash and cash equivalents	1,151,426	584,560	(2,398,129)	(662,143)	(259,162)
Cash and cash equivalents beginning of fiscal year	13,467,599	565,056	12,142,347	26,175,002	7,778,318
Cash and cash equivalents end of fiscal year	<u>\$ 14,619,025</u>	<u>\$ 1,149,616</u>	<u>\$ 9,744,218</u>	<u>\$ 25,512,859</u>	<u>\$ 7,519,156</u>
<b>Reconciliation of the statement of net position</b>					
Cash and investments	\$ 10,530,061	\$ 1,149,616	\$ 2,155,327	\$ 13,835,004	\$ 7,519,156
Cash and investments - fiscal agent	4,088,964	-	7,588,891	11,677,855	-
Total cash and investments	<u>\$ 14,619,025</u>	<u>\$ 1,149,616</u>	<u>\$ 9,744,218</u>	<u>\$ 25,512,859</u>	<u>\$ 7,519,156</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ 4,645,999	\$ 372,625	\$ 1,318,115	\$ 6,336,739	\$ (313,898)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>					
Depreciation	867,235	13,689	110,795	991,719	381,764
<b>Change in operating assets and liabilities:</b>					
Decrease (increase) in accounts receivable	(1,645,470)	15,815	-	(1,629,655)	62,697
Decrease (increase) in due from other governments	-	-	(9,648)	(9,648)	-
Increase in prepaid expenses	-	-	-	-	6,348
Decrease (increase) in inventories	(8,779)	-	-	(8,779)	(31,073)
Increase (decrease) in accounts payable	(561,175)	34,457	(53,007)	(579,725)	(155,095)
Increase (decrease) in deposits payable	18,378	(4,820)	-	13,558	-
Increase (decrease) in compensated absences payable	6,460	9,340	310	16,110	(34,908)
Increase in accrued liabilities	15,669	5,690	4,832	26,191	13,697
Increase (decrease) in due to other funds	1,055,597	748	(1,055,297)	1,048	-
Total adjustments	<u>(252,085)</u>	<u>74,919</u>	<u>(1,002,015)</u>	<u>(1,179,181)</u>	<u>243,430</u>
Net cash provided by operating activities	<u>\$ 4,393,914</u>	<u>\$ 447,544</u>	<u>\$ 316,100</u>	<u>\$ 5,157,558</u>	<u>\$ (70,468)</u>
<b>Noncash capital and related financing activities</b>					
Capital contributions	\$ -	\$ 366,180	\$ -	\$ 366,180	\$ -
Investment gain-Covina Irrigating Company	809,727	-	-	809,727	-
Amortization of (discount) premium	7,656	-	(7,619)	37	-
Retirement of capital assets	52,637	-	-	52,637	358,746
Retirement of accumulated depreciation on capital assets	(52,637)	-	-	(52,637)	(358,746)
Net effect on noncash activities	<u>\$ 817,383</u>	<u>\$ 366,180</u>	<u>\$ (7,619)</u>	<u>\$ 1,175,944</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

## Fiduciary Financial Statements

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

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

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

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

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

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

**CITY OF COVINA**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

	Private- Purpose Trust	Agency Funds
<b>Assets:</b>		
Cash and investments	\$ 9,062,556	\$ 247
Cash and investments - fiscal agent	3,946,260	-
Accounts receivable	11,868	-
Prepaid expenses	104,915	-
Due from City of Covina	2,657,635	-
Land held for resale	7,229,071	-
Capital assets, not being depreciated	245,698	-
Capital assets, deprectd (net)	9,295,172	-
Total assets	32,553,175	\$ 247
<b>Deferred Outflows of Resources:</b>		
Deferred loss on refunding of debt	190,831	
Total deferred outflows of resources	190,831	
Total assets and deferred outflows	32,744,006	
<b>Liabilities:</b>		
Account payable	4,665	\$ -
Accrued liabilities	12,070	-
Due to associates	-	247
Interest payable	132,050	-
Long-term debt:		
Due within one year	2,498,035	-
Due in more than one year	30,855,764	-
Total liabilities	33,502,584	\$ 247
<b>Deferred Inflows of Resources:</b>		
Unearned revenue - obligation retirement	3,938,967	
Total deferred inflows of resources	3,938,967	
Total liabilities and deferred inflows of resources	37,441,551	
<b>Net Position (Deficit)</b>		
Held in trust for others	\$ (4,697,545)	

*See accompanying notes to the financial statements.*

**CITY OF COVINA**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2014**

	Private- Purpose Trust
<b>Additions:</b>	
Property taxes	\$ 1,628,367
Charges for services	727,294
Investment earnings	153,607
Others	8,730
Total additions	2,517,998
<b>Deductions:</b>	
General and administrative	262,417
Interest and fiscal charges	807,783
Bond issuance cost	453,078
Program expenses	825,859
Depreciation	312,786
Total deductions	2,661,923
Change in net position	(143,925)
Net position - beginning of fiscal year	(196,075)
Prior period adjustments	(4,357,545)
Net position - beginning of the fiscal year, restated	(4,553,620)
Net position (deficit) - end of the fiscal year	\$ (4,697,545)

*See accompanying notes to the financial statements.*

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**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

Since the City Council acts as the Board of Directors and is able to impose its will on the Covina Public Financing Authority and the Covina Housing Authority, the City is considered to be the primary government and the other three entities are component units. Additionally, since the governing boards of the City and the two other component units are the same, the financial statements of the City and the two component units are blended.

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

The Covina Redevelopment Agency (Agency) was established in 1969, pursuant to the State of California, Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Covina. On June 28, 2011, Assembly Bill X1 26 (AB X1 26), the Dissolution bill was enacted. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. On January 11, 2012, the City adopted a resolution declaring its intent to serve as the Successor Agency and on January 30, 2012, the City Council adopted a resolution to retain the Housing assets and functions of the former redevelopment agency and the Housing Authority of the City will serve as the Housing Successor Agency.

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Financial Reporting Entity (Continued)**

The Covina Housing Authority (Housing Authority) was formed January 25, 2011, in order to continue to achieve the goals established by the Housing Element of the general plan. A housing authority collaborates with public, private and non-profit entities agencies for the purpose of providing sanitary and safe housing for people of very low, low or moderate income within a city or county's territorial jurisdiction. The core activities of many housing authorities are primarily to build, acquire, own, manage and maintain residential rental units and to provide financial assistance for rentals or ownership in the private real estate market. A housing authority is governed by the state Housing Authority Law, and for purposes of major federal funding, if any is received, regulations of the U.S. Department of Housing and Urban Development (HUD). Further, a housing authority is not required under the Housing Authority Law to seek HUD or any other type of outside funding. On January 30, 2012, the City Council adopted a resolution to retain the Housing assets and functions of the dissolved Agency and the Housing Authority of the City will serve as the Housing Successor Agency.

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

**B. Government-wide and Fund Financial Statements**

The accompanying financial statements are presented on the basis prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The *Basic Financial Statements* of the City are as follows:

***Government-wide Financial Statements***

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Fund Financial Statements*

Separate financial statements of the City, including blended component units, are provided for major individual governmental, proprietary, and fiduciary funds which include the private purpose trust fund and agency fund. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The City reports the following major governmental funds:

***General Fund***

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

***Housing Authority Fund***

The special revenue fund administers the housing assets, liabilities, duties, and obligations related to the housing activities retained by the City following the dissolution of the Covina Redevelopment Agency. This fund receives the majority of its revenues from collections and interest on loans.

The City reports the following major proprietary funds:

***Water Utility Fund***

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

***Environmental Fund***

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

***Sewer Fund***

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

Additionally, the City reports the following fund types:

***Internal Service Funds***

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Agency Funds*

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

*Private Purpose Trust Fund*

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

In reporting the financial activities of its business-type activities and proprietary funds, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The City has elected not to follow subsequent pronouncements.

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

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Encumbrances**

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

**E. Use of Estimates**

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

**F. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 65

For the fiscal year June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did have an impact on the City's financial statements for the fiscal year ended June 30, 2014. Items previously reported as assets and liabilities are now reported as deferred inflows or outflows of resources.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction – 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. New Accounting Pronouncements (Continued)**

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

**G. Cash and Cash Equivalents**

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

**H. Investments**

Investments are stated at fair value using quoted market prices. Investment elements, including interest and changes in fair value, are aggregated and reported as investment earnings in the financial statements.

**I. Inventories and Prepaid Items**

Inventories are priced at the lower of cost or market on a first-in, first-out basis. The inventories consist primarily of water parts, vehicle and equipment parts and gasoline. Inventories of governmental funds are considered immaterial and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. See Note 15 for more information about the prepaid CalPERS Side Fund.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences**

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

**K. Capital Assets**

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

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

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

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

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

**L. Leased Property**

The City receives some of its operating revenues in the form of rent payments from lessees of the parcels of land. The period of these leases could range from 3-5 years. The rent paid by each lessee is a set monthly amount determined by the lease agreement. All leases are cancellable.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Leased property (Continued)**

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

<u>Lessee</u>	<u>Address Leased</u>	<u>Type of Property</u>	<u>Lease-Term</u>		<u>Monthly Rent</u>
				<u>Beginning/Ending</u>	
Comcast	Public right of way	Easements		Month to month	5% franchise
Bank of America	212 E. Badillo St.	ATM site		12/4/13-12/3/18	\$ 3,850
Nextel	2001 Edmund Halley	Communication		Month to month	\$ 1,267
Giovanni's	114 E. Italia	Commercial		12/1/13-12/1/16	\$ 1,378
Verizon Wireless	P.O. Box 2167	Communication		Month to month	\$ 1,276
T-Mobile	6100 Atlantic Blvd	Communication		Month to month	\$ 581
Sprint	P.O. Box 7977	Communication		Month to month	\$ 1,005
AT&T	Metrolink Parking	Communication		Annual	\$30,000

**M. Capitalization of Leases**

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

**N. Claims and Judgments**

The accrual for workers' compensation and general liability claims is based upon an actuarial review of the past experience which has been modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2014, is dependent on future developments, based on information from the plan administrators, City management believes that the aggregate accrual is adequate to cover such losses, including amounts for incurred but not reported.

**O. Net Position**

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

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

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or enabling legislation. At June 30, 2014, the restricted net position are \$21,146,284, of which, \$761,412 is restricted by enabling legislation.

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

“Total fund balances” of the City’s governmental funds is \$19,522,788 which differs from “net position” of \$102,064,833 in governmental activities reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position 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 position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 154,476,860
Accumulated depreciation	<u>(83,731,304)</u>
	<u><u>\$ 70,745,556</u></u>

***Long-term Receivables***

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

Adjustment of unearned revenue	\$ 10,165,575
Allowance for uncollectible loans/notes	<u>(1,403,319)</u>
	<u><u>\$ 8,762,256</u></u>

***Prepaid Items***

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

	<u>\$ 3,361,406</u>
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***Long-term Liabilities***

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

*Long-term Liabilities (Continued)*

Post-employment benefits	\$ (386,667)
Compensated absences payable	(3,598,004)
Claims and judgments payable	<u>(5,244,000)</u>
	<u>\$ (9,228,671)</u>

*Internal Service Funds*

Internal service funds are used by management to charge the costs of the central equipment, management information systems, worker’s compensation and general liability activities to individual funds. The internal service fund assets and liabilities are included in governmental activities in the statement of net position. Net of amounts allocated to proprietary funds.

Net position of internal service funds	<u>\$ 8,901,498</u>
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**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” increase of \$215,206 for governmental funds differs from the “change in net position” decrease of \$(2,198,446) for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

*Capital Assets*

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

Capital outlay	\$ 2,777,759
Depreciation expense	<u>(4,527,816)</u>
	<u>\$ (1,750,057)</u>

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

*Capital Assets (Continued)*

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

Adjusted basis on disposal of capital assets	<u>\$ (1,152,610)</u>
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*Long-term Receivables*

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

Change in operating expense	<u>\$ 281,193</u>
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*Interest on Long-term Debt*

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

Change in interest on long-term debt	<u>\$ 2,370</u>
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*Long-term Liabilities*

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

*Long-term Liabilities (Continued)*

Change in post-retirement benefit	\$ (441,838)
CalPERS side fund payment	(185,259)
Principal retirement	579,404
Amortization of bond premium	36,804
Advance funding of OPEB	450,000
Change in claims and judgments	(32,010)
Change in compensated absences	(231,457)
	\$ 175,644

*Internal Service Funds*

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

Net change in net position of internal service funds	\$ 29,809
	\$ 29,809

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Charges over Appropriations**

For the fiscal year ended June 30, 2014, there were no expenditures that exceeded appropriations.

**B. Deficit Fund Equity**

The Lighting Assessment District special revenue fund had a deficit fund balance of \$16,216 as of June 30, 2014. This fund incurs more expenses than it collects for services rendered. The City tried to pass a City-wide Lighting District assessment to address the deficit fund balance during 2011-12, however, it failed to pass. Staff will explore other options again in the near future. In the meantime, the General Fund will continue to fund these expenditures. The Successor Agency private purpose trust fund had a deficit net position of \$4,697,545 as of June 30, 2014. The Air Quality Improvement Fund has a deficit fund balance of \$1,247 as of June 30, 2014. This should be alleviated as revenues are reserved. The Library Grant Special Revenue Fund has a deficit fund balance of \$549 as of June 30, 2014. Future revenues should alleviate this deficit. Future special assessments in the Community Facilities District Fund should alleviate the \$3,087 deficit fund balance.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 4. CASH AND INVESTMENTS**

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

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds		Total
			SACRA	Agency	
Statement of net position:					
Cash and investments	\$ 25,365,268	\$ 13,835,004	\$ 9,062,556	\$ 247	\$ 48,263,075
Cash and investments - fiscal agent	-	11,677,855	3,946,260	-	15,624,115
Total cash and investments	<u>\$ 25,365,268</u>	<u>\$ 25,512,859</u>	<u>\$ 13,008,816</u>	<u>\$ 247</u>	<u>\$ 63,887,190</u>
Cash and investments as of June 30, 2014, consist of the following:					
Cash on hand	\$ 8,285	\$ 150	\$ -	\$ -	\$ 8,435
Deposits with financial institutions	2,735,233	353,793	3,405,479	247	6,494,752
Investments	22,621,750	25,158,916	9,603,337	-	57,384,003
Total cash and investments	<u>\$ 25,365,268</u>	<u>\$ 25,512,859</u>	<u>\$ 13,008,816</u>	<u>\$ 247</u>	<u>\$ 63,887,190</u>

**Authorized Investments**

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 4. CASH AND INVESTMENTS (Continued)**

**Investments Authorized by Debt Agreements**

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

**Interest Rate Risk**

Changes in interest rates could adversely affect the fair market values of an investment. The interest rate risk is monitored by the City by measuring the weighted average maturity of its portfolio. Generally, the longer the maturity of an investment, the greater sensitivity of its fair market value to changes in market interest rates. The City manages its exposure to declines in market values by limiting the weighted average maturity of its investments to less than twenty-four months. The investments held by bond trustees are primarily invested in highly liquid money market mutual funds, and thus are not highly sensitive to interest rate fluctuations. The following table provides information concerning interest rate risk as of June 30, 2014.

<b>Investment type</b>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State investment pool	\$ 20,290,484	0.64
U.S. Treasury securities	18,341,036	1.91
Money market funds	3,126,695	0.10
Held by bond trustee:		
State investment pool	5,601,228	0.64
Money market funds	10,024,560	0.73
Total	<u>\$ 57,384,003</u>	

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Certain investments, such as obligations, which are backed by the full faith and credit of the United States Government, are exempt from credit rating disclosures. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements and the actual rating as of fiscal year end for each investment type:

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 4. CASH AND INVESTMENTS (Continued)**

**Credit Risk (Continued)**

	<b>Minimum Credit Rating</b>	<b>AAA</b>	<b>AA+</b>	<b>A+</b>	<b>Not Required to be Rated or Not Rated</b>
State investment pool	N/A	\$ -	\$ -	\$ -	\$ 20,290,484
U.S. Treasury Notes	N/A	-	-	-	18,341,036
Money market funds	AAA	3,126,695	-	-	-
Held by bond trustee:					
State investment fund	AA-/Aa-	-	-	-	5,601,228
Money market funds	N/A	10,024,560	-	-	-
		<u>\$ 13,151,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,232,748</u>

**Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

**Custodial Credit Risk**

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

As of June 30, 2014, \$8,228,203 of the City's deposits with financial institutions in excess of federal depository insurance limits are held in collateralized accounts.

**Investment in State Investment Pool**

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5. INTERFUND TRANSACTIONS**

**A. Interfund Balances**

Operating receivables between funds are classified as due from or due to other funds. Negative individual fund cash and investment balances are offset by a due from other funds in the General Fund with a due to other funds set up in those funds owing the General Fund. The following are due from and due to balances as of June 30, 2014:

Receivable Fund	Payable Fund	Amount
General-major governmental fund	Non-major governmental	\$ 1,275,615
General-major governmental	Water-major proprietary fund	300
	Totals	\$ 1,275,915

**Interfund Transfers**

Transfers between funds are generally subsidies from one fund to another fund, funding of workers compensation and general liability reserves and reimbursement for expenditures incurred. The following are the interfund transfers for fiscal year ended June 30, 2014.

Transfers In Fund	Transfers Out Fund	Amount
General-major governmental fund	Internal service funds	\$ 35,302
	Non-major governmental funds	370,524
	Sewer-major property fund	22,724
		428,550
Internal service funds	Water utility - major proprietary	122,940
	General fund	104,039
		226,979
Environmental - major proprietary	Non-major governmental	179,591
Non-major governmental	General fund	638,599
Total		\$ 1,473,719

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

Advances to/from other funds are non-current interfund loans and are offset by a nonspendable fund balance indication in applicable governmental funds to indicate they are not in spendable form. The following are advances to/from other funds as of June 30, 2014:

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 5. INTERFUND TRANSACTIONS (Continued)**

**C. Internal Balances**

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

**NOTE 6. PROPERTY TAXES**

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

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

**NOTE 7. NOTES RECEIVABLE**

The former Agency entered into agreement with Covina Gardens, KBS, L.P., a California Limited Partnership (Developer) to effectuate the Redevelopment Plan for the Covina Revitalization Project No. 1 by providing for the rehabilitation of residential rental housing development existing on a site acquired by the Developer which will maintain the supply and availability of low and moderate income housing, including very low income units. The former Agency provided assistance to the Developer in the form of notes secured by a second deed of trust in the amount not to exceed \$4,742,000. The interest rate range is 2% per year and notes receivable are due in 55 years. There is no allowance for notes receivable because management believes that they are fully collectible. The outstanding balance of the notes as of June 30, 2014 was \$4,742,000.

**NOTE 8. LOANS RECEIVABLE**

The City's Community Development Block Grant (CDBG) program provides low-income housing and economic assistance to qualifying households and businesses. Due to the long-term nature of the deferred loans, the City has deferred recognition of revenues until receipt and these amounts have been recorded as loans receivable and deferred revenue in the special revenue fund. The loans do not require monthly repayment. In addition to CDBG loans, first time homebuyer loans made by the former Covina Redevelopment Agency are now administered by the Housing Authority. The loans for the first-time homebuyer and for down payment assistance bear interest from 1.5% to 6.875%. The first-time home buyer loans are forgiven after 45 consecutive years of occupying the home purchased, while the down payment assistance is forgiven after 20 years of occupying the home purchased. The housing rehabilitation program loan is secured by a deed of trust on the property, and is due upon sale or transfer of the title of the property. The outstanding balance as of June 30, 2014 of all loans was \$1,784,634. Due to the forgiveness feature of these loans the City has established an allowance for uncollectible loans in the amount of \$1,403,319 in the government wide statements.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
<b>Governmental activities</b>					
Capital assets, not depreciated:					
Land	\$ 9,834,268	\$ -	\$ (730,200)	\$ -	\$ 9,104,068
Construction in progress	808,745	1,682,191	(366,180)	(147,535)	1,977,221
Total capital assets, not depreciated	<u>10,643,013</u>	<u>1,682,191</u>	<u>(1,096,380)</u>	<u>(147,535)</u>	<u>11,081,289</u>
Capital assets, depreciated:					
Buildings and structures	20,088,079	-	-	-	20,088,079
Improvements other than buildings	4,228,152	-	-	13,000	4,241,152
Public domain infrastructure	108,475,157	-	(321,534)	24,024	108,177,647
Sanitary sewer infrastructure	6,317,049	-	(95,368)	-	6,221,681
Machinery and equipment	9,339,852	1,508,504	(358,746)	110,511	10,600,121
Total capital assets, depreciated	<u>148,448,289</u>	<u>1,508,504</u>	<u>(775,648)</u>	<u>147,535</u>	<u>149,328,680</u>
Less accumulated depreciation for:					
Buildings and structures	(6,730,874)	(396,859)	-	-	(7,127,733)
Improvements other than buildings	(3,132,290)	(125,454)	-	-	(3,257,744)
Public domain infrastructure	(63,445,501)	(3,588,990)	265,304	-	(66,769,187)
Sanitary sewer infrastructure	(3,979,083)	(93,081)	95,368	-	(3,976,796)
Machinery and equipment	(6,647,824)	(705,196)	358,746	-	(6,994,274)
Total accumulated depreciation	<u>(83,935,572)</u>	<u>(4,909,580)</u>	<u>719,418</u>	<u>-</u>	<u>(88,125,734)</u>
Total capital assets, depreciated, net	<u>64,512,717</u>	<u>(3,401,076)</u>	<u>(56,230)</u>	<u>147,535</u>	<u>61,202,946</u>
Total capital assets, net	<u>\$ 75,155,730</u>	<u>\$ (1,718,885)</u>	<u>\$ (1,152,610)</u>	<u>\$ -</u>	<u>\$ 72,284,235</u>

Depreciation expense was charged to the following categories.

Governmental activities:	
Community development	\$ 19,470
General government	41,921
Public safety	540,793
Public works	3,722,080
Culture and recreation	232,303
Transit	274,369
Internal service funds charged to property funds	78,644
Total governmental activities	<u>\$ 4,909,580</u>

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 9. CAPITAL ASSETS (Continued)**

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
<b>Business-type activities</b>					
Capital assets, not depreciated:					
Land	\$ 377,408	\$ -	\$ -	\$ -	\$ 377,408
Construction in progress	11,716,269	2,726,971	(543,317)	(13,286,899)	613,024
Total capital assets, not depreciated	<u>12,093,677</u>	<u>2,726,971</u>	<u>(543,317)</u>	<u>(13,286,899)</u>	<u>990,432</u>
Capital assets, depreciated:					
Buildings and structures	6,545,001	-	-	5,893,343	12,438,344
Improvements other than buildings	159,675	-	-	30,551	190,226
Water system infrastructure	22,049,195	-	(52,637)	7,200,317	29,196,875
Machinery and equipment	1,593,766	666,828	-	162,688	2,423,282
Total capital assets, depreciated	<u>30,347,637</u>	<u>666,828</u>	<u>(52,637)</u>	<u>13,286,899</u>	<u>44,248,727</u>
Less accumulated depreciation for:					
Buildings and structures	(1,877,731)	(186,926)	-	-	(2,064,657)
Improvements other than buildings	(49,575)	(7,673)	-	-	(57,248)
Water system infrastructure	(7,125,364)	(701,321)	52,637	-	(7,774,048)
Machinery and equipment	(1,238,181)	(95,799)	-	-	(1,333,980)
Total accumulated depreciation	<u>(10,290,851)</u>	<u>(991,719)</u>	<u>52,637</u>	<u>-</u>	<u>(11,229,933)</u>
Total capital assets, depreciated, net	<u>20,056,786</u>	<u>(324,891)</u>	<u>-</u>	<u>13,286,899</u>	<u>33,018,794</u>
Total capital assets, net	<u>\$ 32,150,463</u>	<u>\$ 2,402,080</u>	<u>\$ (543,317)</u>	<u>\$ -</u>	<u>\$ 34,009,226</u>

Depreciation expense was charged to the following categories.

Business-type activities	
Water utility	\$ 867,235
Environmental protection	13,689
Sewer	110,795
Total business-type activities	<u>\$ 991,719</u>

At June 30, 2014, \$3,093,279 is committed for capital projects related to the water system project. Also, \$6,280,716 is committed for capital projects related to the sewer system improvement project.

**NOTE 10. RETIREMENT PLANS**

**A. Defined Benefit Pension Plan**

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 10. RETIREMENT PLANS (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

Funding policy – The contribution by participants are based on either Pre or Post PEPRA benefit levels. Pre-PEPRA employees contribute at the following levels for the employee share of PERS; Public Safety 1<sup>st</sup> Tier – Sworn 4%, Police Supervisors (sworn) 3%, Police Management 9%, Police non-Sworn 6%, Miscellaneous AFSCME 4%, Unaffiliated 4% and Executive 8% towards employee and 3% towards employer rate. Public safety 2<sup>nd</sup> tier members contribute 4% and PEPRA Miscellaneous members contribute 6.75%. The City is required to contribute at an actuarially determined rate: the current rate is 17.92% for non-safety employees, and safety employees, 12.25%, 20.51% and 23.39% for PEPRA, First Tier and Second Tire of annually covered payroll. The Los Angeles County Fire has provided contractually covered fire and emergency medical services to the City since February 1998 and the City no longer contributes to PERS for the fire employees. Contribution requirement of plan members and the City are established and may be amended by PERS.

The funded status of the plan based on the June 30, 2013 (most recent information available), actuarial valuation is as follows:

<b>Entry</b>		<b>Underfunded</b>			<b>UAAL</b>	
<b>Age Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>		<b>as a %</b>		
<b>Accrued</b>	<b>Asset</b>	<b>Accrued</b>	<b>Funded</b>	<b>Covered</b>	<b>of Covered</b>	
<b>Liability</b>	<b>Value</b>	<b>Liability</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Payroll</b>	
		<u>Miscellaneous Plan</u>				
\$ 72,378,274	\$ 52,077,333	\$ 20,300,941	72.0%	\$ 7,735,358	262.4%	

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual Pension cost:** For fiscal year 2013-2014, the City’s annual pension cost of \$2,100,544 for miscellaneous and \$1,679,193 for safety for PERS was equal to the City’s required and actual contributions. The principal assumptions and methods used to determine the annual required contribution, is based on the June 30, 2011 valuation, and the funded status, was based on the June 30, 2013 valuation. The assumptions for the Miscellaneous Plan are as follows:

Actuarial cost method	Entry age normal cost method.
Amortization method	Level percent of payroll.
Average remaining period	30 years as of the valuation date for June 30, 2013 Funded over closed period.
Asset valuation method	15 year smoothed market.
Discount Rate	7.50% (net of administrative expenses) for the valuation as of June 30, 2013.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 10. RETIREMENT PLANS (Continued)**

**A. Defined Benefit Pension Plan (Continued)**

Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for the valuation date as of June 30, 2013.
Inflation	2.75% for the valuation date as of June 30, 2013.
Payroll growth	3.00% for the valuation date as of June 30, 2013.
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25% for the valuation date as of June 30, 2013.

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)

<b>Miscellaneous Plan</b>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 1,515	100%	\$ -
6/30/13	1,878	100%	-
6/30/14	2,101	100%	-

<b>Safety Plan</b>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 1,777	100%	\$ -
6/30/13	1,412	100%	-
6/30/14	1,679	100%	-

**B. Defined Contribution Plan**

The federal government enacted legislation in 1990 mandating Social Security coverage for previously uncovered governmental employees. Public Agency Retirement Services (PARS) provides this alternate retirement system for part-time, seasonal and temporary employees. The total contribution amounts to 7.5% of covered payroll compared to 12.4% under Social Security. Contribution rates are established by the City. The City began participating in PARS during fiscal year 2004-05. As of June 30, 2014, there were 169 plan participants and \$3,556 was contributed for the fiscal year.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 11. COMPENSATED ABSENCES**

For governmental funds, accumulated vacation and sick leave benefits payable at June 30, 2014, was \$3,874,759. The short-term portion of \$738,316 and long-term portion of \$3,136,443 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 \$276,755, of which \$58,545 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 \$335,389, of which \$64,070 represents the current portion. The total amount is recorded within the respective proprietary funds and business-type activities of the government-wide statements.

**NOTE 12. RISK MANAGEMENT**

**Workers' Compensation and General Liability:**

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

The City established general liability and workers' compensation internal service funds. The funds have a net position of \$1,720,381 and \$4,152,808, respectively, which have been internally restricted for payment of outstanding workers' compensation and general liability claims. The balances represent a 70% confidence level for expected losses and a reasonable margin for contingencies.

Actual settlements accrued are accounted for in the appropriate fund. Estimates for all remaining outstanding claims, including an estimate for incurred but not reported claims (IBNR), are not accounted for in the individual funds but are reported in the governmental activities of the government-wide statements under claims and judgments. At June 30, 2014, total actual and estimated claims and judgments payable were as follows:

	Amount
General liability	\$ 1,501,000
Workers' compensation	3,743,000
Total	\$ 5,244,000

The current portion of \$189,000 and long-term portion of \$5,055,000 are not accounted in the governmental funds but are included in the governmental activities of the government-wide statements.

The following are changes in the claims and judgments liability for fiscal years 2014 and 2013:

	Fiscal Year Ended June 30	
	2014	2013
Claims and judgments, beginning of fiscal year	\$ 5,211,990	\$ 4,818,000
Claims incurred (including IBNRs)	804,682	983,012
Claims paid	(772,672)	(589,022)
Claims and judgments, end of fiscal year	\$ 5,244,000	\$ 5,211,990

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 13. CAPITALIZED LEASE OBLIGATIONS**

The City entered into capital leases with Verizon for telephone equipment, Haaker Equipment Company for sewer equipment, and Global Water Management, LLC for water equipment. The Verizon and Haaker leases have been paid off as of June 30, 2014. 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, 2014, are as follows:

Fiscal Years Ending June 30,	Amount
2015	\$ 462,228
2016	462,228
2017	462,228
2018	462,228
2019	462,228
2020-2024	2,311,142
2025-2026	693,333
Total minimum lease payments	<u>5,315,615</u>
Less amount representing interest	<u>(1,282,048)</u>
Present value of minimum lease payment	<u><u>\$ 4,033,567</u></u>

The value of the assets acquired by the capital lease was \$4,846,616 as of June 30, 2014, net of accumulated depreciation of \$734,563.

**NOTE 14. LONG-TERM LIABILITIES**

The following is a summary of changes in the long-term liabilities for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Current Portion
<b>Governmental activities</b>					
Compensated absences	\$ 3,678,213	\$ 519,764	\$ (323,218)	\$ 3,874,759	\$ 738,316
Claims and judgments	5,211,990	804,682	(772,672)	5,244,000	189,000
Postemployment benefit obligation	394,829	854,000	(862,162)	386,667	386,667
Capital lease payable	109,404	-	(109,404)	-	-
Revenue bonds payable	470,000	-	(470,000)	-	-
Unamortized premium on revenue bonds	36,804	-	(36,804)	-	-
Total long-term liabilities, net	<u>\$ 9,901,240</u>	<u>\$ 2,178,446</u>	<u>\$ (2,574,260)</u>	<u>\$ 9,505,426</u>	<u>\$ 1,313,983</u>

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 14. LONG-TERM LIABILITIES (Continued)**

<b>Business-type activities</b>	Balance			Current	
	July 1, 2013	Additions	Deletions	June 30, 2014	Portion
Compensated absences	\$ 319,280	\$ 28,597	\$ (12,488)	\$ 335,389	\$ 64,070
Capital lease payable	4,355,401		(321,834)	4,033,567	269,029
Revenue bonds payable	29,200,000		(895,000)	28,305,000	925,000
Unamortized premium on revenue bonds	157,670		(5,632)	152,038	5,632
Unamortized discount on revenue bonds	(121,900)		7,619	(114,281)	(7,619)
Total long-term liabilities, net	<u>\$ 33,910,451</u>	<u>\$ 28,597</u>	<u>\$ (1,227,335)</u>	<u>\$ 32,711,713</u>	<u>\$ 1,256,112</u>

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

***Revenue Bonds Payable, Transportation Fund***

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

A reserve fund is established in the amount of maximum annual installment payments from certificate proceeds for the benefit of the owners of the certificates. Since the MTA is not at-risk for the City's portion, the bonds are recorded as long-term debt of the City. Debt service payments are recorded in the Transportation Fund. The outstanding balance as of June 30, 2014 was \$0.

***Revenue Bonds Payable, Sewer Enterprise Fund***

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 14. LONG-TERM LIABILITIES (Continued)**

**Revenue Bonds Payable, Sewer Enterprise Fund (Continued)**

The bonds are secured by a pledge of the net revenues received by the City for the sewer fees. Total principal and interest remaining to be paid on the bonds is \$20,569,942 -ok. Principal and interest paid for the current year and total customer net revenues were \$1,296,056 and \$1,444,839 respectively.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 2.5% to 5.375%. Payment of principal on the bonds begins on October 1, 2011, and is due on October 1 each year until 2029. The outstanding balance as of June 30, 2014 was \$14,235,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ 660,000	\$ 638,981	\$ 1,298,981
2016	675,000	619,781	1,294,781
2017	695,000	598,362	1,293,362
2018	720,000	574,468	1,294,468
2019	745,000	547,900	1,292,900
2020-2024	4,190,000	2,245,781	6,435,781
2025-2029	5,310,000	1,076,344	6,386,344
2030	1,240,000	33,325	1,273,325
	<u>\$ 14,235,000</u>	<u>\$ 6,334,942</u>	<u>\$ 20,569,942</u>

**Revenue Bonds Payable, Water Enterprise Fund**

On December 10, 2010, the City issued \$15,000,000 of Revenue Bonds with an interest rate of 2.0% - 5.0% to refund \$1,290,000 outstanding 1999 Certificate of Participation bonds and to finance various capital projects amounting to \$12,715,285. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the proprietary fund statement of net position.

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 14. LONG-TERM LIABILITIES (Continued)**

**Revenue Bonds Payable, Water Enterprise Fund (Continued)**

The bonds are secured by a pledge of the net revenues received by the City for water sales. Total principal and interest remaining to be paid on the bonds is \$26,459,045. Principal and interest paid for the current year and total customer net revenues were \$986,412 and \$5,515,199, respectively.

Interest is payable semiannually on April 1 and October 1 of each year at rates of interest ranging from 2.0% to 5.0%. Payment of principal on the bonds begins on October 1, 2011, and is due on October 1 each year until 2040. The outstanding balance as of June 30, 2014 was \$14,070,000.

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

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ 265,000	\$ 721,012	\$ 986,012
2016	280,000	710,112	990,112
2017	290,000	698,713	988,713
2018	300,000	685,412	985,412
2019	315,000	671,612	986,612
2020-2024	1,785,000	3,144,686	4,929,686
2025-2029	2,270,000	2,638,563	4,908,563
2030-2034	2,920,000	1,966,271	4,886,271
2035-2039	3,810,000	1,050,501	4,860,501
2040	1,835,000	102,163	1,937,163
	<u>\$ 14,070,000</u>	<u>\$ 12,389,045</u>	<u>\$ 26,459,045</u>

**NOTE 15. CALPERS SIDE FUND**

***Public Employees Retirement System Side Fund***

During the 2005-06 fiscal year, the City was required to participate for its safety employees, in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing overfunding. The asset at June 30, 2014 was \$3,361,406. Also see Note 10 for further details.

**NOTE 16. FUND BALANCES**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific Purposes for which amounts in the funds can be spent. As of June 30, 2014, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 16. FUND BALANCES (Continued)**

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

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

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

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 16. FUND BALANCES (Continued)**

	General Fund	Housing Authority	Non-major Governmental	Totals
Nonspendable				
Advances	\$ 15,000	\$ -	\$ -	\$ 15,000
Prepaid expenses	13,094	-	-	13,094
Total	<u>28,094</u>	<u>-</u>	<u>-</u>	<u>28,094</u>
Committed - Community improvement				
Community improvement	353,990	-	-	353,990
Emergency Contingency	7,082,741	-	-	7,082,741
Total	<u>7,436,731</u>	<u>-</u>	<u>-</u>	<u>7,436,731</u>
Restricted				
Culture and recreation	21,359	-	-	21,359
Redevelopment and housing	-	733,509	-	733,509
Community Development	-	-	51	51
Public safety	-	-	542,751	542,751
Street projects	-	-	2,820,047	2,820,047
Transportation projects	-	-	3,690,594	3,690,594
Public works	-	-	352,173	352,173
Assessment districts	-	-	740,053	740,053
Total	<u>21,359</u>	<u>733,509</u>	<u>8,145,669</u>	<u>8,900,537</u>
Assigned				
Culture and recreation	345,619	-	675,480	1,021,099
Other capital projects	-	-	822,115	822,115
Redevelopment and housing	1,193,251	-	-	1,193,251
Public safety	102,461	-	-	102,461
Public works	39,561	-	-	39,561
Totals	<u>1,680,892</u>	<u>-</u>	<u>1,497,595</u>	<u>3,178,487</u>
Unassigned	<u>-</u>	<u>-</u>	<u>(21,099)</u>	<u>(21,099)</u>
Totals	<u>\$ 9,167,076</u>	<u>\$ 733,509</u>	<u>\$ 9,622,165</u>	<u>\$ 19,522,750</u>

**NOTE 17. CONTINGENCIES**

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

**NOTE 18. JOINT VENTURE**

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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The City's investment in the Company has been recorded on the equity method of accounting and is shown as an "investment in joint venture" in the Water Utility Enterprise Fund. The City invested in the Company's shares solely to ensure that present and future water supply will be maintained at an adequate level. The City's equity share is 42.18 percent.

Complete financial statements for Covina Irrigating Company can be obtained from the Company. Summarized audited information for the fiscal year ended June 30, 2014 is as follows:

Operating revenues	\$ 3,860,566
Operating expenses	<u>(1,730,111)</u>
Operating income	<u>2,130,455</u>
Net income	<u>\$ 1,919,695</u>
Total assets	<u>\$22,444,599</u>
Total liabilities	<u>\$ 7,176,661</u>
Total fund equity	<u>\$15,267,938</u>
Total liabilities and fund equity	<u>\$22,444,599</u>

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

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

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

***Plan Description:***

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. This plan is a single-employer defined benefit plan and does not issue separate financial statements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

***Eligibility:***

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 212 eligible active employees and 145 enrolled eligible retirees at June 30, 2014.

***Funding Policy:***

The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2014, the City contributed \$412,162 to the plan. The City also funded an irrevocable trust with CalPERS in the amount of \$450,000 to advance fund OPEB.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

***Funding Policy: (Continued)***

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

The City's OPEB unfunded actuarial accrued liability as of June 30, 2013, the most recent actuarial valuation, was \$7,106,000. The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2014, was \$874,000.

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

	June 30, 2014
Annual required contribution (ARC)	\$ 874,000
Interest cost	15,000
ARC adjustment	(35,000)
Annual OPEB expense	854,000
Contributions made	(862,162)
Decrease in net OPEB obligation	(8,162)
Net OPEB Obligation, Beginning of Fiscal Year	394,829
Net OPEB Obligation, End of Fiscal Year	\$ 386,667

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 455,617	101.00%	\$ 28,636
6/30/13	830,000	55.88%	394,829
6/30/14	854,000	100.96%	386,667

***Funding Status and Progress:***

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

*Funding Status and Progress: (Continued)*

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

*Actuarial Methods and Assumptions:*

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

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

Amortization	Level dollars, closed period
Actuarial cost method	Entry age normal cost method
Average remaining period	20 years as of the valuation date
Investment rate of return	3.75%
Annual healthcare cost trend rate	5.0% to 8.3%
Payroll growth	3.25%
Inflation rates	3.0%
Benefit increases	4.5%-5% annually

**NOTE 20. BOND DEFEASANCE**

**Water Certificates of Participation**

In October 1999, the Authority issued the 1999 Refunding Water Certificates of Participation to refund the 1991 Water Certificates of Participation. The transaction refunded and defeased in substance the \$2,815,000 balance of the 1991 water certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the City's financial statements. The outstanding balance of the defeased 1991 water certificates at June 30, 2014 was \$530,000.

**NOTE 21. REBATABLE ARBITRAGE**

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

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 22. RELATED PARTY TRANSACTIONS**

The City entered into an agreement with Covina Irrigating Company (CIC) for the pumping, treating and delivering the water to City reservoirs. During the fiscal year, the City paid \$2,217,476 to the Covina Irrigating Company for the services of pumping, treating and delivery of water.

**NOTE 23. ENCUMBRANCES**

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

As of June 30, 2014, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$	45,090
Non-major governmental fund		<u>573,420</u>
Total governmental funds	\$	<u><u>618,510</u></u>

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

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

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

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

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

AB X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by AB X1 26.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

**A. Capital Assets Held by SACRA**

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not depreciated:				
Land	\$ 245,698	\$ -	\$ -	\$ 245,698
Total capital assets, not depreciated	<u>245,698</u>	<u>-</u>	<u>-</u>	<u>245,698</u>
Capital assets, depreciated:				
Buildings and structures	10,116,774	-	-	10,116,774
Improvements other than buildings	1,981,866	-	-	1,981,866
Machinery and equipment	153,255	-	-	153,255
Total capital assets, depreciated	<u>12,251,895</u>	<u>-</u>	<u>-</u>	<u>12,251,895</u>
Less accumulated depreciation for:				
Buildings and structures	(2,463,783)	(202,232)	-	(2,666,015)
Improvements other than buildings	(128,268)	(103,564)	-	(231,832)
Machinery and equipment	(51,886)	(6,990)	-	(58,876)
Total accumulated depreciation	<u>(2,643,937)</u>	<u>(312,786)</u>	<u>-</u>	<u>(2,956,723)</u>
Total capital assets, depreciated, net	9,607,958	(312,786)	-	9,295,172
Total capital assets, net	<u>\$ 9,853,656</u>	<u>\$ (312,786)</u>	<u>\$ -</u>	<u>\$ 9,540,870</u>

Depreciation expense for the fiscal year ended June 30, 2014 was \$312,786.

**B. Summary of SACRA's Long-Term Debt**

	Balance July 1, 2013	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2014	Current Portion
Advances from City of Covina	\$ -	\$ 6,044,939	\$ -	\$ -	\$ 6,044,939	\$ -
Compensated absences	20,070	-	13,606	(1,186)	32,490	8,110
Notes payable	296,529	-	-	(133,106)	163,423	139,925
Tax allocation bonds	25,212,262	-	12,151,600	(11,602,262)	25,761,600	2,350,000
Accreted interest	4,437,652	-	31,990	(4,437,652)	31,990	-
Unamortized premium on tax allocation bonds	427,121	-	981,495	(89,259)	1,319,357	-
Total long-term liabilities, net	<u>\$ 30,393,634</u>	<u>\$ 6,044,939</u>	<u>\$ 13,178,691</u>	<u>\$ (16,263,465)</u>	<u>\$ 33,353,799</u>	<u>\$ 2,498,035</u>

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

On December 24, 2013, the Successor Agency of the former Covina Redevelopment Agency issued (through the County of Los Angeles Redevelopment Refunding Authority) 2013E Tax Allocation Revenue Refunding Bonds in the amount of \$12,151,600. The purpose of the issue is to refund and defease the 1997 B Revenue Bonds and 2002 A Revenue Bonds plus accreted interest thereon. The proceeds from this issue plus any reserve funds remaining for the 1997 B and 2002 A bonds will be used to fund an escrow account which will be used to redeem the 1997 B and 2002 A bonds on January 22, 2014. The redemption price will be equal to 100% of the 1997 B and 101% of the accreted value of the 2002 A.

The 2013 bonds are issued as \$9,460,000 in serial bonds with a maturity date of December 1, 2023. These bonds carry interest at 3-5%. Also issued are \$1,756,600 in Capital Appreciation Bonds with final maturity of December 1, 2020. Interest rates are 3.5-4%.

The bonds are secured by tax revenues generated within the project area and as allocated for the payment of the debt by the County of Los Angeles per recognized obligation schedule.

As a result of the refunding the Agency realized a net savings in the amount of \$3,136,892 and an economic gain (difference between present value of new debt versus old debt) of \$1,441,851.

The outstanding principal balance of the bonds at June 30, 2014, is \$12,151,600. The accreted interest amount outstanding on the Capital appreciation bonds is \$31,990.

***Notes Payable***

On April 28, 1998, the Covina Redevelopment Agency purchased the Chick's East property located at 626 S. Citrus Avenue for \$2.2 million. The purchase was paid by cash deposit of \$698,000 and by securing a promissory note of \$1,520,052. The Agency took over the leases of three current tenants and entered into a lease with Chick's Sporting Goods for their retail outlet. Interest on the unpaid principal shall accrue at a variable rate which was 5.404% per annum at June 30, 2014. Monthly payments were \$12,020 at June 30, 2014. The outstanding balance as of June 30, 2014 was \$163,423.

***Tax Allocation Revenue Bonds of 1997, Series A***

On July 30, 1997, the Authority issued \$1,995,000 Revenue Bonds of 1997, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 4% to 5.2%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each year until 2022. The outstanding principal balance as of June 30, 2014 was \$1,015,000.

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

*Tax Allocation Revenue Bonds of 1997, Series B*

On November 1, 1997, the Authority issued \$6,350,000 Revenue Bonds of 1997, Series B. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 4.2% to 5.1%. Payment of principal on the bonds started December 1, 1998, and they are due on December 1 each year until 2018. The outstanding principal balance as of June 30, 2014 was \$0 as there were refunded as part of the 2013 issue.

*Tax Allocation Revenue Bonds of 2002, Series A*

On February 1, 2002, the Covina Public Financing Authority issued \$10,262,262 Revenue Bonds of 2002, Series A. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 4.75%. Payment of principal on the bonds started December 1, 2002, and they are due on December 1 each year until 2023. The outstanding principal balance as of June 30, 2014 was \$0 as these were refunded as part of the 2013 issue.

**Tax Allocation Revenue Bonds of 2004 Series A and B**

On November 1, 2004, the Agency issued \$17,240,000 Tax Allocation Revenue Bonds of 2004, Series A in order to refund the Tax Allocation Revenue Bonds of 1995. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 3% to 5%. Payment of principal on the bonds started December 1, 2003, and they are due on December 1 each year until 2023. The quarterly principal balance as of June 30, 2014 was \$9,585,000.

On November 1, 2004, the Agency issued \$9,610,000 Tax Allocation Revenue Bonds of 2004, Series B. Interest is payable semiannually on June 1 and December 1 of each year at rates of interest ranging from 2.74% to 3.94%. The bonds are taxable and payment of principal on the bonds will begin December 1, 2005, and they are due on December 1 each year until 2023. The outstanding principal balance as of June 30, 2014 was \$3,010,000.

The total outstanding balance as of June 30, 2014 was \$25,761,600.

**C. Debt Service requirements to maturity with respect to SACRA's Tax Allocation Bonds are as follows:**

Fiscal Years Ending June 30,	Principal	Interest	Total
2015	\$ 2,350,000	\$ 1,307,905	\$ 3,657,905
2016	2,435,000	982,248	3,417,248
2017	2,525,000	870,647	3,395,647
2018	2,660,000	739,796	3,399,796
2019	2,770,000	632,280	3,402,280
2020-2024	<u>13,021,600</u>	<u>2,090,951</u>	<u>15,112,551</u>
	<u>\$ 25,761,600</u>	<u>\$ 6,623,827</u>	<u>\$ 32,385,427</u>

**CITY OF COVINA, CALIFORNIA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 25. SUBSEQUENT EVENT**

*Management's review of subsequent events*

In preparing the accompanying financial statements, Management has reviewed all known events that have occurred after June 30, 2014 and through December 8, 2014, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

**NOTE 26. PRIOR YEAR ADJUSTMENTS**

In the Transportation Capital Projects fund and Government-Wide Statement of Activities an adjustment was made in the amount of (\$5,299) to record return of TDA funds from fiscal year ended 2012.

Prior period adjustments were made in the General Fund \$472,292, State Gas Tax Fund \$440,574, Business-type Activity – Government-Wide and Water Utility \$3,856, and Transportation Capital Projects Fund (\$916,722) due to a correction from the California State Controller regarding usage of Gas Tax and Traffic Congestion Funds.

Prior period adjustments were made in the Water Utility Fund (\$355,800), the Sewer Fund (\$379,984), the Private Purpose Trust Fund (\$967,036), Governmental Activities-Government-Wide Statements \$3,096, and Business-type Activities – Government-Wide Statements (\$735,784) as a result of GASB Statement No. 65 implementation.

A prior period adjustment was made in the Government-Wide Statements-Governmental Activities and in the Private Purpose Trust Fund in the amount of \$3,390,509 which was owed to the City by the Successor Agency.

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**CITY OF COVINA, CALIFORNIA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 11,644,925	\$ 11,644,925	\$ 11,644,925	\$ -
Prior period adjustments	-	-	472,292	472,292
Resources (inflows):				
Property taxes	12,296,000	12,296,000	11,618,379	(677,621)
Sales taxes	5,800,000	5,800,000	5,643,574	(156,426)
Transient occupancy taxes	375,000	375,000	100,878	(274,122)
Property transfer taxes	120,000	120,000	157,945	37,945
Business license taxes	535,000	535,000	413,777	(121,223)
Utility user taxes	5,200,000	5,200,000	5,055,632	(144,368)
Franchise taxes	1,395,000	1,395,000	1,480,237	85,237
Licenses and permits	572,000	572,000	756,173	184,173
Intergovernmental	960,950	852,330	843,402	(8,928)
Charges for services	2,373,520	2,330,020	2,082,455	(247,565)
Fines and forfeits	970,220	776,000	828,444	52,444
Investment earnings	150,000	150,000	156,955	6,955
Miscellaneous	369,660	396,160	1,341,387	945,227
Transfers in	2,020,000	1,970,000	428,550	(1,541,450)
Amounts available for appropriation	44,782,275	44,412,435	43,025,005	(1,387,430)
Charges to appropriations (outflows):				
Current:				
General government	59,690	594,170	503,430	90,740
Public safety	23,803,660	24,017,018	23,985,753	31,265
Public works	1,658,220	1,659,270	1,672,834	(13,564)
Culture and recreation	4,492,850	4,547,243	4,501,958	45,285
Community development	1,123,210	1,275,864	1,289,508	(13,644)
Capital outlay	-	1,052,360	1,052,360	-
Debt service:				
Principal retirement	-	100,000	109,404	(9,404)
Interest and fiscal charges	-	-	1	(1)
Transfers out	1,225,000	1,867,991	742,638	1,125,353
Total charges to appropriations	32,362,630	35,113,916	33,857,886	1,256,030
Budgetary fund balance, June 30	\$ 12,419,645	\$ 9,298,519	\$ 9,167,119	(131,400)

*See notes to required supplementary information*

**CITY OF COVINA, CALIFORNIA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Housing Authority Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amount		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 15,567	\$ 15,567	\$ 15,567	\$ -
Resources (inflows):				
Gain on sale of property	-	-	706,098	\$ 706,098
Miscellaneous	-	-	20,415	20,415
Amounts available for appropriation	15,567	15,567	742,080	726,513
Charges to appropriations (outflows):				
Current:				
Housing	-	8,571	8,571	-
Total charges to appropriations	-	8,571	8,571	-
Fund balance, June 30	\$ 15,567	\$ 6,996	\$ 733,509	\$ 726,513

*See notes to required supplementary information*

**CITY OF COVINA, CALIFORNIA**  
**Note to Required Supplementary Information**  
**June 30, 2014**

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

**CITY OF COVINA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2014**

**1. California Public Employee/s Retirement System (PERS):**

Schedule of Funding Progress  
\$ Amount in Thousands

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Actuarial Accrued Liability (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
6/30/2011 Miscellaneous	\$ 66,276	\$ 56,006	\$ 10,270	84.5%	\$ 7,701	133.4%
6/30/2012 Miscellaneous	\$ 69,227	\$ 56,932	\$ 12,295	82.2%	\$ 7,913	155.4%
6/30/2013 Miscellaneous	\$ 72,378	\$ 52,077	\$ 20,301	72.0%	\$ 7,735	262.5%

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

Schedule of Funding Progress  
\$ Amount in Thousands

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Actuarial Accrued Liability (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
6/30/2009	\$ 5,014	\$ -	\$ 5,014	0.0%	\$ 7,677	65.3%
6/30/2011	\$ 5,398	\$ -	\$ 5,398	0.0%	\$ 11,998	45.0%
6/30/2013	\$ 7,106	\$ -	\$ 7,106	0.0%	\$ 14,780	48.1%

## Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF COVINA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	Special Revenue Funds					
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality Improvement
<b>Assets</b>						
Cash and investments	\$ 5	\$ 303,704	\$ 284,698	\$ 2,673,045	\$ 2,628,950	\$ -
Receivables (net of allowances for uncollectibles):						
Accounts	-	-	-	-	12,025	15,610
Loans	314,578	-	-	-	-	-
Due from other Governments	154,356	20,093	-	147,002	-	-
Total assets	<u>\$ 468,939</u>	<u>\$ 323,797</u>	<u>\$ 284,698</u>	<u>\$ 2,820,047</u>	<u>\$ 2,640,975</u>	<u>\$ 15,610</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 910	\$ 32,370	\$ -	\$ -	\$ 47,065	\$ 533
Accrued liabilities	761	6,874	-	-	4,593	167
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	152,639	-	26,500	-	-	16,157
Total liabilities	<u>154,310</u>	<u>39,244</u>	<u>26,500</u>	<u>-</u>	<u>51,658</u>	<u>16,857</u>
<b>Deferred inflows of resources:</b>						
Unearned revenue - loans/notes	314,578	-	-	-	-	-
Unearned revenue - license fees	-	-	-	-	-	-
Total deferred inflows of resources	<u>314,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>468,888</u>	<u>39,244</u>	<u>26,500</u>	<u>-</u>	<u>51,658</u>	<u>16,857</u>
<b>Fund balances:</b>						
Restricted for:						
Community development	51	-	-	-	-	-
Law enforcement	-	284,553	258,198	-	-	-
Street projects	-	-	-	2,820,047	-	-
Transportation projects	-	-	-	-	2,589,317	-
Public works projects	-	-	-	-	-	-
Assessment districts	-	-	-	-	-	-
Assigned to:						
Culture and recreation	-	-	-	-	-	-
Other capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(1,247)
Total fund balances (deficits)	<u>51</u>	<u>284,553</u>	<u>258,198</u>	<u>2,820,047</u>	<u>2,589,317</u>	<u>(1,247)</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 468,939</u>	<u>\$ 323,797</u>	<u>\$ 284,698</u>	<u>\$ 2,820,047</u>	<u>\$ 2,640,975</u>	<u>\$ 15,610</u>

**CITY OF COVINA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Total
\$ 591,519	\$ -	\$ 138,150	\$ 185	\$ 2,686	\$ 2,140	\$ 308,437	\$ 6,933,519
8,695	-	-	-	493	-	-	36,823
-	-	-	-	-	-	-	314,578
-	1,846	2,853	228	-	9,452	59,273	395,103
<u>\$ 600,214</u>	<u>\$ 1,846</u>	<u>\$ 141,003</u>	<u>\$ 413</u>	<u>\$ 3,179</u>	<u>\$ 11,592</u>	<u>\$ 367,710</u>	<u>\$ 7,680,023</u>
\$ 998	\$ 18,062	\$ 2,499	\$ 3,500	\$ -	\$ -	\$ 12,662	\$ 118,599
57	-	-	-	-	2,884	-	15,336
-	-	-	-	-	-	2,875	2,875
-	-	-	-	789	-	-	789
-	-	-	-	-	9,257	-	204,553
<u>1,055</u>	<u>18,062</u>	<u>2,499</u>	<u>3,500</u>	<u>789</u>	<u>12,141</u>	<u>15,537</u>	<u>342,152</u>
-	-	-	-	-	-	-	314,578
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	314,578
<u>1,055</u>	<u>18,062</u>	<u>2,499</u>	<u>3,500</u>	<u>789</u>	<u>12,141</u>	<u>15,537</u>	<u>656,730</u>
-	-	-	-	-	-	-	51
-	-	-	-	-	-	-	542,751
-	-	-	-	-	-	-	2,820,047
-	-	-	-	-	-	-	2,589,317
-	-	-	-	-	-	352,173	352,173
599,159	-	138,504	-	2,390	-	-	740,053
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(16,216)	-	(3,087)	-	(549)	-	(21,099)
<u>599,159</u>	<u>(16,216)</u>	<u>138,504</u>	<u>(3,087)</u>	<u>2,390</u>	<u>(549)</u>	<u>352,173</u>	<u>7,023,293</u>
<u>\$ 600,214</u>	<u>\$ 1,846</u>	<u>\$ 141,003</u>	<u>\$ 413</u>	<u>\$ 3,179</u>	<u>\$ 11,592</u>	<u>\$ 367,710</u>	<u>\$ 7,680,023</u>

(Continued)

**CITY OF COVINA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**  
**(Continued)**

	Capital Project Funds				Total Non-Major Governmental Funds
	General Projects	Park Development	Transportation	Total	
<b>Assets</b>					
Cash and investments	\$ 822,115	\$ 668,543	\$ 1,142,368	\$ 2,633,026	\$ 9,566,545
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	-	-	36,823
Loans	-	-	-	-	314,578
Due from other Governments	-	1,550,913	-	1,550,913	1,946,016
Total assets	<u>\$ 822,115</u>	<u>\$ 2,219,456</u>	<u>\$ 1,142,368</u>	<u>\$ 4,183,939</u>	<u>\$ 11,863,962</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ 472,876	\$ 41,091	\$ 513,967	\$ 632,566
Accrued liabilities	-	-	-	-	15,336
Due to other governments	-	-	-	-	2,875
Unearned revenue	-	-	-	-	789
Due to other funds	-	1,071,062	-	1,071,062	1,275,615
Total liabilities	<u>-</u>	<u>1,543,938</u>	<u>41,091</u>	<u>1,585,029</u>	<u>1,927,181</u>
<b>Deferred inflows of resources:</b>					
Unearned revenue - loans/notes	-	-	-	-	314,578
Unearned revenue - license fees	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,578</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>1,543,938</u>	<u>41,091</u>	<u>1,585,029</u>	<u>2,241,759</u>
<b>Fund balances:</b>					
Restricted for:					
Community development	-	-	-	-	51
Law enforcement	-	-	-	-	542,751
Street projects	-	-	-	-	2,820,047
Transportation projects	-	-	1,101,277	1,101,277	3,690,594
Public works projects	-	-	-	-	352,173
Assessment districts	-	-	-	-	740,053
Assigned to:					
Culture and recreation	-	675,518	-	675,518	675,518
Other capital projects	822,115	-	-	822,115	822,115
Unassigned	-	-	-	-	(21,099)
Total fund balances	<u>822,115</u>	<u>675,518</u>	<u>1,101,277</u>	<u>2,598,910</u>	<u>9,622,203</u>
<b>Total liabilities and fund balances</b>	<u>\$ 822,115</u>	<u>\$ 2,219,456</u>	<u>\$ 1,142,368</u>	<u>\$ 4,183,939</u>	<u>\$ 11,863,962</u>

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**CITY OF COVINA, CALIFORNIA**  
**Combing Statement of Revenues, Expenditures and Change in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds					
	Community Development Block Grant	Law Enforcement	Narcotic Seizure	State Gas Tax	Transit	Air Quality Improvement
<b>Revenues:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business license taxes	-	-	-	-	-	-
Intergovernmental	361,569	158,013	-	1,543,954	1,353,614	60,095
Charges for services	-	24,699	-	-	315,529	-
Special assessments	-	323,193	-	-	-	-
Investment earnings	-	-	374	9,381	9,144	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>361,569</u>	<u>505,905</u>	<u>374</u>	<u>1,553,335</u>	<u>1,678,287</u>	<u>60,095</u>
<b>Expenditures:</b>						
Current:						
Public safety	-	429,963	-	-	-	-
Public works	-	-	-	935,191	-	18,685
Culture and recreation	-	-	-	-	-	-
Transit	-	-	-	-	980,911	-
Redevelopment and housing	361,569	-	-	-	-	-
Capital outlay	-	-	-	-	239,499	37,540
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>361,569</u>	<u>429,963</u>	<u>-</u>	<u>935,191</u>	<u>1,220,410</u>	<u>56,225</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>75,942</u>	<u>374</u>	<u>618,144</u>	<u>457,877</u>	<u>3,870</u>
Other financing sources (uses):						
Gain on sale of property	-	-	-	-	-	-
Transfers out	-	(200,000)	(26,500)	(24,024)	-	(179,591)
Transfers in	-	67,996	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(132,004)</u>	<u>(26,500)</u>	<u>(24,024)</u>	<u>-</u>	<u>(179,591)</u>
Net change in fund balances	<u>-</u>	<u>(56,062)</u>	<u>(26,126)</u>	<u>594,120</u>	<u>457,877</u>	<u>(175,721)</u>
Fund balances (deficits) at beginning of fiscal year	51	340,615	284,324	1,785,353	2,131,440	174,474
Prior period adjustments	-	-	-	440,574	-	-
Fund balances (deficits) at beginning of fiscal year, restated	51	340,615	284,324	2,225,927	2,131,440	174,474
Fund balances (deficits) at end of fiscal year	<u>\$ 51</u>	<u>\$ 284,553</u>	<u>\$ 258,198</u>	<u>\$ 2,820,047</u>	<u>\$ 2,589,317</u>	<u>\$ (1,247)</u>

**CITY OF COVINA, CALIFORNIA**  
**Combing Statement of Revenues, Expenditures and Change in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

Special Revenue Funds							
Municipal Parking District	Lighting Assessment District	Landscaping Assessment District	Community Facilities District	Shoppers Lane Parking District	Library Grant	Other Grants	Nonmajor Special Revenue Funds
\$ 106,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,901
-	-	-	-	1,585	-	-	1,585
-	-	-	-	-	35,938	125,671	3,638,854
72,346	-	-	-	6,674	-	-	419,248
-	129,598	169,899	36,103	-	-	66,572	725,365
811	-	-	-	-	-	-	19,710
-	-	-	-	-	7,921	-	7,921
<u>180,058</u>	<u>129,598</u>	<u>169,899</u>	<u>36,103</u>	<u>8,259</u>	<u>43,859</u>	<u>192,243</u>	<u>4,919,584</u>
-	-	-	-	-	-	-	429,963
112,196	248,643	142,888	11,075	7,399	-	28,384	1,504,461
-	-	-	-	-	44,573	-	44,573
-	-	-	-	-	-	-	980,911
-	-	-	-	-	-	96,092	457,661
-	-	-	-	-	-	-	277,039
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>112,196</u>	<u>248,643</u>	<u>142,888</u>	<u>11,075</u>	<u>7,399</u>	<u>44,573</u>	<u>124,476</u>	<u>3,694,608</u>
<u>67,862</u>	<u>(119,045)</u>	<u>27,011</u>	<u>25,028</u>	<u>860</u>	<u>(714)</u>	<u>67,767</u>	<u>1,224,976</u>
-	-	-	(30,000)	-	-	-	(460,115)
-	455,957	-	-	-	-	-	523,953
-	455,957	-	(30,000)	-	-	-	63,838
<u>67,862</u>	<u>336,912</u>	<u>27,011</u>	<u>(4,972)</u>	<u>860</u>	<u>(714)</u>	<u>67,767</u>	<u>1,288,814</u>
<u>531,297</u>	<u>(353,128)</u>	<u>111,493</u>	<u>1,885</u>	<u>1,530</u>	<u>165</u>	<u>284,406</u>	<u>5,293,905</u>
-	-	-	-	-	-	-	440,574
<u>531,297</u>	<u>(353,128)</u>	<u>111,493</u>	<u>1,885</u>	<u>1,530</u>	<u>165</u>	<u>284,406</u>	<u>5,734,479</u>
<u>\$ 599,159</u>	<u>\$ (16,216)</u>	<u>\$ 138,504</u>	<u>\$ (3,087)</u>	<u>\$ 2,390</u>	<u>\$ (549)</u>	<u>\$ 352,173</u>	<u>\$ 7,023,293</u>

(Continued)

**CITY OF COVINA, CALIFORNIA**  
**Combing Statement of Revenues, Expenditures and Change in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**(Continued)**

	Capital Projects Funds			Total Non-Major Governmental Funds	
	General Projects	Park Development	Transportation		Total
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 106,901
Business license taxes	-	-	-	-	1,585
Intergovernmental	-	1,757,610	1,098,411	2,856,021	6,494,875
Charges for services	246,816	-	-	246,816	666,064
Special assessments	-	-	-	-	725,365
Investment earnings	-	-	10,005	10,005	29,715
Miscellaneous	-	-	-	-	7,921
Total revenues	<u>246,816</u>	<u>1,757,610</u>	<u>1,108,416</u>	<u>3,112,842</u>	<u>8,032,426</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	429,963
Public works	5,778	-	-	5,778	1,510,239
Culture and recreation	-	-	-	-	44,573
Transit	-	-	-	-	980,911
Redevelopment and housing	-	-	-	-	457,661
Capital outlay	-	1,493,897	-	1,493,897	1,770,936
Debt service:					
Principal retirement	-	-	470,000	470,000	470,000
Interest and fiscal charges	-	-	23,500	23,500	23,500
Total expenditures	<u>5,778</u>	<u>1,493,897</u>	<u>493,500</u>	<u>1,993,175</u>	<u>5,687,783</u>
Excess (deficiency) of revenues over expenditures	<u>241,038</u>	<u>263,713</u>	<u>614,916</u>	<u>1,119,667</u>	<u>2,344,643</u>
Other financing sources (uses):					
Gain on sale of property	14,278	-	-	14,278	14,278
Transfers out	-	-	-	-	(460,115)
Transfers in	-	24,646	-	24,646	548,599
Total other financing sources (uses)	<u>14,278</u>	<u>24,646</u>	<u>-</u>	<u>38,924</u>	<u>102,762</u>
Net change in fund balances	<u>255,316</u>	<u>288,359</u>	<u>614,916</u>	<u>1,158,591</u>	<u>2,447,405</u>
Fund balances(deficits) at beginning of fiscal year	566,799	387,159	1,408,382	2,362,340	7,656,245
Prior period adjustments	-	-	(922,021)	(922,021)	(481,447)
Fund balances (deficits) at beginning of fiscal year, restated	566,799	387,159	486,361	1,440,319	7,174,798
Fund balances (deficits) at end of fiscal year	<u>\$ 822,115</u>	<u>\$ 675,518</u>	<u>\$ 1,101,277</u>	<u>\$ 2,598,910</u>	<u>\$ 9,622,203</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 51	\$ 51	\$ -
Resources (inflows):			
Investment earnings	-	(5)	(5)
Intergovernmental	996,815	361,569	(635,246)
Amounts available for appropriation	<u>996,866</u>	<u>361,615</u>	<u>(635,251)</u>
Charges to appropriations (outflows):			
Current:			
Redevelopment and housing	996,805	361,569	635,236
Total charges to appropriations	<u>996,805</u>	<u>361,569</u>	<u>635,236</u>
Budgetary fund balance, June 30	<u>\$ 61</u>	<u>\$ 46</u>	<u>\$ (15)</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Law Enforcement Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 340,615	\$ 340,615	\$ -
Resources (inflows):			
Intergovernmental	167,147	158,013	(9,134)
Charges for services	-	24,699	24,699
Special assessments	194,220	323,193	128,973
Transfers in	-	67,996	67,996
Amounts available for appropriation	<u>701,982</u>	<u>914,516</u>	<u>212,534</u>
Charges to appropriations (outflows):			
Current:			
Public safety	521,665	429,963	91,702
Transfers out	200,000	200,000	-
Total charges to appropriations	<u>721,665</u>	<u>629,963</u>	<u>91,702</u>
Budgetary fund balance (deficit), June 30	<u>\$ (19,683)</u>	<u>\$ 284,553</u>	<u>\$ 304,236</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Narcotic Seizure Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 284,324	\$ 284,324	\$ -
Resources (inflows):			
Investment earnings	-	374	374
Amounts available for appropriation	284,324	284,698	374
Charges to appropriations (outflows):			
Transfers out	26,500	26,500	-
Total charges to appropriations	26,500	26,500	-
Budgetary fund balance, June 30	\$ 257,824	\$ 258,198	\$ 374

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**State Gas Tax Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,785,353	\$ 1,785,353	\$ -
Prior period adjustment		440,574	440,574
Resources (inflows):			
Intergovernmental	1,446,600	1,543,954	97,354
Investment earnings	9,900	9,381	(519)
Amounts available for appropriation	<u>3,241,853</u>	<u>3,779,262</u>	<u>537,409</u>
Charges to appropriations (outflows):			
Current:			
Public works	1,063,660	935,191	128,469
Transfers out	1,150,000	24,024	1,125,976
Total charges to appropriations	<u>2,213,660</u>	<u>959,215</u>	<u>1,254,445</u>
Budgetary fund balance, June 30	<u>\$ 1,028,193</u>	<u>\$ 2,820,047</u>	<u>\$ 1,791,854</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Transit Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 2,131,440	\$ 2,131,440	\$ -
Resources (inflows):			
Intergovernmental	2,394,680	1,353,614	(1,041,066)
Charges for services	231,200	315,529	84,329
Investment earnings	10,000	9,144	(856)
Amounts available for appropriation	<u>4,767,320</u>	<u>3,809,727</u>	<u>(957,593)</u>
Charges to appropriations (outflows):			
Current:			
Transit	1,426,960	980,911	446,049
Capital outlay	310,963	239,499	71,464
Total charges to appropriations	<u>1,737,923</u>	<u>1,220,410</u>	<u>517,513</u>
Budgetary fund balance, June 30	<u>\$ 3,029,397</u>	<u>\$ 2,589,317</u>	<u>\$ (440,080)</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Air Quality Improvement Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 174,474	\$ 174,474	\$ -
Resources (inflows):			
Intergovernmental	239,590	60,095	(179,495)
Investment earnings	1,380	-	(1,380)
Amounts available for appropriation	<u>415,444</u>	<u>234,569</u>	<u>(180,875)</u>
Charges to appropriations (outflows):			
Current:			
Public works	63,440	18,685	44,755
Capital outlay	37,540	37,540	-
Transfers out	179,590	179,591	(1)
Total charges to appropriations	<u>280,570</u>	<u>235,816</u>	<u>44,754</u>
Budgetary fund balance (deficit), June 30	<u>\$ 134,874</u>	<u>\$ (1,247)</u>	<u>\$ (136,121)</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Municipal Parking District Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 531,297	\$ 531,297	\$ -
Resources (inflows):			
Property taxes	35,240	106,901	71,661
Intergovernmental	10	-	(10)
Charges for services	62,100	72,346	10,246
Investment earnings	-	811	811
Amounts available for appropriation	<u>628,647</u>	<u>711,355</u>	<u>82,708</u>
Charges to appropriations (outflows):			
Current:			
Public works	<u>114,770</u>	<u>112,196</u>	<u>2,574</u>
Total charges to appropriations	<u>114,770</u>	<u>112,196</u>	<u>2,574</u>
Budgetary fund balance, June 30	<u>\$ 513,877</u>	<u>\$ 599,159</u>	<u>\$ 85,282</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Lighting Assessment District Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance (deficit), July 1	\$ (353,128)	\$ (353,128)	\$ -
Resources (inflows):			
Special assessments	122,500	129,598	7,098
Transfers in	75,000	455,957	380,957
Amounts available for appropriation	<u>(155,628)</u>	<u>232,427</u>	<u>388,055</u>
Charges to appropriations (outflows):			
Current:			
Public works	256,310	248,643	7,667
Total charges to appropriations	<u>256,310</u>	<u>248,643</u>	<u>7,667</u>
Budgetary fund balance (deficit), June 30	<u>\$ (411,938)</u>	<u>\$ (16,216)</u>	<u>\$ 395,722</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Landscaping Assessment District Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 111,493	\$ 111,493	\$ -
Resources (inflows):			
Special assessments	160,000	169,899	9,899
Investment earnings	1,200		(1,200)
Amounts available for appropriation	<u>272,693</u>	<u>281,392</u>	<u>8,699</u>
Charges to appropriations (outflows):			
Current:			
Public works	147,670	142,888	4,782
Total charges to appropriations	<u>147,670</u>	<u>142,888</u>	<u>4,782</u>
Budgetary fund balance, June 30	<u>\$ 125,023</u>	<u>\$ 138,504</u>	<u>\$ 13,481</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Facilities District Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance (deficit), July 1	\$ 1,885	\$ 1,885	\$ -
Resources (inflows):			
Special assessments	35,000	36,103	1,103
Amounts available for appropriation	36,885	37,988	1,103
Charges to appropriations (outflows):			
Current:			
Redevelopment and housing	14,010	11,075	2,935
Transfers out	30,000	30,000	-
Total charges to appropriations	44,010	41,075	2,935
Budgetary fund balance (deficit), June 30	\$ (7,125)	\$ (3,087)	\$ 4,038

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Shoppers Lane Parking District Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,530	\$ 1,530	\$ -
Resources (inflows):			
Business license taxes	1,400	1,585	185
Charges for services	5,000	6,674	1,674
Amounts available for appropriation	7,930	9,789	1,859
Charges to appropriations (outflows):			
Current:			
Public works	7,399	7,399	-
Total charges to appropriations	7,399	7,399	-
Budgetary fund balance, June 30	\$ 531	\$ 2,390	\$ 1,859

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Library Grant Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 165	\$ 165	\$ -
Resources (inflows):			
Intergovernmental	11,200	35,938	24,738
Miscellaneous	4,500	7,921	3,421
Amounts available for appropriation	<u>15,865</u>	<u>44,024</u>	<u>28,159</u>
Charges to appropriations (outflows):			
Current:			
Culture and recreation	44,573	44,573	-
Total charges to appropriations	<u>44,573</u>	<u>44,573</u>	<u>-</u>
Budgetary fund balance (deficit), June 30	<u>\$ (28,708)</u>	<u>\$ (549)</u>	<u>\$ 28,159</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Other Grants Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 284,406	\$ 284,406	\$ -
Resources (inflows):			
Intergovernmental	122,360	125,671	3,311
Special assessments	45,000	66,572	21,572
Amounts available for appropriation	<u>451,766</u>	<u>476,649</u>	<u>24,883</u>
Charges to appropriations (outflows):			
Current:			
Public works	52,900	28,384	24,516
Redevelopment and housing	96,092	96,092	-
Total charges to appropriations	<u>148,992</u>	<u>124,476</u>	<u>24,516</u>
Budgetary fund balance, June 30	<u>\$ 302,774</u>	<u>\$ 352,173</u>	<u>\$ 49,399</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Projects Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 566,799	\$ 566,799	\$ -
Resources (inflows):			
Charges for services	-	246,816	246,816
Gain on sale of property	-	14,278	14,278
Amounts available for appropriation	566,799	827,893	261,094
Charges to appropriations (outflows):			
Current:			
Public works	200,000	5,778	194,222
Total charges to appropriations	200,000	5,778	194,222
Budgetary fund balance, June 30	\$ 366,799	\$ 822,115	\$ 455,316

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Park Development Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 387,159	\$ 387,159	\$ -
Resources (inflows):			
Intergovernmental	299,093	1,757,610	1,458,517
Investment earnings	1,200	(38)	(1,238)
Transfers in	-	24,646	24,646
Amounts available for appropriation	<u>687,452</u>	<u>2,169,377</u>	<u>1,481,925</u>
Charges to appropriations (outflows):			
Transfers out	269,582	-	269,582
Capital outlay	<u>2,356,181</u>	<u>1,493,897</u>	<u>862,284</u>
Total charges to appropriations	<u>2,625,763</u>	<u>1,493,897</u>	<u>862,284</u>
Budgetary fund balance, June 30	<u>\$ (1,938,311)</u>	<u>\$ 675,480</u>	<u>\$ 2,613,791</u>

**CITY OF COVINA, CALIFORNIA**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Transportation Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,408,382	\$ 1,408,382	\$ -
Prior period adjustments		(922,021)	(922,021)
Resources (inflows):			
Intergovernmental	1,248,310	1,098,411	(149,899)
Investment earnings	-	10,005	10,005
Amounts available for appropriation	<u>2,656,692</u>	<u>1,594,777</u>	<u>(1,061,915)</u>
Charges to appropriations (outflows):			
Current:			
Public works	23,000	-	23,000
Debt service:			
Principal retirement	450,000	470,000	(20,000)
Interest and fiscal charges	47,130	23,500	23,630
Total charges to appropriations	<u>520,130</u>	<u>493,500</u>	<u>26,630</u>
Budgetary fund balance, June 30	<u>\$ 2,136,562</u>	<u>\$ 1,101,277</u>	<u>\$ (1,035,285)</u>

## Internal Service Funds

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

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

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

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

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

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

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

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

CITY OF COVINA, CALIFORNIA  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2014

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 506,238	\$ 1,080,918	\$ 4,200,000	\$ 1,732,000	\$ 7,519,156
Accounts receivable, net	-	21,068	1,271	27,643	49,982
Prepaid expenses	11,648	-	-	-	11,648
Inventories	-	85,288	-	-	85,288
Total current assets	<u>517,886</u>	<u>1,187,274</u>	<u>4,201,271</u>	<u>1,759,643</u>	<u>7,666,074</u>
Capital assets:					
Machinery and equipment	1,503,909	4,429,200	-	-	5,933,109
Less accumulated depreciation	<u>(1,313,640)</u>	<u>(3,080,790)</u>	<u>-</u>	<u>-</u>	<u>(4,394,430)</u>
Total capital assets (net of accumulated depreciation)	<u>190,269</u>	<u>1,348,410</u>	<u>-</u>	<u>-</u>	<u>1,538,679</u>
Total assets	<u>708,155</u>	<u>2,535,684</u>	<u>4,201,271</u>	<u>1,759,643</u>	<u>9,204,753</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	11,058	1,530	546	4,895	18,029
Current portion of compensated absences payable	19,820	18,005	10,360	10,360	58,545
Accrued liabilities	29,650	18,310	4,447	5,897	58,304
Total current liabilities	<u>60,528</u>	<u>37,845</u>	<u>15,353</u>	<u>21,152</u>	<u>134,878</u>
Noncurrent liabilities:					
Compensated absences payable	72,580	109,410	18,110	18,110	218,210
Advances from other funds	-	-	15,000	-	15,000
Total noncurrent liabilities	<u>72,580</u>	<u>109,410</u>	<u>33,110</u>	<u>18,110</u>	<u>233,210</u>
Total liabilities	<u>133,108</u>	<u>147,255</u>	<u>48,463</u>	<u>39,262</u>	<u>368,088</u>
<b>Net Position</b>					
Net investment in capital assets	190,269	1,348,410	-	-	1,538,679
Unrestricted	384,778	1,040,019	4,152,808	1,720,381	7,297,986
Total net position	<u>\$ 575,047</u>	<u>\$ 2,388,429</u>	<u>\$ 4,152,808</u>	<u>\$ 1,720,381</u>	<u>\$ 8,836,665</u>

CITY OF COVINA, CALIFORNIA  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2014

	Management Information Systems	Central Equipment	Workers' Compensation	Public Liability	Total
Operating Revenues:					
Charges for services	\$ 1,629,405	\$ -	\$ 644,654	\$ 481,837	\$ 2,755,896
Motor pool charges	-	1,432,650	-	-	1,432,650
Total operating revenues	<u>1,629,405</u>	<u>1,432,650</u>	<u>644,654</u>	<u>481,837</u>	<u>4,188,546</u>
Operating expenses:					
General and Administrative	1,463,224	51,447	758,534	779,490	3,052,695
Vehicle and equipment operation	-	1,067,985	-	-	1,067,985
Depreciation	184,609	197,155	-	-	381,764
Total operating expenses	<u>1,647,833</u>	<u>1,316,587</u>	<u>758,534</u>	<u>779,490</u>	<u>4,502,444</u>
Operating income (loss)	<u>(18,428)</u>	<u>116,063</u>	<u>(113,880)</u>	<u>(297,653)</u>	<u>(313,898)</u>
Nonoperating revenues (expenses):					
Gain/(loss) on sale and disposal of capital assets	261	32,304	-	-	32,565
Total nonoperating revenues (expenses)	<u>261</u>	<u>32,304</u>	<u>-</u>	<u>-</u>	<u>32,565</u>
Transfers:					
Transfers out	-	-	(35,302)	-	(35,302)
Transfers in	-	-	-	226,979	226,979
Total transfers	<u>-</u>	<u>-</u>	<u>(35,302)</u>	<u>226,979</u>	<u>191,677</u>
Change in net position	(18,167)	148,367	(149,182)	(70,674)	(89,656)
Net position at beginning of fiscal year	593,214	2,240,062	4,301,990	1,791,055	8,926,321
Net position at end of fiscal year	<u>\$ 575,047</u>	<u>\$ 2,388,429</u>	<u>\$ 4,152,808</u>	<u>\$ 1,720,381</u>	<u>\$ 8,836,665</u>

**CITY OF COVINA, CALIFORNIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Management Information Systems	Central Equipment	Workers' Compensation	General Liability	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers, users and grants	\$ 1,629,405	\$ 1,433,904	\$ 718,897	\$ 469,037	\$ 4,251,243
Cash paid to suppliers for goods and services	(791,668)	(856,611)	(652,403)	(687,131)	(2,987,813)
Cash paid to employees for services	(666,055)	(442,010)	(113,641)	(112,192)	(1,333,898)
Net cash provided (used) by operating activities	<u>171,682</u>	<u>135,283</u>	<u>(47,147)</u>	<u>(330,286)</u>	<u>(70,468)</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(10,303)	(402,633)	-	-	(412,936)
Proceeds from sale of capital assets	261	32,304	-	-	32,565
Net cash used for capital and related financing activities	<u>(10,042)</u>	<u>(370,329)</u>	<u>-</u>	<u>-</u>	<u>(380,371)</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers out	-	-	(35,302)	-	(35,302)
Transfers in	-	-	-	226,979	226,979
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>-</u>	<u>(35,302)</u>	<u>226,979</u>	<u>191,677</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	-	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase decrease in cash and cash equivalents	161,640	(235,046)	(82,449)	(103,307)	(450,839)
Cash and cash equivalents beginning of fiscal year	344,598	1,315,964	4,282,449	1,835,307	7,778,318
Cash and cash equivalents end of fiscal year	<u>\$ 506,238</u>	<u>\$ 1,080,918</u>	<u>\$ 4,200,000</u>	<u>\$ 1,732,000</u>	<u>\$ 7,519,156</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (18,428)	\$ 116,063	\$ (113,880)	\$ (297,653)	\$ (313,898)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	184,609	197,155	-	-	381,764
Change in operating assets and liabilities:					
Decrease (increase) in accounts receivable	-	1,254	74,243	(12,800)	62,697
Decrease (increase) in prepaid expenses	(3,777)	-	-	10,125	6,348
Decrease (increase) in inventories	-	(31,073)	-	-	(31,073)
Increase (decrease) in accounts payable	(4,211)	(122,210)	(2,388)	(26,286)	(155,095)
Increase (decrease) in compensated absences payable	6,290	(29,618)	(5,790)	(5,790)	(34,908)
Increase in accrued liabilities	7,199	3,712	668	2,118	13,697
Total adjustments	<u>190,110</u>	<u>19,220</u>	<u>66,733</u>	<u>(32,633)</u>	<u>243,430</u>
Net cash provided (used) by operating activities	<u>\$ 171,682</u>	<u>\$ 135,283</u>	<u>\$ (47,147)</u>	<u>\$ (330,286)</u>	<u>\$ (70,468)</u>
<b>Noncash capital and related financing activities</b>					
Retirement of capital assets	\$ -	\$ 358,746	\$ -	\$ -	\$ 358,746
Retirement of accumulated depreciation on capital assets	-	(358,746)	-	-	(358,746)

## Agency Funds

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

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

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

**CITY OF COVINA**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2014**

	<u>Downtown District</u>	<u>Prospero Park District</u>	<u>Totals</u>
<b>Assets</b>			
Cash and investments	<u>\$ 125</u>	<u>\$ 122</u>	<u>\$ 247</u>
 <b>Liabilities</b>			
Due to association	<u>\$ 125</u>	<u>\$ 122</u>	<u>\$ 247</u>

**CITY OF COVINA, CALIFORNIA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>Downtown District</u></b>				
<b>Assets</b>				
Cash and investments	\$ 203	\$ 6,750	\$ (6,828)	\$ 125
<b>Liabilities</b>				
Due to association	\$ 203	\$ 6,750	\$ (6,828)	\$ 125
<b><u>Prospero Park District</u></b>				
<b>Assets</b>				
Cash and investments	\$ 889	\$ 7,749	\$ (8,516)	\$ 122
<b>Liabilities</b>				
Due to association	\$ 889	\$ 7,749	\$ (8,516)	\$ 122
<b><u>Total Agency Funds</u></b>				
<b>Assets</b>				
Cash and investments	\$ 1,092	\$ 14,499	\$ (15,344)	\$ 247
<b>Liabilities</b>				
Due to association	\$ 1,092	\$ 14,499	\$ (15,344)	\$ 247

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## Statistical Section

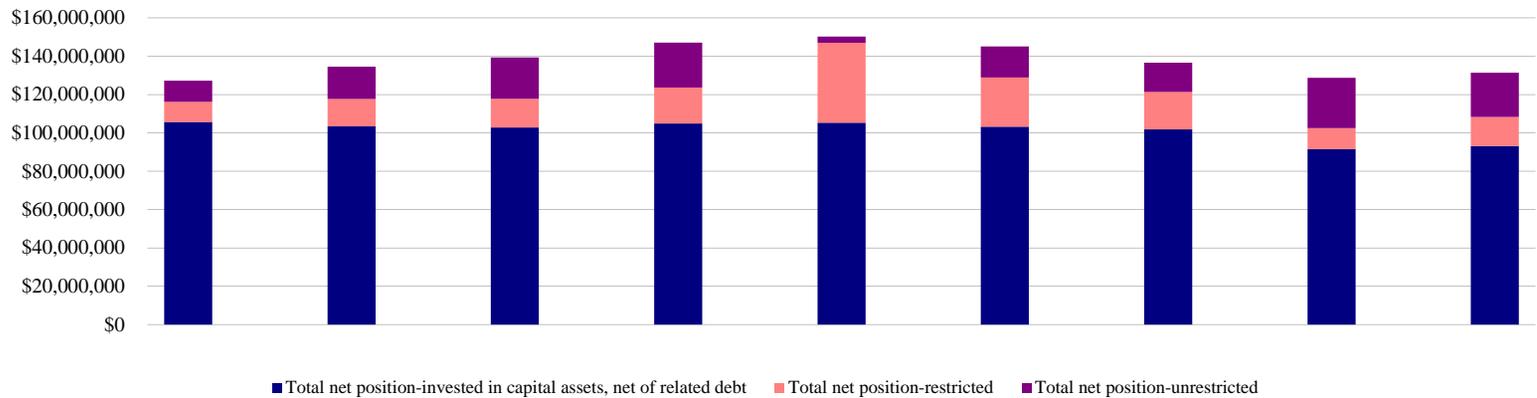
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*This part of the City of Covina’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about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

	<u>Page No.</u>
<b><i>Financial Trends</i></b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	122
<b><i>Revenue Capacity</i></b>	
These schedules contain information to help the reader assess the City’s significant local revenue source, the property tax.	129
<b><i>Debt Capacity</i></b>	
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These schedules contain information that complies with continuing disclosure requirements of each bond issued.	147

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 96,910,516	\$ 94,201,342	\$ 93,463,987	\$ 93,809,311	\$ 94,263,857	\$ 90,056,952	\$ 87,695,682	\$ 78,351,025	\$ 74,270,261	\$ 72,284,235
Restricted	10,490,780	14,313,629	15,004,400	18,530,089	41,514,531	24,081,433	16,560,218	10,950,627	15,229,058	21,146,284
Unrestricted	5,519,371	10,336,685	13,463,167	16,100,410	(5,144,585)	9,854,320	9,671,194	11,892,631	11,385,702	8,634,314
Total governmental activities net position	<u>\$ 112,920,667</u>	<u>\$ 118,851,656</u>	<u>\$ 121,931,554</u>	<u>\$ 128,439,810</u>	<u>\$ 130,633,803</u>	<u>\$ 123,992,705</u>	<u>\$ 113,927,094</u>	<u>\$ 101,194,283</u>	<u>\$ 100,885,021</u>	<u>\$ 102,064,833</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 8,842,086	\$ 9,210,922	\$ 9,340,814	\$ 11,106,918	\$ 11,081,331	\$ 13,155,096	\$ 14,181,064	\$ 13,160,600	\$ 18,808,805	\$ 13,256,130
Restricted	-	-	-	242,609	194,200	1,588,002	2,901,716	-	-	-
Unrestricted	5,484,707	6,472,653	8,117,344	7,309,574	8,383,892	6,408,142	5,644,744	14,357,963	11,741,520	22,391,275
Total business-type activities net position	<u>\$ 14,326,793</u>	<u>\$ 15,683,575</u>	<u>\$ 17,458,158</u>	<u>\$ 18,659,101</u>	<u>\$ 19,659,423</u>	<u>\$ 21,151,240</u>	<u>\$ 22,727,524</u>	<u>\$ 27,518,563</u>	<u>\$ 30,550,325</u>	<u>\$ 35,647,405</u>
<b>Total net position</b>										
Net investment in capital assets	\$ 105,752,602	\$ 103,412,264	\$ 102,804,801	\$ 104,916,229	\$ 105,345,188	\$ 103,212,048	\$ 101,876,746	\$ 91,511,625	\$ 93,079,066	\$ 85,540,365
Restricted	10,490,780	14,313,629	15,004,400	18,772,698	41,708,731	25,669,435	19,461,934	10,950,627	15,229,058	21,146,284
Unrestricted	11,004,078	16,809,338	21,580,511	23,409,984	3,239,307	16,262,462	15,315,938	26,250,594	23,127,222	31,025,589
Total net position	<u>\$ 127,247,460</u>	<u>\$ 134,535,231</u>	<u>\$ 139,389,712</u>	<u>\$ 147,098,911</u>	<u>\$ 150,293,226</u>	<u>\$ 145,143,945</u>	<u>\$ 136,654,618</u>	<u>\$ 128,712,846</u>	<u>\$ 131,435,346</u>	<u>\$ 137,712,238</u>



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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 4,334,498	\$ 2,715,526	\$ 2,865,088	\$ 2,314,101	\$ 3,142,876	\$ 2,500,818	\$ 3,262,195	\$ 1,154,723	\$ 1,923,009	\$ 879,859
Public safety	16,535,212	17,402,506	19,474,983	19,708,840	21,209,236	21,354,758	20,665,646	22,538,712	24,363,654	25,353,602
Public works	5,334,006	5,729,144	5,958,931	1,940,499	5,646,611	9,372,078	5,718,211	7,645,492	6,246,958	7,349,352
Culture and recreation	3,207,603	3,470,636	3,639,406	3,611,600	3,953,534	3,775,721	3,852,381	4,099,860	4,322,897	4,769,656
Community development	313,404	673,436	871,061	872,902	674,691	899,683	1,008,595	903,125	1,738,855	1,305,545
Transit	394,371	602,471	842,987	928,296	1,035,264	1,255,587	1,771,250	1,498,359	1,393,213	1,255,368
Redevelopment and housing	4,080,456	3,983,007	6,823,408	8,430,738	5,476,535	8,509,029	16,726,583	4,076,392	1,792,779	433,609
Nondepartmental	640,670	780,909	783,515	710,097	-	-	-	-	-	-
Interest on long-term debt	2,147,687	2,095,036	1,971,948	2,686,004	1,801,211	1,767,365	1,676,987	427,087	49,654	21,131
Total governmental activities expenses	<u>36,987,907</u>	<u>37,452,671</u>	<u>43,231,327</u>	<u>41,203,077</u>	<u>42,939,958</u>	<u>49,435,039</u>	<u>54,681,848</u>	<u>42,343,750</u>	<u>41,831,019</u>	<u>41,368,122</u>
<b>Business-type activities:</b>										
Water utility	3,934,198	4,918,545	4,701,051	5,663,819	4,736,319	5,434,940	8,366,225	8,156,273	9,276,555	9,757,890
Environmental protection	3,293,403	3,188,739	3,406,782	3,636,875	3,838,461	3,590,706	3,044,628	1,026,776	770,164	946,778
Sewer utility						1,306,386	1,246,067	916,194	1,272,822	1,564,254
Total business-type activities expenses	<u>7,227,601</u>	<u>8,107,284</u>	<u>8,107,833</u>	<u>9,300,694</u>	<u>8,574,780</u>	<u>10,332,032</u>	<u>12,656,920</u>	<u>10,099,243</u>	<u>11,319,541</u>	<u>12,268,922</u>
Total expenses	<u>\$ 44,215,508</u>	<u>\$ 45,559,955</u>	<u>\$ 51,339,160</u>	<u>\$ 50,503,771</u>	<u>\$ 51,514,738</u>	<u>\$ 59,767,071</u>	<u>\$ 67,338,768</u>	<u>\$ 52,442,993</u>	<u>\$ 53,150,560</u>	<u>\$ 53,637,044</u>
<b>Program revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 507,297	\$ 615,826	\$ 623,230	\$ 870,996	\$ 1,346,804	\$ 2,143,036	\$ 2,171,397	\$ 1,537,347	\$ 356,673	\$ 482,450
Public safety	957,742	1,163,481	972,892	1,108,955	402,084	630,996	630,938	1,552,076	1,957,506	2,506,468
Public works	551,203	497,797	801,087	720,499	1,010,808	469,403	488,132	764,276	556,466	579,193
Culture and recreation	663,789	646,731	842,336	625,015	670,775	703,840	1,084,791	776,590	798,562	1,184,544
Community development	686,359	996,218	906,443	837,228	305,459	733,112	669,205	820,232	1,167,001	1,245,885
Transit	56,872	105,717	203,242	223,334	229,107	220,813	239,177	287,568	328,136	316,429
Redevelopment and housing	868,867	860,536	857,920	873,523	1,002,471	959,081	979,816	389,969	28,710	973,329
Operating grants and contributions	2,797,228	2,646,589	3,520,504	3,051,803	3,193,844	4,016,332	3,922,703	4,827,008	5,597,878	5,131,366
Capital grants and contributions	1,031,227	2,991,437	2,224,198	2,399,175	2,418,316	1,332,464	846,430	1,154,676	611,661	1,483,056
Total governmental activities program revenues	<u>8,120,584</u>	<u>10,524,332</u>	<u>10,951,852</u>	<u>10,710,528</u>	<u>10,579,668</u>	<u>11,209,077</u>	<u>11,032,589</u>	<u>12,109,742</u>	<u>11,402,593</u>	<u>13,902,720</u>

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

(Continued)

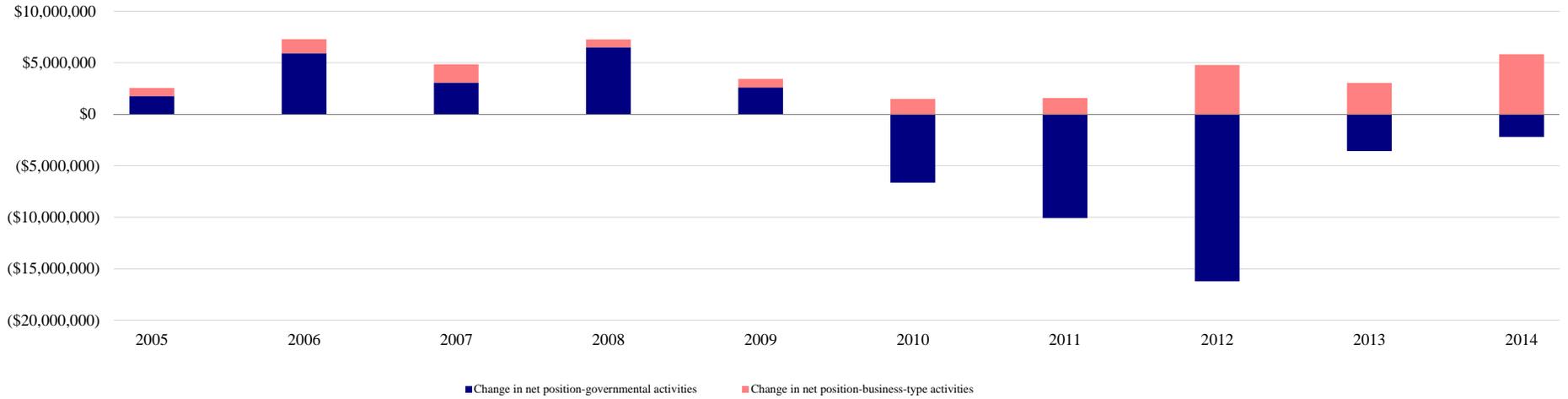
	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Business-type activities:</b>										
Charges for services:										
Water utility	5,088,097	5,967,600	6,096,964	6,185,853	5,460,462	6,625,803	8,872,848	10,515,236	10,902,689	13,337,157
Environmental protection	2,815,351	3,372,873	3,628,004	3,707,867	3,845,177	3,735,408	3,191,529	1,227,298	925,221	1,317,849
Sewer utility	-	-	-	-	-	970,717	1,464,430	1,750,240	2,263,321	2,213,642
Operating grants and contributions	70,307	13,425	26,326	26,138	9,797	-	-	-	-	1,554
Capital grants and contributions	-	-	-	-	-	-	-	-	-	366,180
Total business-type activities program revenues	<u>7,973,755</u>	<u>9,353,898</u>	<u>9,751,294</u>	<u>9,919,858</u>	<u>9,315,436</u>	<u>11,331,928</u>	<u>13,528,807</u>	<u>13,492,774</u>	<u>14,091,231</u>	<u>17,236,382</u>
Total program revenues	<u>\$ 16,094,339</u>	<u>\$ 19,878,230</u>	<u>\$ 20,703,146</u>	<u>\$ 20,630,386</u>	<u>\$ 19,895,104</u>	<u>\$ 22,541,005</u>	<u>\$ 24,561,396</u>	<u>\$ 25,602,516</u>	<u>\$ 25,493,824</u>	<u>\$ 31,139,102</u>
<b>Net (expense) revenue</b>										
Governmental activities	\$ (28,867,323)	\$ (26,928,339)	\$ (32,279,475)	\$ (30,492,549)	\$ (32,360,290)	\$ (38,225,962)	\$ (43,649,259)	\$ (30,234,008)	\$ (30,428,426)	\$ (27,465,402)
Business-type activities	746,154	1,246,614	1,643,461	619,164	740,656	999,896	871,887	3,393,531	2,771,690	4,967,460
Total net expense	<u>\$ (28,121,169)</u>	<u>\$ (25,681,725)</u>	<u>\$ (30,636,014)</u>	<u>\$ (29,873,385)</u>	<u>\$ (31,619,634)</u>	<u>\$ (37,226,066)</u>	<u>\$ (42,777,372)</u>	<u>\$ (26,840,477)</u>	<u>\$ (27,656,736)</u>	<u>\$ (22,497,942)</u>
<b>General revenues</b>										
Governmental activities:										
Property taxes	\$ 9,041,899	\$ 12,803,622	\$ 14,725,235	\$ 16,124,178	\$ 16,920,696	\$ 18,689,985	\$ 18,602,045	\$ 13,383,113	\$ 13,323,781	\$ 11,725,280
Sales taxes	8,347,572	8,774,728	9,035,103	8,633,461	7,306,177	4,661,397	4,978,892	5,323,574	5,835,052	5,643,574
Transient occupancy taxes	484,621	578,418	491,226	423,861	340,175	356,027	317,594	316,609	395,589	349,310
Property transfer taxes	307,612	296,459	324,113	158,340	113,113	133,114	92,818	124,226	132,670	157,945
Business license taxes	418,336	360,265	383,254	395,503	349,109	368,913	337,613	373,299	259,692	415,362
Utility user taxes	5,032,784	5,329,099	5,395,617	5,433,339	5,274,912	5,275,407	4,722,506	4,553,173	5,065,228	5,055,632
Franchise taxes	1,028,228	1,098,988	1,187,401	1,191,560	1,314,360	1,148,788	3,238,200	1,314,343	1,465,788	1,480,237
Intergovernmental	4,385,626	1,088,916	675,895	498,071	131,080	145,828	227,618	24,598	-	-
Investment earnings	1,161,801	1,816,665	3,047,173	3,448,945	2,078,611	1,236,562	1,035,569	250,604	337,358	473,543
Transfers in/out	-	-	-	-	45,913	(431,157)	(24,383)	6,653	26,880	(33,927)
Gain on sale of land held for resale	-	-	-	-	-	-	55,176	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	10,105	6,614	-
Miscellaneous	426,675	712,168	94,356	693,547	1,091,243	-	-	-	-	-
Extraordinary loss	-	-	-	-	-	-	-	(11,674,077)	-	-
Total governmental activities	<u>30,635,154</u>	<u>32,859,328</u>	<u>35,359,373</u>	<u>37,000,805</u>	<u>34,965,389</u>	<u>31,584,864</u>	<u>33,583,648</u>	<u>14,006,220</u>	<u>26,848,652</u>	<u>25,266,956</u>
Business-type activities:										
Investment earnings	45,061	110,168	131,122	135,192	86,322	160,868	173,150	70,596	60,157	17,894
Investment earnings - CIC	-	-	-	446,587	219,257	(66,408)	506,864	1,333,565	226,795	809,727
Miscellaneous	-	-	-	-	-	(33,696)	-	-	-	-
Transfers in/out	-	-	-	-	(45,913)	431,157	24,383	(6,653)	(26,880)	33,927
Total general revenues	<u>\$ 30,680,215</u>	<u>\$ 32,969,496</u>	<u>\$ 35,490,495</u>	<u>\$ 37,582,584</u>	<u>\$ 35,225,055</u>	<u>\$ 32,076,785</u>	<u>\$ 34,288,045</u>	<u>\$ 15,403,728</u>	<u>\$ 27,108,724</u>	<u>\$ 26,128,504</u>

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

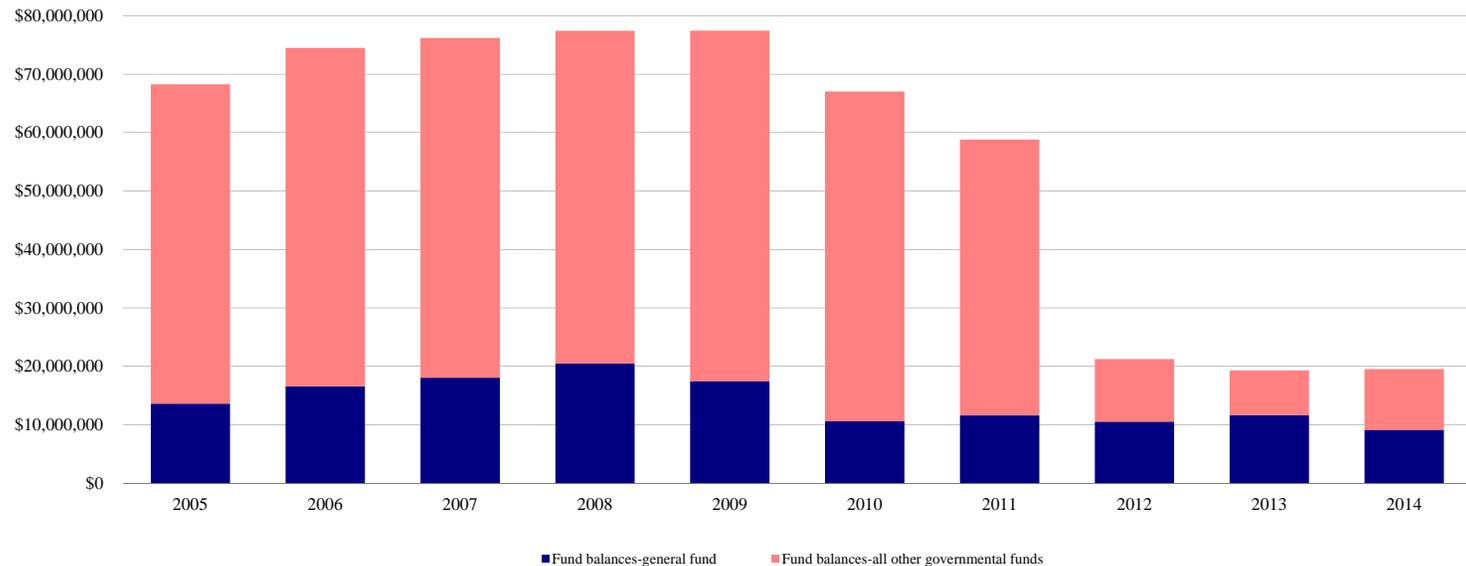
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	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Change in net position</b>										
Governmental activities	\$ 1,767,831	\$ 5,930,989	\$ 3,079,898	\$ 6,508,256	\$ 2,605,099	\$ (6,641,098)	\$ (10,065,611)	\$ (16,227,788)	\$ (3,579,774)	\$ (2,198,446)
Business-type activities	791,215	1,356,782	1,774,583	754,356	826,978	1,491,817	1,576,284	4,791,039	3,031,762	5,829,008
Total changes in net position	<u>\$ 2,559,046</u>	<u>\$ 7,287,771</u>	<u>\$ 4,854,481</u>	<u>\$ 7,262,612</u>	<u>\$ 3,432,077</u>	<u>\$ (5,149,281)</u>	<u>\$ (8,489,327)</u>	<u>\$ (11,436,749)</u>	<u>\$ (548,012)</u>	<u>\$ 3,630,562</u>



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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General fund</b>										
Reserved	\$ 679,451	\$ 621,107	\$ 393,457	\$ 1,030,873	\$ 310,399					
Unreserved	12,946,351	15,972,808	17,682,617	19,467,883	17,179,931					
Nonspendable						\$ 646,252	\$ 648,802	\$ 621,981	\$ 28,941	\$ 28,094
Restricted						-	-	20,259	24,564	7,436,731
Committed						6,385,473	172,777	234,540	533,004	21,359
Assigned						457,909	501,835	473,342	478,106	1,680,892
Unassigned						3,118,855	10,284,466	9,187,601	10,580,310	-
<b>Total general fund</b>	<b>\$ 13,625,802</b>	<b>\$ 16,593,915</b>	<b>\$ 18,076,074</b>	<b>\$ 20,498,756</b>	<b>\$ 17,490,330</b>	<b>\$ 10,608,489</b>	<b>\$ 11,607,880</b>	<b>\$ 10,537,723</b>	<b>\$ 11,644,925</b>	<b>\$ 9,167,076</b>
<b>All other governmental funds</b>										
Reserved	\$ 22,119,157	\$ 24,441,157	\$ 22,736,840	\$ 28,054,791	\$ 34,930,036					
Unreserved, reported in:										
Special revenue funds	9,087,613	11,860,367	12,884,570	13,638,976	10,047,112					
Capital projects funds	23,435,032	21,590,780	22,497,931	15,223,862	14,968,350					
Nonspendable						\$ 3,916,585	-	-	-	-
Restricted						50,861,382	47,292,721	10,103,939	7,070,982	8,879,178
Assigned						1,648,441	1,886,710	856,857	953,958	1,497,633
Unassigned						-	(1,961,140)	(259,217)	(353,128)	(21,099)
<b>Total all other governmental funds</b>	<b>\$ 54,641,802</b>	<b>\$ 57,892,304</b>	<b>\$ 58,119,341</b>	<b>\$ 56,917,629</b>	<b>\$ 59,945,498</b>	<b>\$ 56,426,408</b>	<b>\$ 47,218,291</b>	<b>\$ 10,701,579</b>	<b>\$ 7,671,812</b>	<b>\$ 10,355,712</b>



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

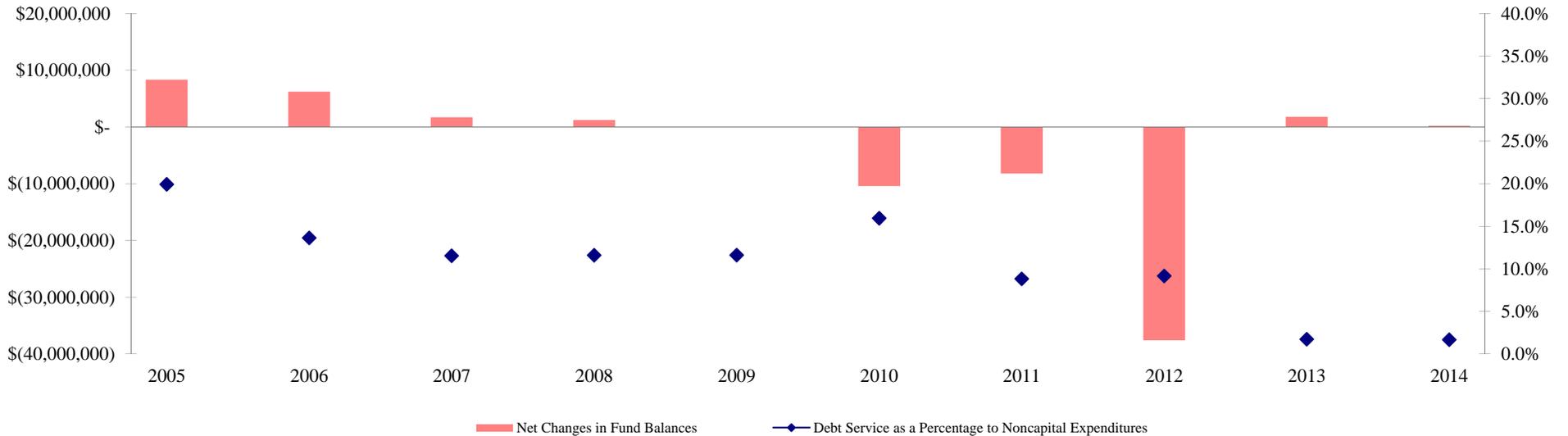
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 24,661,052	\$ 29,241,579	\$ 31,541,949	\$ 32,360,242	\$ 31,618,542	\$ 26,517,007	\$ 32,305,233	\$ 25,706,551	\$ 26,934,344	\$ 24,578,908
Licenses and permits	547,173	711,271	476,306	444,730	210,009	408,891	538,623	609,209	878,549	756,173
Intergovernmental	8,214,081	6,726,942	6,420,597	5,949,049	5,612,171	5,494,624	4,996,751	6,006,293	5,178,331	7,338,277
Charges for services	2,756,536	2,873,894	3,371,448	3,232,866	3,015,698	3,358,721	3,696,406	3,181,384	2,658,584	2,748,519
Fines and forfeits	610,936	801,161	826,974	755,574	608,152	736,304	717,102	824,561	871,237	828,444
Special assessments	330,191	363,188	395,993	646,256	1,133,637	781,307	768,407	674,336	645,752	725,365
Investment earnings	1,131,554	1,765,829	2,995,417	3,383,590	1,990,066	1,184,170	1,006,602	243,762	3,304	186,627
Gain on land held for resale	-	-	-	-	-	-	55,176	-	-	-
Miscellaneous	426,675	712,168	94,356	693,547	1,091,243	449,220	426,682	714,743	296,007	1,369,723
Total revenues	<u>38,678,198</u>	<u>43,196,032</u>	<u>46,123,040</u>	<u>47,465,854</u>	<u>45,279,518</u>	<u>38,930,244</u>	<u>44,510,982</u>	<u>37,960,839</u>	<u>37,466,108</u>	<u>38,532,036</u>
<b>Expenditures</b>										
General government	3,393,950	3,221,988	3,679,816	3,539,841	3,380,536	3,785,471	3,562,834	1,819,595	274,806	503,430
Public safety	16,352,997	17,090,419	19,206,150	19,542,285	21,174,073	21,397,265	20,360,999	22,267,322	23,842,820	24,415,716
Public works	1,619,766	1,563,035	2,499,640	2,936,385	2,195,664	2,053,646	1,740,182	2,783,422	2,448,294	3,183,073
Culture and recreation	3,012,519	3,263,493	3,442,872	3,431,592	3,777,439	3,634,507	3,546,556	3,826,564	4,262,425	4,546,531
Community development	630,836	675,795	866,988	878,362	686,297	923,801	993,778	890,511	1,762,768	1,289,508
Transit	430,828	487,012	637,775	715,454	804,996	996,078	1,535,572	1,240,701	1,125,086	980,911
Redevelopment and housing	3,139,888	3,359,792	5,730,531	7,949,680	4,223,166	4,268,367	15,567,011	3,880,732	491,540	466,232
Nondepartmental	52,244	77,591	43,538	52,987	-	-	-	-	-	-
Capital outlay	9,171,791	2,447,000	3,149,885	2,076,654	4,303,702	3,213,996	572,305	2,744,828	890,079	2,823,296
Debt service:										
Principal	1,892,752	2,531,225	2,671,038	2,752,453	2,817,958	5,190,621	2,930,724	3,017,434	553,477	579,404
Interest and fiscal charges	2,215,516	2,162,865	2,039,777	2,369,191	1,942,157	1,840,054	1,644,364	685,036	48,115	23,501
Bond issuance costs	1,283,370	-	-	-	-	-	-	-	-	-
Payment to refunded bond account	1,735,000	-	-	-	-	-	-	-	-	-
Total expenditures	<u>44,931,457</u>	<u>36,880,215</u>	<u>43,968,010</u>	<u>46,244,884</u>	<u>45,305,988</u>	<u>47,303,806</u>	<u>52,454,325</u>	<u>43,156,145</u>	<u>35,699,410</u>	<u>38,811,602</u>
Excess of revenues over (under) expenditures	<u>(6,253,259)</u>	<u>6,315,817</u>	<u>2,155,030</u>	<u>1,220,970</u>	<u>(26,470)</u>	<u>(8,373,562)</u>	<u>(7,943,343)</u>	<u>(5,195,306)</u>	<u>1,766,698</u>	<u>(279,566)</u>

(Continued)

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

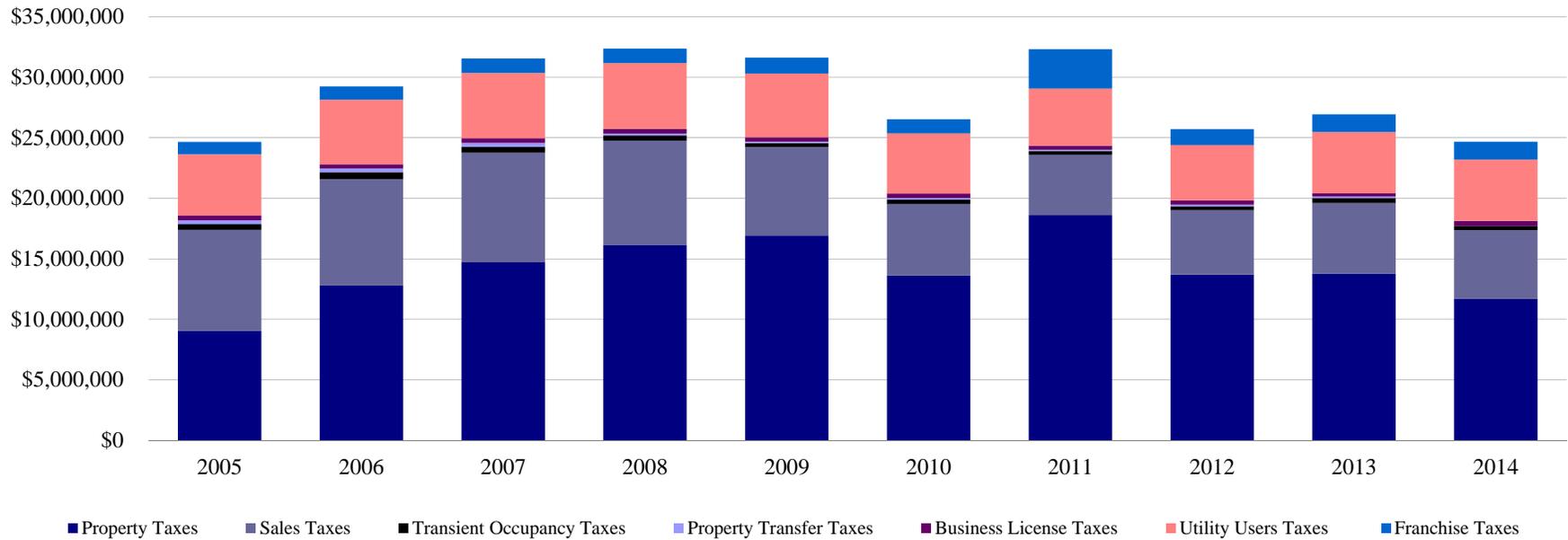
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Other financing sources (uses)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transfers in	\$ 530,984	\$ 1,222,967	\$ 1,433,178	\$ 416,390	\$ 1,103,318	\$ 5,508,798	\$ 3,620,017	\$ 4,134,433	\$ 544,408	\$ 1,246,731
Transfers out	(530,984)	(1,222,967)	(1,433,178)	(416,390)	(1,057,405)	(10,332,955)	(3,885,400)	(3,949,780)	(517,528)	(1,472,335)
Capital leases	-	-	-	-	-	486,788	-	-	-	-
Loan Proceeds	-	-	-	-	-	2,310,000	-	-	-	-
Tax allocation bonds issued	26,850,000	-	-	-	-	-	-	-	-	-
Revenue bonds issued	3,725,000	-	-	-	-	-	-	-	-	-
Premium on bond debt	1,141,939	-	-	-	-	-	-	-	-	-
Payment to refunded bond account	(17,117,668)	-	-	-	-	-	-	-	-	-
Gain (loss) on sale and disposal of capital assets	-	-	-	-	-	-	-	-	-	720,376
	-	(97,202)	(445,834)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>14,599,271</b>	<b>(97,202)</b>	<b>(445,834)</b>	<b>-</b>	<b>45,913</b>	<b>(2,027,369)</b>	<b>(265,383)</b>	<b>184,653</b>	<b>26,880</b>	<b>494,772</b>
Extraordinary loss from dissolution of Redevelopment Agency	-	-	-	-	-	-	-	(32,576,216)	-	-
<b>Net changes in fund balances</b>	<b>\$ 8,346,012</b>	<b>\$ 6,218,615</b>	<b>\$ 1,709,196</b>	<b>\$ 1,220,970</b>	<b>\$ 19,443</b>	<b>\$ (10,400,931)</b>	<b>\$ (8,208,726)</b>	<b>\$ (37,586,869)</b>	<b>\$ 1,793,578</b>	<b>\$ 215,206</b>
Debt service as a percentage of noncapital expenditures	19.9%	13.6%	11.5%	11.6%	11.6%	15.9%	8.8%	9.2%	1.7%	1.7%



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

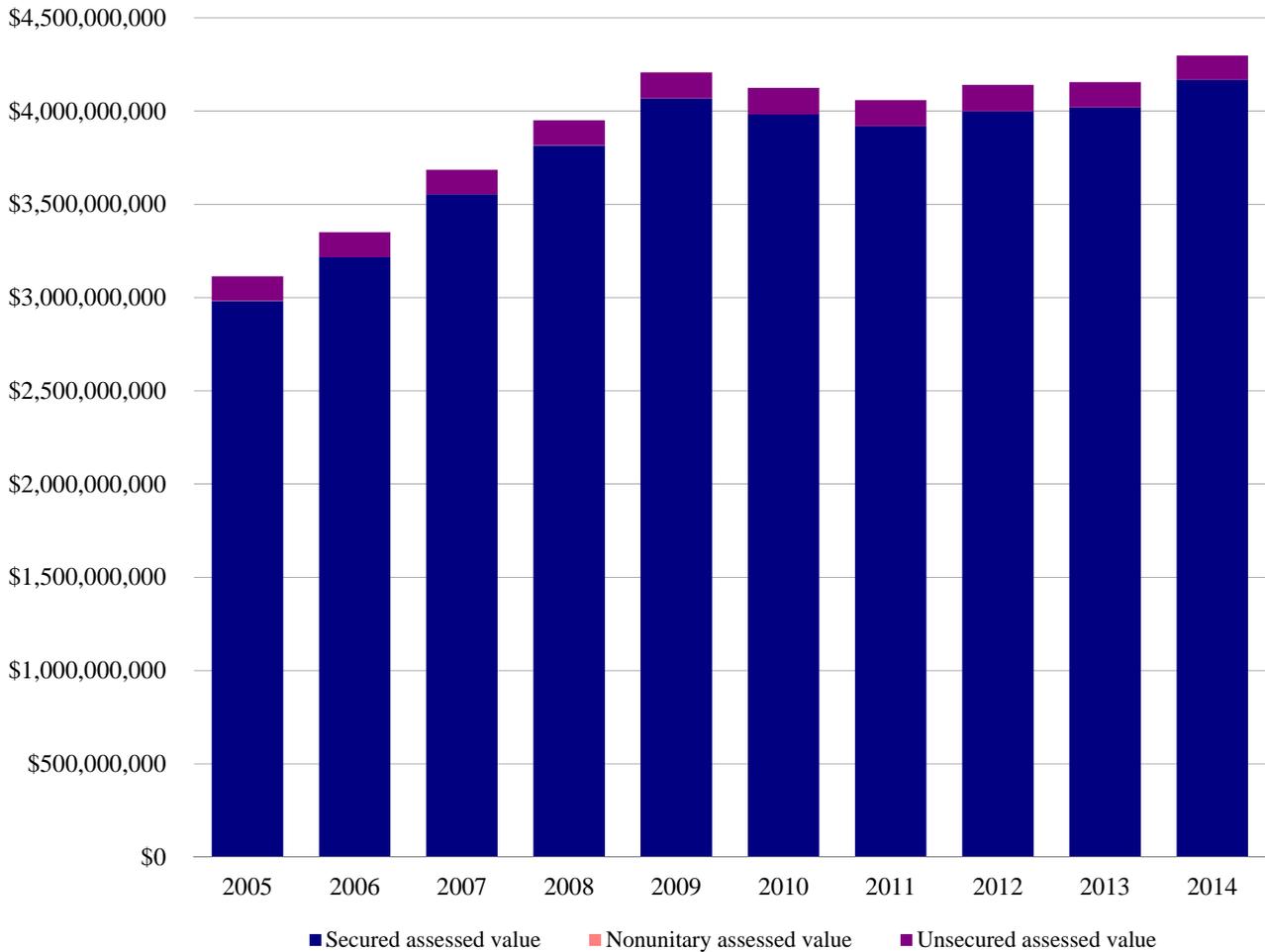
Fiscal Year	Property Taxes <sup>(1)</sup>	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Utility Users Taxes	Franchise Taxes	Total
2005	9,041,899	8,347,572	484,621	307,612	418,336	5,032,784	1,028,228	24,661,052
2006	12,803,622	8,774,728	578,418	296,459	360,265	5,329,099	1,098,988	29,241,579
2007	14,725,235	9,035,103	491,226	324,113	383,254	5,395,617	1,187,401	31,541,949
2008	16,124,178	8,633,461	423,861	158,340	395,503	5,433,339	1,191,560	32,360,242
2009	16,920,696	7,306,177	340,175	113,113	349,109	5,274,912	1,314,360	31,618,542
2010	13,618,538	5,914,184	356,027	133,114	368,913	4,977,443	1,148,788	26,517,007
2011	18,617,610	4,978,892	317,594	92,818	337,613	4,722,506	3,238,200	32,305,233
2012	13,701,328	5,323,574	316,609	124,226	373,299	4,553,173	1,314,343	25,706,552
2013	13,779,975	5,835,052	394,909	132,670	260,722	5,065,228	1,465,788	26,934,344
2014	11,725,280	5,643,574	349,310	157,945	415,362	5,055,632	1,480,237	24,827,340



<sup>(1)</sup> Includes both City property tax and Redevelopment Agency tax allocations up to 2012. Property tax in-lieu motor vehicle licenses are not included in amounts prior to fiscal year 2006.

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

Fiscal Year	Assessed Value <sup>(1)</sup>			Total	Total Effective Rate (2)
	Secured	Nonunitary	Unsecured		
2005	2,981,472,508	1,173,835	131,297,709	3,113,944,052	1.2875%
2006	3,216,896,758	689,018	132,900,062	3,350,485,838	1.3119%
2007	3,553,763,633	634,373	130,918,125	3,685,316,131	1.3467%
2008	3,815,860,520	381,710	134,528,469	3,950,770,699	1.3518%
2009	4,068,752,819	381,710	138,563,298	4,207,697,827	1.3422%
2010	3,981,772,274	381,710	142,877,822	4,125,031,806	1.3644%
2011	3,919,278,191	401,800	138,965,796	4,058,645,787	1.3943%
2012	3,998,495,677	401,800	141,788,741	4,140,686,218	1.3968%
2013	4,019,604,449	401,800	135,484,540	4,155,490,789	1.4036%
2014	4,168,222,632	401,800	129,212,504	4,297,836,936	1.4047%



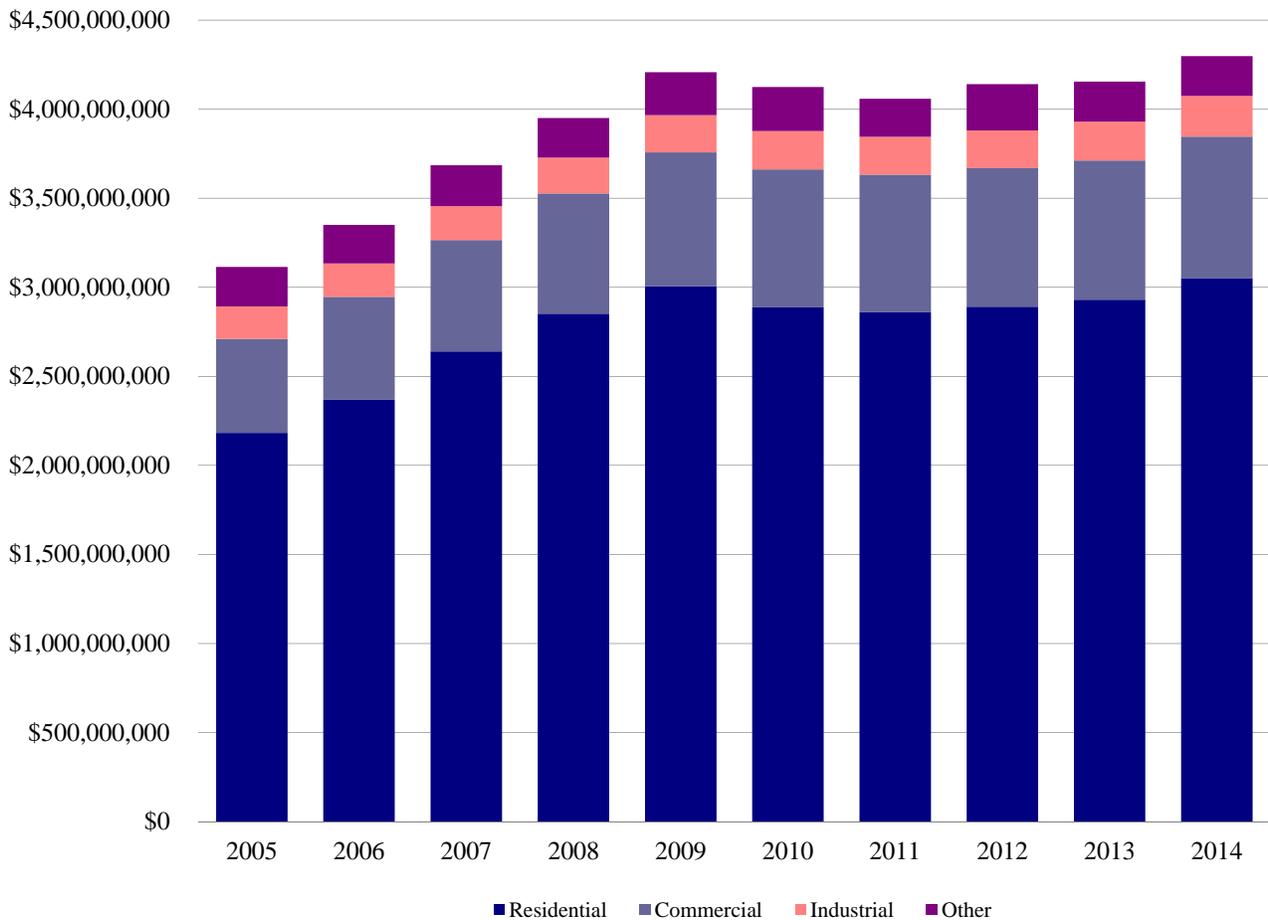
<sup>(1)</sup> Net of exemptions

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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Assessed Value <sup>(1)</sup>				Total	Total Effective Rate (2)
	Residential	Commercial	Industrial	Other		
2005	2,182,822,457	527,513,453	182,617,583	220,990,559	3,113,944,052	1.2875%
2006	2,368,068,940	578,638,505	187,206,489	216,571,904	3,350,485,838	1.3119%
2007	2,640,273,200	625,389,836	190,387,266	229,265,829	3,685,316,131	1.3467%
2008	2,851,328,670	675,399,224	201,466,528	222,576,277	3,950,770,699	1.3518%
2009	3,005,135,149	752,579,095	209,086,234	240,897,349	4,207,697,827	1.3422%
2010	2,887,006,374	774,649,712	215,229,621	248,146,099	4,125,031,806	1.3644%
2011	2,859,945,639	772,436,342	212,367,095	213,896,711	4,058,645,787	1.3943%
2012	2,890,966,936	778,029,259	211,825,282	259,864,741	4,140,686,218	1.3968%
2013	2,930,723,686	780,928,877	217,974,525	225,863,701	4,155,490,789	1.4036%
2014	3,051,809,271	794,611,256	228,672,928	222,743,481	4,297,836,936	1.4047%



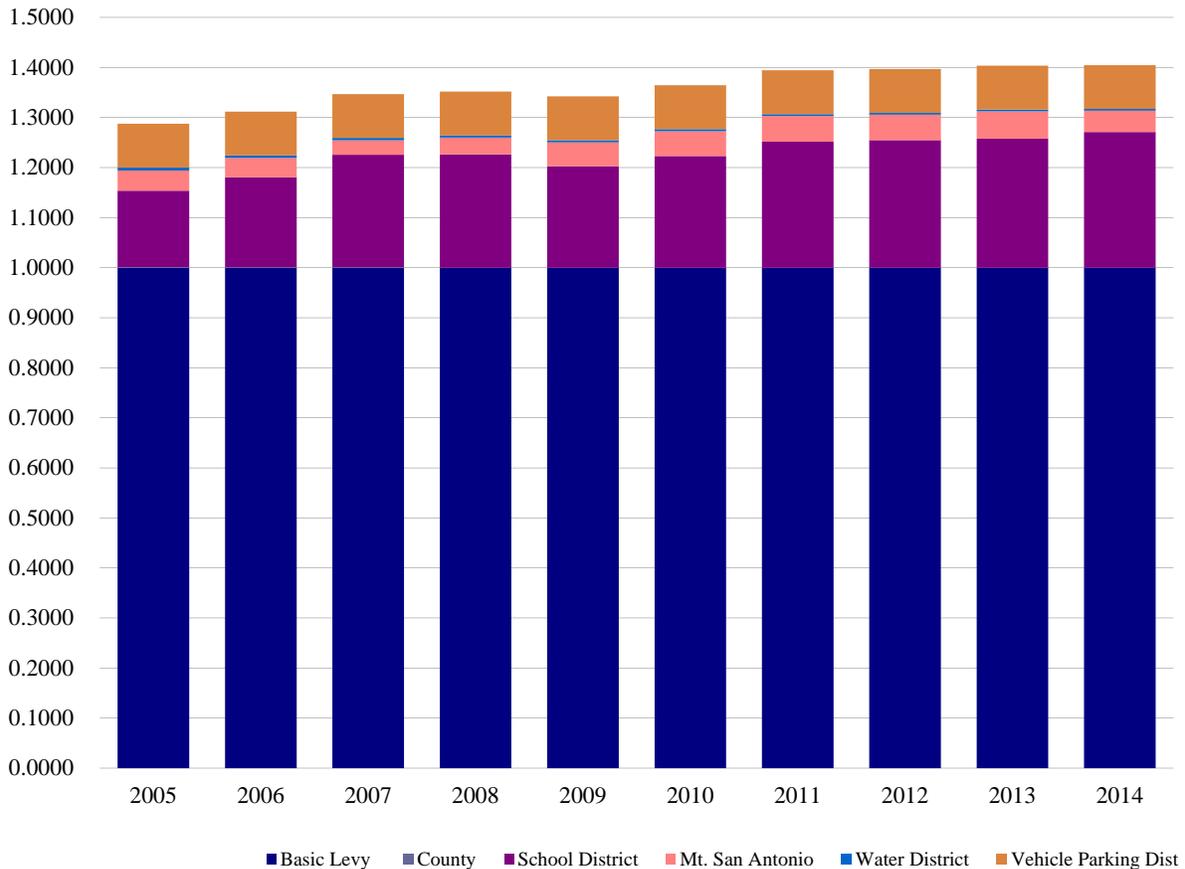
<sup>(1)</sup> Net of exemptions

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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy <sup>(2)</sup>	County			School District <sup>(3)</sup>	Community		Vehicle Parking District	Total Effective Rate <sup>(5)</sup>
		General	Flood Control	Total		College District <sup>(4)</sup>	Water District		
2005	1.0000	0.0009	0.0002	0.0011	0.1525	0.0406	0.0058	0.0875	1.2875
2006	1.0000	0.0008	0.0001	0.0009	0.1795	0.0389	0.0052	0.0875	1.3119
2007	1.0000	0.0007	0.0001	0.0008	0.2249	0.0289	0.0047	0.0875	1.3467
2008	1.0000	0.0000	0.0000	0.0000	0.2262	0.0336	0.0045	0.0875	1.3518
2009	1.0000	0.0000	0.0000	0.0000	0.2027	0.0477	0.0043	0.0875	1.3422
2010	1.0000	0.0000	0.0000	0.0000	0.2230	0.0497	0.0043	0.0875	1.3644
2011	1.0000	0.0000	0.0000	0.0000	0.2516	0.0515	0.0037	0.0875	1.3943
2012	1.0000	0.0000	0.0000	0.0000	0.2547	0.0509	0.0037	0.0875	1.3968
2013	1.0000	0.0000	0.0000	0.0000	0.2577	0.0549	0.0035	0.0875	1.4036
2014	1.0000	0.0000	0.0000	0.0000	0.2713	0.0425	0.0035	0.0875	1.4047



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

<sup>(2)</sup> Basic levy for City (\$0.154), County (\$0.338), Covina Valley Unified School District (\$0.184), Educational Revenue Augmentation Fund (\$0.242) and other agencies (\$0.082).

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

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

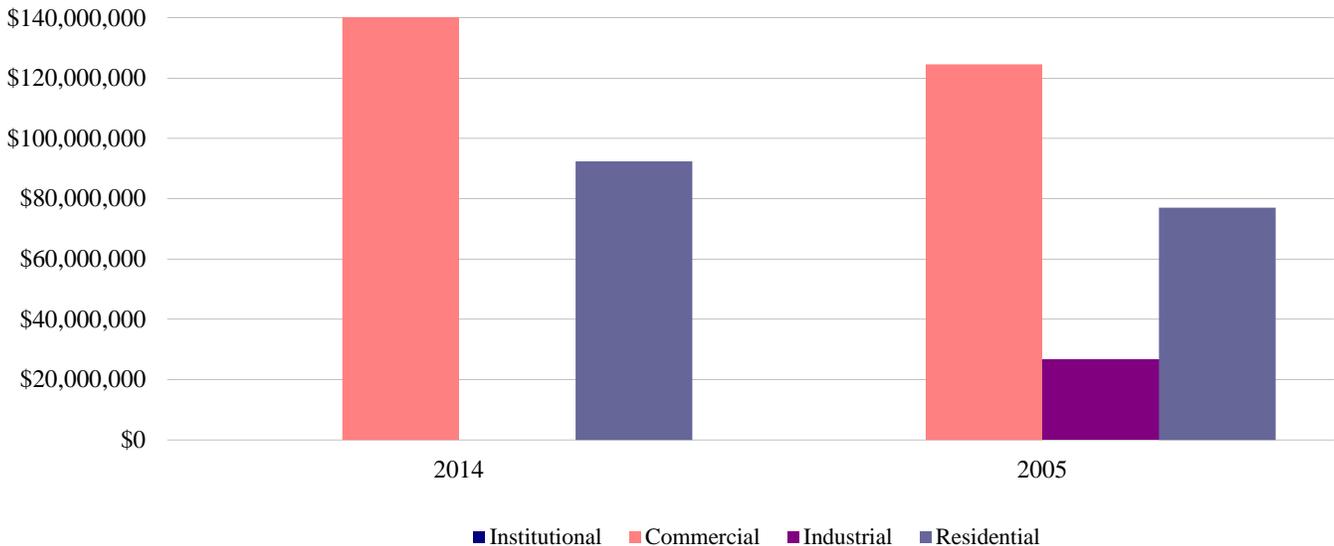
<sup>(5)</sup> Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.

Source: Los Angeles County/Hdl Companies .

CITY OF COVINA, CALIFORNIA  
Principal Property Owners  
June 30, 2014

Taxpayer	Primary Use	2014			2005		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(1)</sup>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(1)</sup>
Ikea Property Inc	Commercial	\$ 51,221,272	1	1.19%	\$ 39,429,374	1	1.27%
KIR Covina Limited Partnership	Commercial	47,285,245	2	1.10%	33,218,694	2	1.07%
Vista Pointe Apartments LLC	Residential	39,194,300	3	0.91%	-	-	-
PUR RB Covina Apartments LLC	Residential	33,447,250	4	0.78%	-	-	-
FNL of Covina Partners LLC	Commercial	30,110,317	5	0.70%	-	-	-
Haemonetics Manufacturing Inc	Commercial	26,560,343	6	0.62%	-	-	-
Spirit SPE Covina LLC	Commercial	24,800,000	7	0.58%	22,186,867	5	0.71%
UIMC Covina LLC	Commercial	24,406,813	8	0.57%	-	-	-
Covina 023 Woods 206 LP	Residential	19,728,467	9	0.46%	-	-	-
Wal Mart Real Estate Business Tr	Commercial	19,192,917	10	0.45%	14,862,311	8	0.48%
Medsep Corporation	Industrial	-	-	-	26,647,155	3	0.86%
Transwestern JH Hallmark	Residential	-	-	-	23,458,208	4	0.75%
Coastal Shadowhills LLC	Residential	-	-	-	20,670,821	6	0.66%
Covina Gardens LLC	Residential	-	-	-	18,616,089	7	0.60%
Covina Technology Center LLC	Commercial	-	-	-	14,822,450	9	0.48%
Cienega Preservation LP	Residential	-	-	-	14,287,078	10	0.46%
<b>Total</b>		<b>\$ 315,946,924</b>		<b>7.36%</b>	<b>\$ 228,199,047</b>		<b>7.34%</b>

**Principal Property Owners**

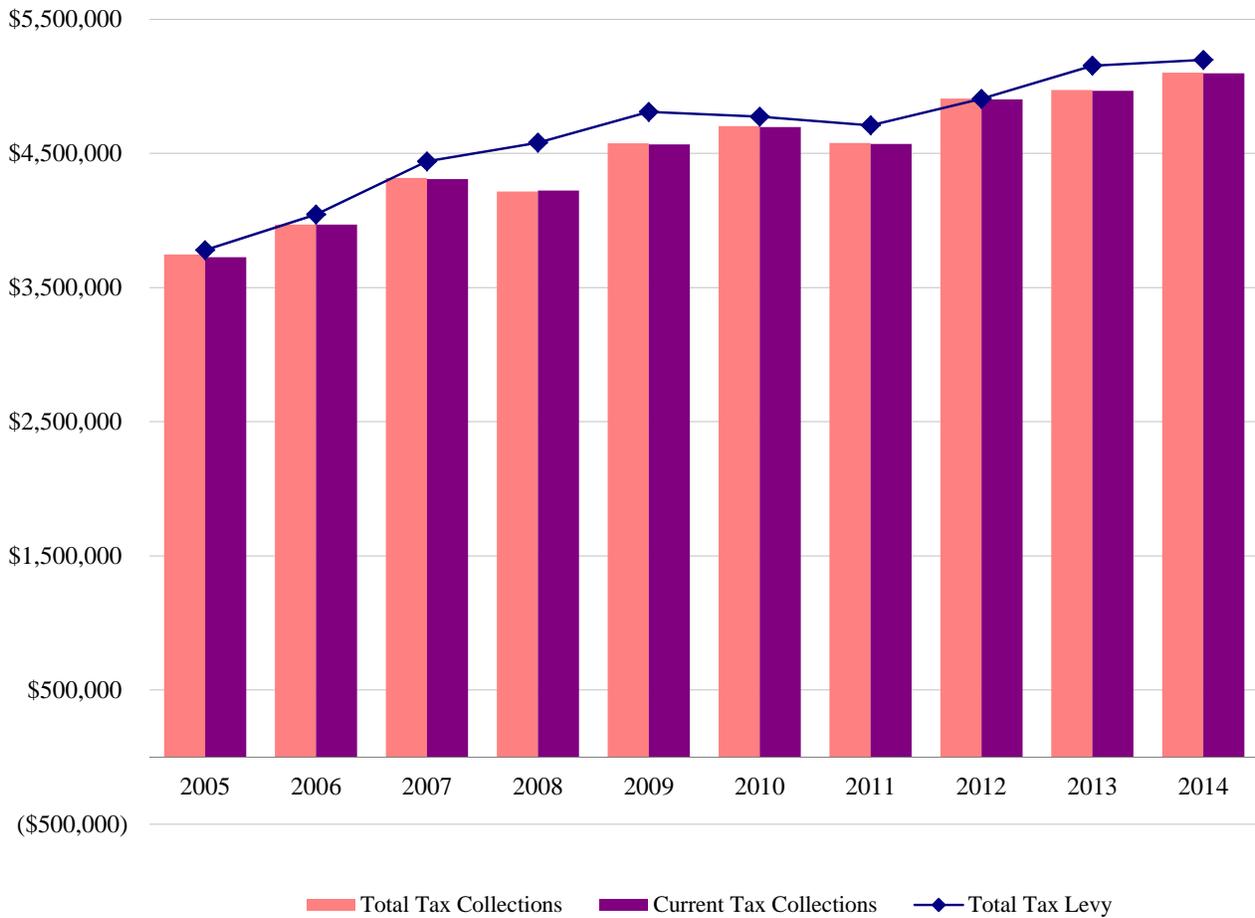


<sup>(1)</sup> Total assessed valuation of taxable property exclusive of exemptions.

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Total Tax Levy <sup>(2)</sup>	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2005	3,777,764	3,725,369	98.6%	19,890	3,745,259	99.1%
2006	4,044,043	3,968,302	98.1%	-	3,968,302	98.1%
2007	4,439,472	4,306,933	97.0%	8,432	4,315,365	97.2%
2008	4,578,890	4,221,702	92.2%	(7,129)	4,214,573	92.0%
2009	4,808,286	4,566,246	95.0%	8,333	4,574,579	95.1%
2010	4,772,267	4,694,992	98.4%	6,766	4,701,758	98.5%
2011	4,708,050	4,570,061	97.1%	7,093	4,577,154	97.2%
2012	4,905,372	4,901,258	99.9%	6,561	4,907,819	100.0%
2013	5,152,608	4,965,009	96.4%	6,505	4,971,514	96.5%
2014	5,195,545	5,095,292	98.1%	5,745	5,101,037	98.2%



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

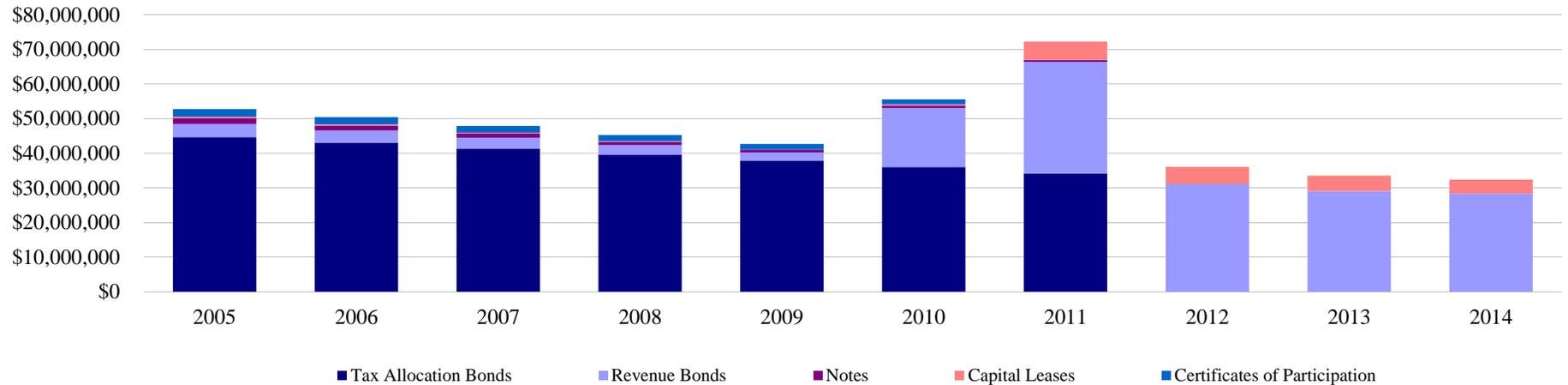
<sup>(2)</sup> Includes secured and unsecured property tax levies exclusive of homeowner exemption, supplemental roll and in-lieu motor vehicle licenses.

Source: Los Angeles County.

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

Fiscal Year	Governmental Activities				Business Activities			Total	Percentage of Personal Income <sup>(1)</sup>	Percentage of Debt Per Capita <sup>(1)</sup>
	Tax Allocation Bonds <sup>(2)</sup>	Revenue Bonds	Notes	Capital Leases	Certificates of Participation	Revenue Bonds	Capital Leases			
2005	44,635,780	3,841,236	1,612,139	473,805	2,210,602	-	-	52,773,562	1.98%	0.09%
2006	43,080,525	3,484,432	1,394,483	386,405	2,070,937	-	-	50,416,782	2.15%	0.10%
2007	41,352,646	3,112,628	1,187,398	286,687	1,921,274	-	-	47,860,633	2.38%	0.10%
2008	39,623,416	2,725,824	951,988	194,637	1,766,611	-	-	45,262,476	2.60%	0.11%
2009	37,892,429	2,319,020	761,693	81,974	1,606,948	-	-	42,662,064	2.77%	0.12%
2010	36,012,009	1,897,216	656,516	403,320	1,442,283	15,164,121	-	55,575,465	2.09%	0.09%
2011	34,112,825	1,455,412	543,360	310,752	-	30,842,494	4,963,503	72,228,346	1.63%	0.07%
2012	-	993,608	-	212,881	-	30,167,457	4,665,191	36,039,137	3.26%	0.13%
2013	-	506,804	-	109,404	-	28,556,637	4,355,402	33,528,247	3.70%	0.14%
2014	-	-	-	-	-	28,342,757	4,033,567	32,376,324	3.88%	0.15%

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



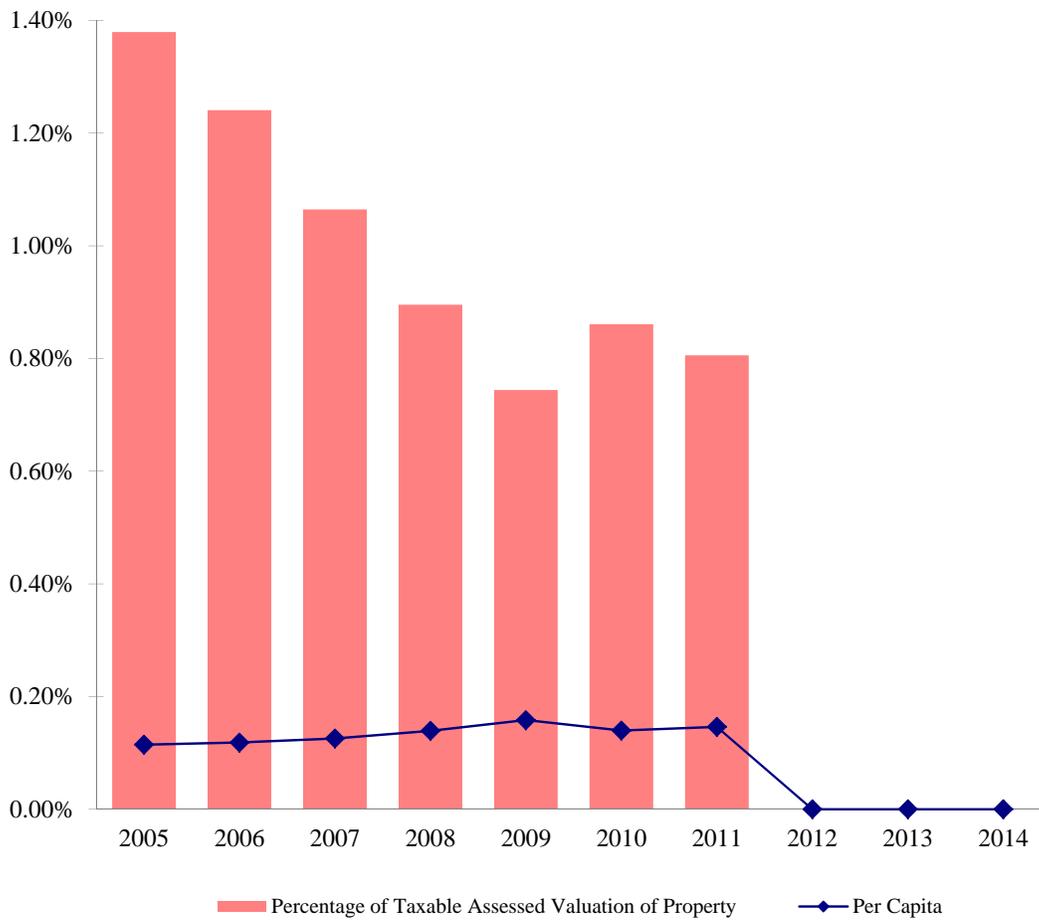
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

<sup>(1)</sup> See Demographic Statistics on page 141.

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

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

Fiscal Year	Tax Allocation Bonds	Less Amounts Available in Debt Service Fund	Total	Percentage of Taxable Assessed Valuation <sup>(1)</sup> of Property	Per Capita <sup>(2)</sup>
2005	44,635,780	1,685,302	42,950,478	1.38%	0.11%
2006	43,080,525	1,512,494	41,568,031	1.24%	0.12%
2007	41,352,646	2,121,446	39,231,200	1.06%	0.13%
2008	39,623,416	4,243,226	35,380,190	0.90%	0.14%
2009	37,892,429	6,584,875	31,307,554	0.74%	0.16%
2010	36,012,009	505,354	35,506,655	0.86%	0.14%
2011	34,112,825	1,418,394	32,694,431	0.81%	0.15%
2012	-	-	-	0.00%	0.00%
2013	-	-	-	0.00%	0.00%
2014	-	-	-	0.00%	0.00%



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

<sup>(1)</sup> See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 130.

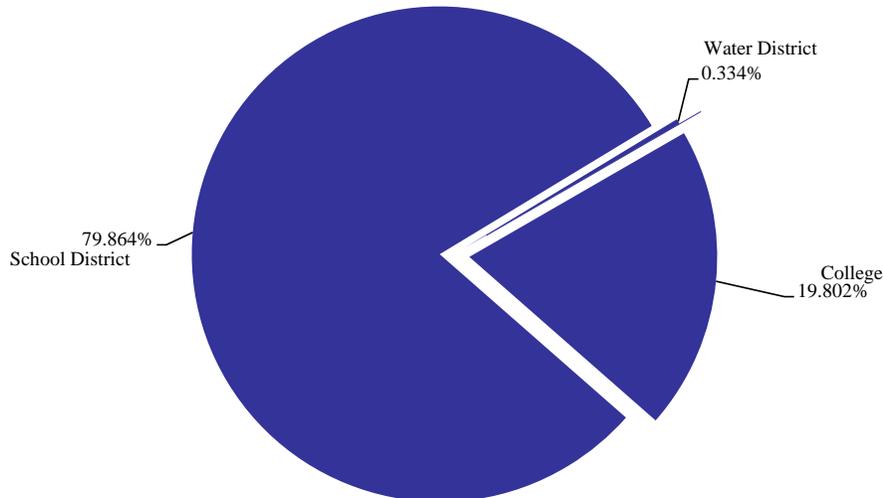
<sup>(2)</sup> See Demographic Statistics on page 141.

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

CITY OF COVINA, CALIFORNIA  
 Direct and Overlapping Governmental Activities Bonded Debt  
 As of June 30, 2014

Jurisdiction	Net General Activities Bonded and Capital Lease Debt Outstanding	Percentage Applicable to City of Covina <sup>(2)</sup>	Amount Applicable to City of Covina
Direct-City of Covina <sup>(1)</sup>	\$ -	100.000%	\$ -
Overlapping:			
Water District:			
Metropolitan Water District	64,271,492	0.367%	235,876
College:			
Citrus CCD DS 2004 Series 2007B	32,965,000	0.410%	135,157
Citrus CCD 2004 2009 Series C	48,607,553	0.410%	199,291
Citrus CCD DS Refunding Bond Series 2013	12,670,000	0.410%	51,947
Mt. San Antonio CCD DS 2001 Series 2004B	2,150,000	5.888%	126,592
Mt. San Antonio CCD DS 2001, 2006 Series C	2,940,000	5.888%	173,107
Mt. San Antonio CCD DS 2001, 2008 Series D	22,378,676	5.888%	1,317,656
Mt. San Antonio CCD DS 2008 Series 13A	205,586,691	5.888%	12,104,944
Mt. San Antonio CCD DS 2008 Series 2013B	11,715,000	5.888%	689,779
Mt. San Antonio CCD DS 2013 Series A	74,910,000	5.888%	4,410,701
Mt. San Antonio CCD DS 2013 Series B	48,190,000	5.888%	2,837,427
School District:			
Azusa Unified 2002 Series 2007	42,313,175	1.700%	719,324
Azusa Unified Refund Bond 2002 Series 2011	19,590,000	1.700%	333,030
Charter Oak Unified 2000 Series C 2005	7,350,000	37.220%	2,735,670
Charter Oak Unified 2000 Series D 2006	9,540,036	37.220%	3,550,801
Charter Oak Unified 2000 Series E Refund 2006	1,968,097	37.220%	732,526
Covina Valley Unified 2001 Series B	16,666,755	41.783%	6,963,870
Covina Valley Unified 2006 Series 2006	1,035,000	41.783%	432,454
Covina Valley Unified 2006, 07 Series B	15,311,744	41.783%	6,397,706
Covina Valley Unified 2001 Refund 2010 Ser A	12,715,000	41.783%	5,312,708
Covina Valley Unified 2012 Series A	30,000,000	41.783%	12,534,900
Covina Valley Unified 2013 Ref Bonds	39,835,000	41.783%	16,644,258
Subtotal overlapping debt			<u>78,639,724</u>
Total direct and overlapping debt			<u>\$ 78,639,724</u>

**Amount Applicable to City of Covina**



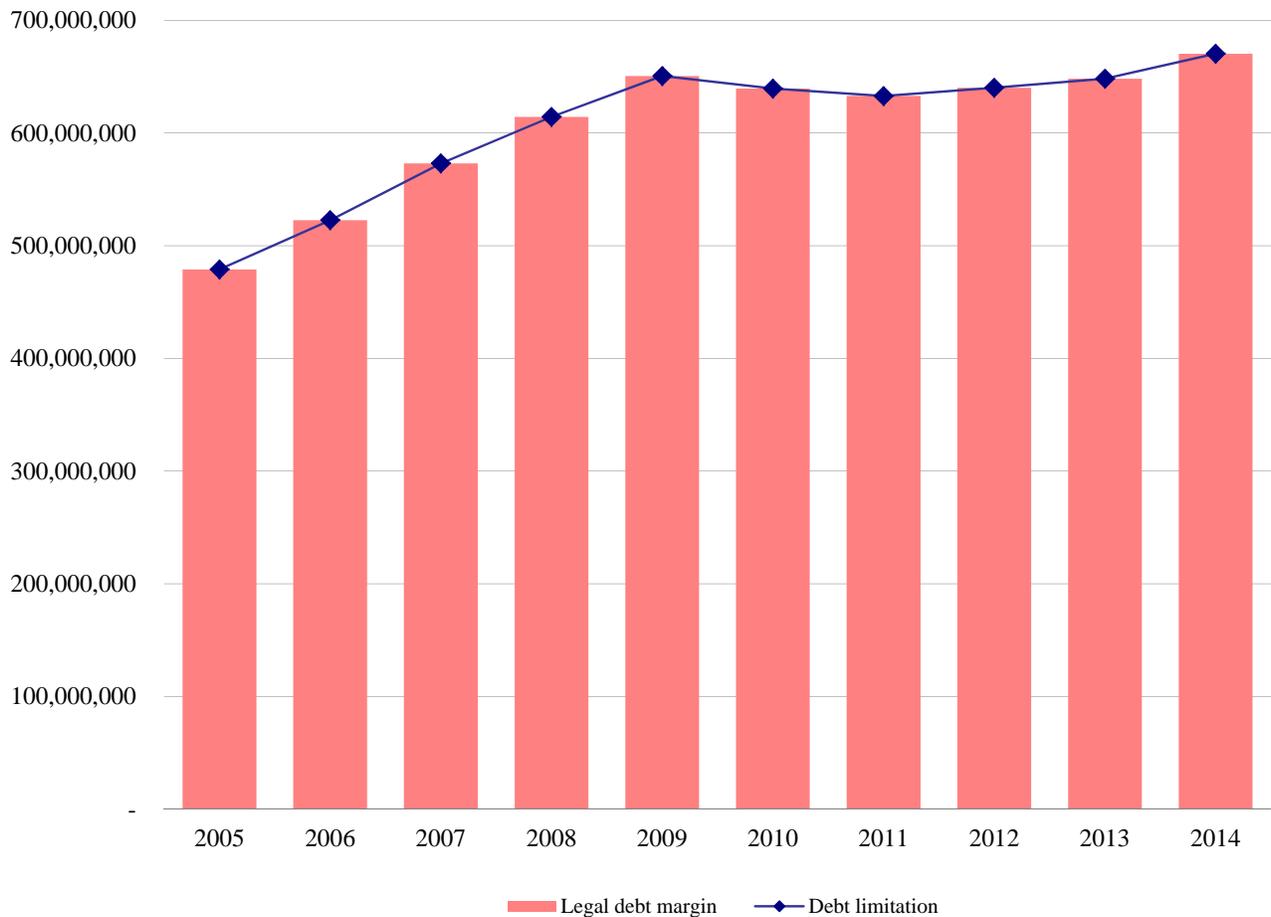
<sup>(1)</sup> Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 135.

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

Source: Los Angeles County/Hdl Companies

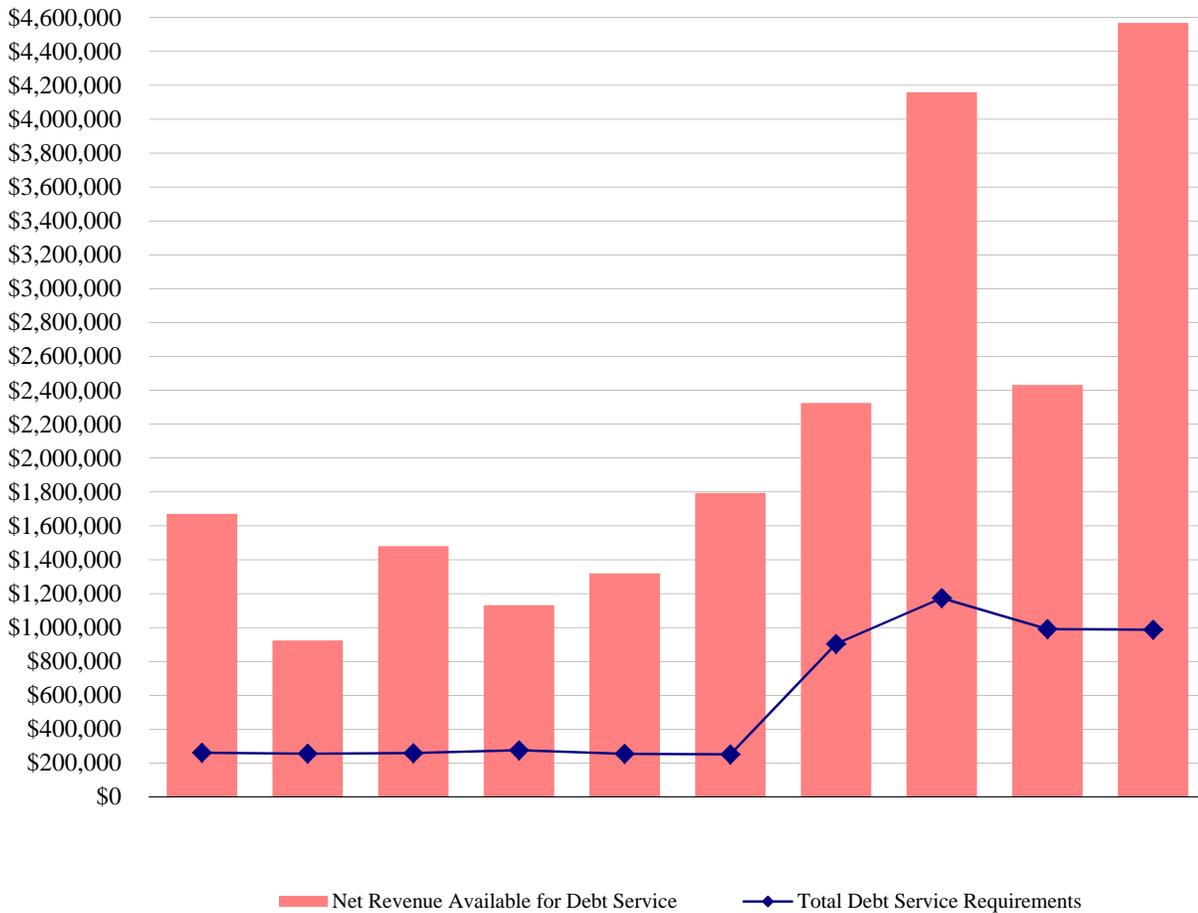
CITY OF COVINA, CALIFORNIA  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation-15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
2005	3,113,944,052	79,029,647	3,192,973,699	478,946,055	-	478,946,055
2006	3,350,485,838	133,793,779	3,484,279,617	522,641,943	-	522,641,943
2007	3,685,316,131	135,164,362	3,820,480,493	573,072,074	-	573,072,074
2008	3,950,770,699	144,927,903	4,095,698,602	614,354,790	-	614,354,790
2009	4,207,697,827	129,666,573	4,337,364,400	650,604,660	-	650,604,660
2010	4,125,031,806	138,099,508	4,263,131,314	639,469,697	-	639,469,697
2011	4,058,645,787	160,679,668	4,219,325,455	632,898,818	-	632,898,818
2012	4,140,686,218	127,379,664	4,268,065,882	640,209,882	-	640,209,882
2013	4,155,490,789	166,019,257	4,321,510,046	648,226,507	-	648,226,507
2014	4,297,836,936	171,312,269	4,469,149,205	670,372,381	-	670,372,381



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

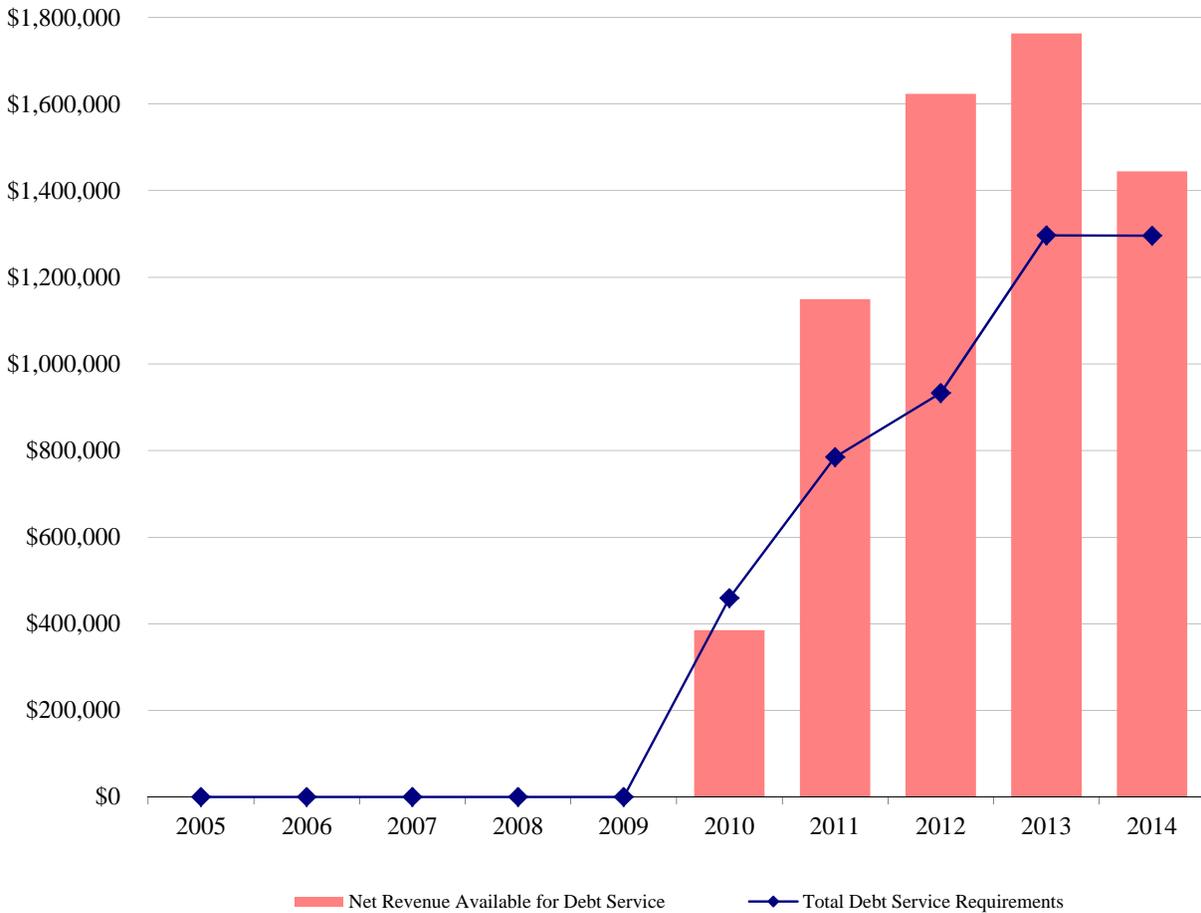
Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	5,118,717	3,448,245	1,670,472	145,000	116,045	261,045	6.40
2006	5,339,489	4,416,669	922,820	145,000	110,243	255,243	3.62
2007	5,649,525	4,169,737	1,479,788	155,000	103,716	258,716	5.72
2008	6,286,464	5,154,512	1,131,952	160,000	115,662	275,662	4.11
2009	5,544,739	4,225,309	1,319,430	165,000	89,148	254,148	5.19
2010	6,680,855	4,887,609	1,793,246	170,000	81,190	251,190	7.14
2011 <sup>(3)</sup>	8,905,849	6,580,727	2,325,122	180,000	722,912	902,912	2.58
2012	10,545,532	6,387,102	4,158,430	425,000	748,263	1,173,263	3.54
2013	10,933,333	8,501,999	2,431,334	250,000	740,263	990,263	2.46
2014	13,339,122	8,771,194	4,567,928	255,000	731,412	986,412	4.63



<sup>(1)</sup> Total revenues (including investment earnings) excluding joint venture investment income and gain on sale of capital assets.  
<sup>(2)</sup> Total operating expenses exclusive of depreciation.  
<sup>(3)</sup> Includes revenue bonds issued in this year.

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

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	1,073,901	688,638	385,263	-	459,193	459,193	0.84
2011	1,585,281	435,948	1,149,333	-	784,658	784,658	1.46
2012	1,788,503	164,835	1,623,668	250,000	682,806	932,806	1.74
2013	2,285,996	522,657	1,763,339	625,000	671,867	1,296,867	1.36
2014	2,229,571	784,732	1,444,839	640,000	656,056	1,296,056	1.11



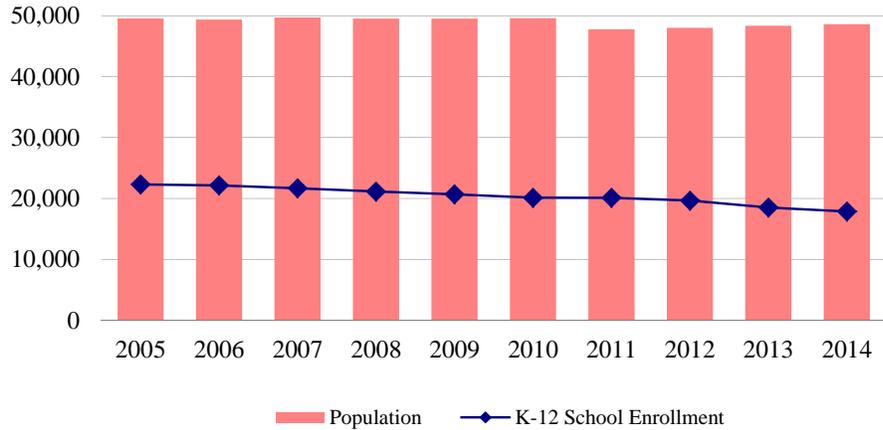
<sup>(1)</sup> Total revenues (including investment earnings) excluding gain on sale of capital assets.

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

CITY OF COVINA, CALIFORNIA  
Demographic and Economic Statistics

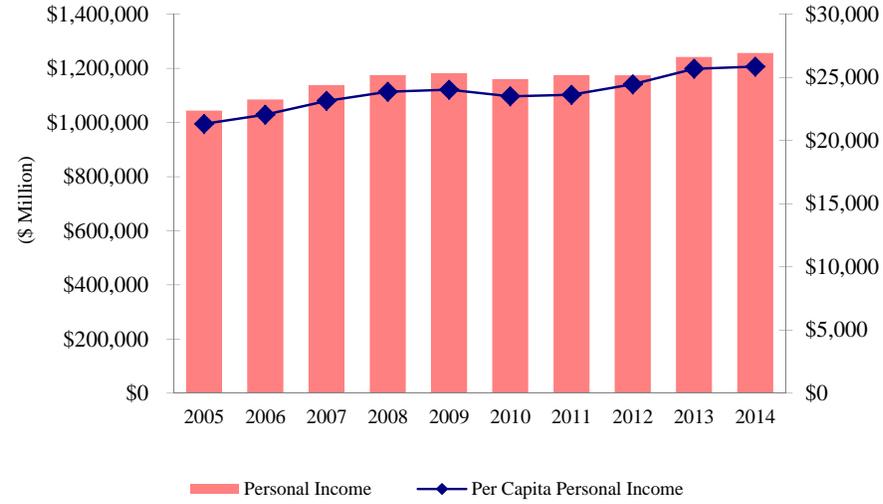
Last Ten Fiscal Years

Year	Population <sup>(1)</sup>	K-12 School Enrollment <sup>(2)</sup>
2005	49,565	22,316
2006	49,378	22,144
2007	49,720	21,689
2008	49,552	21,147
2009	49,541	20,688
2010	49,622	20,123
2011	47,796	20,115
2012	48,038	19,659
2013	48,357	18,524
2014	48,619	17,864



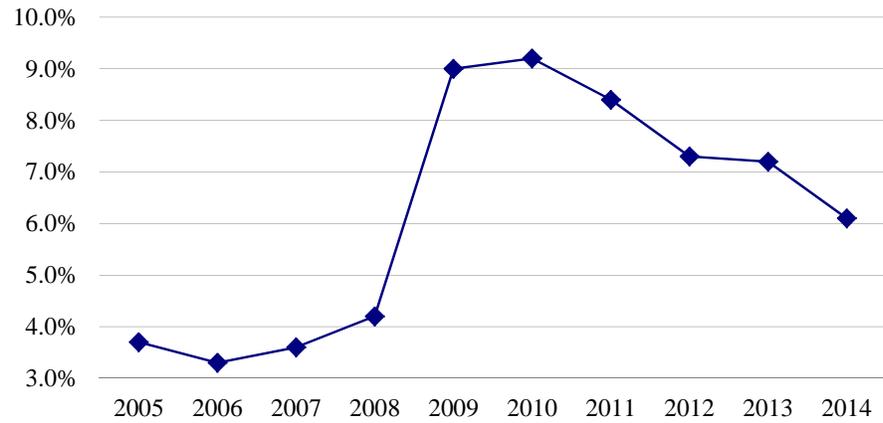
Last Ten Fiscal Years

Year	Personal Income <sup>(3)</sup> (\$ Thousand)	Per Capita Personal Income <sup>(3)</sup>
2005	1,043,794	21,314
2006	1,085,029	22,047
2007	1,138,071	23,135
2008	1,174,924	23,859
2009	1,181,934	24,026
2010	1,160,074	23,502
2011	1,175,121	23,621
2012	1,174,673	24,453
2013	1,241,808	25,680
2014	1,256,801	25,850



Last Ten Fiscal Years

Year	Unemployment Rate <sup>(4)</sup>
2005	3.7%
2006	3.3%
2007	3.6%
2008	4.2%
2009	9.0%
2010	9.2%
2011	8.4%
2012	7.3%
2013	7.2%
2014	6.1%



<sup>(1)</sup> State Department of Finance.  
<sup>(2)</sup> State Department of Education-Covina Valley and Charter Oak Unified School Districts.  
<sup>(3)</sup> HdL, Coren & Cone.  
<sup>(4)</sup> State Employment Development Department.

CITY OF COVINA, CALIFORNIA

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

As of June 30, 2014

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Citrus Valley Health Partners-Intercommunity	815	1	5.70%	845	2	5.39%
Covina Valley Unified School District	1,710	2	11.97%	2,494	1	15.91%
Charter Oak Unified School District	555	3	3.88%	249	5	1.59%
City of Covina	300	4	2.10%	307	3	1.96%
Lareta, LLC	347	5	2.43%	-		0.00%
Wal-Mart	269	6	1.88%	205	10	1.31%
Vitas Innovative Hospice Care	264	7	1.85%	218	8	1.39%
Magan Medical Clinic	237	8	1.66%	277	4	1.77%
Lowe's Home Centers LLC	233	9	1.63%	-		0.00%
Ikea U.S. West, Inc.	224	10	1.57%	-		0.00%
Bert's Mega Mall	-		0.00%	249	6	1.59%
Pall Medical	-		0.00%	241	7	1.54%
Land America Tax & Flood Services	-		0.00%	206	9	1.31%
	<u>4,954</u>		<u>34.67%</u>	<u>5,291</u>		<u>33.76%</u>

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

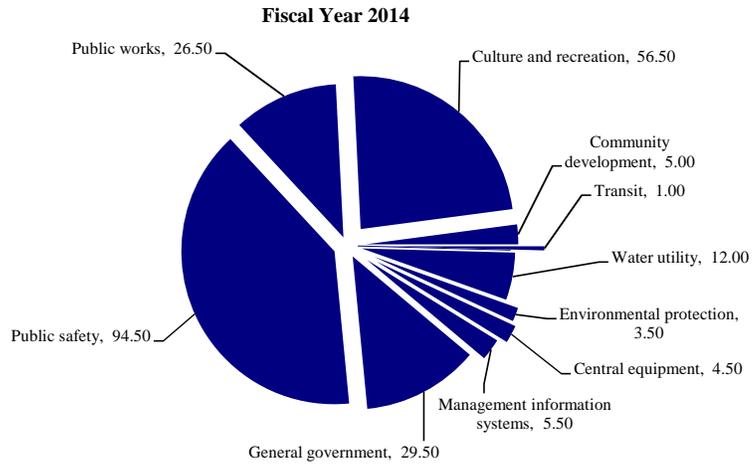
Source: City of Covina Finance Department, Covina Valley and Charter Oak School Districts and Citrus Valley Medical Center.

CITY OF COVINA, CALIFORNIA  
 Full-time Equivalent City Government Employees by Function <sup>(1)</sup>  
 Last Nine Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Total								
General government	22.31	21.06	21.06	30.00	25.00	26.00	27.00	30.00	29.50
Public safety	100.50	101.00	101.00	104.00	94.50	93.50	91.00	94.00	94.50
Public works	18.00	18.00	17.00	22.00	20.00	26.50	28.00	25.50	26.50
Culture and recreation	45.54	43.88	43.88	65.00	41.50	38.50	65.50	57.00	56.50
Community development	15.95	15.95	15.95	17.00	8.50	2.00	2.50	6.00	5.00
Transit	1.35	1.50	1.50	2.00	1.50	1.50	1.00	1.00	1.00
Redevelopment and housing	3.50	3.50	3.50	7.00	8.00	5.50	3.50	-	-
Water utility	13.25	13.25	13.25	11.00	12.50	12.50	12.00	10.00	12.00
Environmental protection	3.75	3.75	3.75	3.00	3.00	3.00	3.50	2.50	3.50
Central equipment	3.50	4.00	4.00	3.00	3.50	4.50	4.50	4.00	4.50
Management information systems	3.00	3.00	3.00	4.00	1.50	4.50	4.50	5.00	5.50
<b>Total full-time equivalent positions</b>	<b>230.65</b>	<b>228.89</b>	<b>227.89</b>	<b>268.00</b>	<b>219.50</b>	<b>218.00</b>	<b>243.00</b>	<b>235.00</b>	<b>238.50</b>

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

Source: Finance Department Budget



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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Government</b>									
Finance:									
Payroll checks issued	7,038	6,961	4,291	4,175	4,174	3,939	4,094	3,904	3,761
Accounts payable checks issued	7,093	7,498	8,591	9,283	9,290	9,207	9,101	9,901	9,902
Purchase orders issued	707	921	2,715	7,054	7,259	7,003	6,951	7,061	7,162
Community Development Block Grant (CDBG):									
Businesses assisted	2	6	6	4	3	2	2	2	2
Jobs created	14	13	4	9	24	0	6	6	5
Houses rehabilitated	6	3	7	-	1	6	2	3	6
Housing:									
Transitional House-Number of people served	14	18	14	23	15	13	12	6	(2)
Covenants-Monitoring rental units	460	504	487	483	483	398	396	402	392
<b>Public Safety</b>									
Police:									
Physical arrests	2,322	2,805	3,070	3,041	3,160	3,157	3,265	4,231	3,455
Parking violations	10,831	12,603	11,786	11,900	15,537	16,096	13,458	19,893	21,775
Traffic violations	4,475	5,449	5,772	5,874	6,976	7,174	6,896	8,091	8,019
Fire:									
Number of calls answered	4,283	4,306	3,996	3,856	3,919	3,537	3,951	3,477	3,511
Inspections	2,279	2,319	802	1,066	2,250	1,512	2,287	2,521	2,630
<b>Culture and Recreation</b>									
Parks and recreation:									
Leaders-in-Training participants	54	67	73	67	61	70	70	70	70
Youth sports participants	1,945	1,863	2,240	2,594	2,890	2,390	2,413	2,313	1,093
Leisure lifestyle classes participants	6,694	6,555	6,398	7,350	7,900	7,450	7,212	7,946	7,867
Cultural excursion program participants	489	543	494	530	478	380	347	436	390
Summer evening event attendees	25,000	25,000	25,950	27,250	25,950	23,650	10,005	6,013	10,500
Senior service participants	20,503	22,825	22,681	19,095	18,060	13,434	14,350	10,836	10,211
Senior nutrition program meals served	16,565	15,539	15,522	15,920	15,530	12,300	10,074	12,075	10,871
Special events	53,000	53,000	53,000	53,000	53,000	53,000	53,000	28,000	53,200
Aquatic participants	10,716	9,620	8,244	7,911	7,780	5,400	4,115	9,630	15,132
Library:									
Circulation									
Books/Audiobooks/CD'S	127,254	126,668	134,775	144,535	151,051	149,068	149,766	153,758	164,199
Videos/DVD's	9,065	9,729	11,255	13,351	12,740	13,787	14,601	15,887	18,545
Total Circulation	136,319	134,993	146,030	157,886	163,791	162,855	164,367	169,645	182,744
Gate Count	222,129	230,478	240,350	234,562	279,949	292,085	286,671	277,349	288,087
Computer Services									
Number of hours	14,976	14,220	14,787	16,172	22,804	24,437	20,816	24,424	32,117
Number of users	20,772	18,156	19,860	20,941	24,194	24,365	22,444	23,687	28,344
Library Cards Issued									
City Residents	2,197	2,125	2,219	2,221	2,558	2,663	2,421	2,278	2,753
Non-City Residents	2,713	2,682	2,580	2,202	2,327	2,809	2,492	2,328	2,687
Library materials added									
Books	4,903	3,169	2,797	2,729	5,236	3,858	4,250	3,373	5,256
CDs	86	120	112	183	287	35	148	182	369
Audiobooks	159	115	97	131	185	106	91	99	127
DVD's	221	194	232	263	394	346	282	529	490
Total Materials Added	5,369	3,598	3,238	3,306	6,102	4,345	4,771	4,183	6,242
Library Programs/Services									
Storytime participants	2,060	2,339	4,318	1,911	1,297	1,476	983	1,089	930
Adult/Young Adult program participants	895	540	700	690	1,260	485	311	525	531
Children's program participants	3,222	1,582	1,602	1,486	1,693	1,289	992	1,742	1,113
Summer Reading Program participants	702	890	890	1,096	859	902	837	864	1,072
Joint Summer Reading program participant:	1,079	1,006	951	671					
In-N-Out Cover-to-Cover Reading Program	181								
Homework Help Tutors	22	32	35	24	(2)	(2)	(2)	(2)	(2)
Homework Help volunteer hours	586	777	990	713	(2)	(2)	(2)	(2)	(2)
Number of participants	1,120	1,410	1,132	677	(2)	(2)	(2)	(2)	(2)
Total volunteer hours	1,180	11,288	10,464	10,113	8,640	15,611	2,448	6,157	8,495

Continued

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Literacy</b>									
Number of tutors	29	36	37	(2)	(2)	(2)	(2)	(2)	(2)
Number of adults served	101	105	91	(2)	(2)	(2)	(2)	(2)	(2)
Number of children served	52	40	46	(2)	(2)	(2)	(2)	(2)	(2)
<b>Reference Questions</b>									
Adult	14,299	12,055	9,808	11,354	17,985	21,592	14,851	18,400	18,512
Childrens	8,862	6,885	9,135	8,005	14,396	10,116	10,157	10,617	11,758
Circulation	6,608								
Total Reference Questions	29,769	18,940	18,943	19,359	32,381	31,708	24,999	29,017	30,270
<b>Planning</b>									
Planning reviews	281	254	465	320	336	462	359	267	450
Permits issued	2,204	1,911	422	400	443	707	790	1,075	946
Inspections	471	416	(2)	(2)	(2)	(2)	(2)	(2)	(2)
<b>Building</b>									
Building reviews	450	350	336	320	336	462	359	267	450
Permits issued	1,599	1,060	1,080	400	443	707	790	1,075	946
Inspections	6,078	5,375	5,441	3,400	3,682	3,115	4,249	7,378	3,788
<b>Transit</b>									
Average daily parking customers (station & struct	821	823	886	742	765	760	823	757	550
Dial-A-Cab participants (monthly average)	1,920	1,981	1,639	1,515	1,432	1,307	1,111	835	1,000
Subsidized bus passes (monthly average)	53	44	60	77	75	87	143	119	125
<b>Code Enforcement</b>									
Total Inspections	4,601	5,591	13,919	10,034	7,991	5,368	3,270	4,339	(2)
Signs removed from public right of way	1,053	661	3,516	528	575	533	340	192	(2)
Industrial Waste Inspections	724	133	488	593	12	0	0	0	(2)
<b>Water Utility</b>									
Average daily consumption (gallons)	5,125,309	5,048,319	4,816,719	5,445,095	5,510,880	6,120,192	5,878,647	6,472,445	6,305,734
Meter reads	106,430	102,768	101,008	54,423	51,926	50,039	50,509	50,509	50,509
Meter replacements	74	14	73	168	849	1,053	619	619	619
Consumer responses	4,765	7,975	7,298	1,715	2,593	2,889	5,888	5,888	5,888
Service line repairs	111	83	99	87	99	148	109	109	109
Main line repairs	38	57	46	43	48	53	72	72	72
<b>Street Maintenance</b>									
Traffic sign remove/replace/install	234	1,392	565	244	787	261	229	229	229
Potholes repaired	2,738	2,415	1,502	1,928	1,782	1,047	533	533	533
Curb painted (lf)	10,117	22,884	51,424	27,653	42,446	20,681	32,704	32,704	32,704
Utility cuts repaired	15	5	24	81	104	156	116	116	116
Trees trimmed	474	305	352	703	375	565	294	294	294
<b>Equipment Maintenance</b>									
Preventative maintenance service	475	536	568	478	359	309	336	336	336
Safety inspections	516	564	626	474	372	423	445	445	445
Daily demand repairs	1,169	1,224	1,210	1,043	993	936	1,045	1,045	1,045
Tire repairs	282	248	253	243	327	262	234	234	234
<b>Environmental Protection</b>									
Refuse collected (tons/month)	2,222	2,242	2,601	2,559	2,642	2,680	2,762	3,759	2,700
Recyclables collected (tons/month)	188	188	198	192	193	202	211	226	290
Green waste collected (tons/month)	483	525	536	542	546	550	567	579	620
Compressed natural gas sold (gallon equivalents)	59,351	13,865	19,093	22,704	25,462	18,542	16,496	19,521	22,318

<sup>(1)</sup> Information provided by various departments for last nine fiscal years. No indicators for public works.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General government</b>									
Buildings-civic center	1	1	1	1	1	1	1	1	1
<b>Public safety</b>									
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	24	26	27	26	26	26	26	26	26
Fire stations	3	3	3	3	3	3	3	3	3
<b>Public works</b>									
Arterial streets (miles)	35	35	35	35	35	35	35	35	35
Residential streets (miles)	82	82	82	82	82	82	82	82	82
Curb and gutter (miles)	240	240	240	240	240	240	240	240	240
Sidewalk (square feet)	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,001,000	1,000,000
Traffic signals	60	60	60	60	60	60	58	58	56
Sanitary sewer (miles)	121	121	121	121	121	121	121	121	120
Storm water catch basins	82	82	71	71	71	71	72	65	65
Street trees	9,325	9,325	9,347	9,563	9,576	9,589	9,637	9,754	9,900
Parking structure (spaces)	125	125	125	125	125	125	125	-	-
<b>Culture and recreation</b>									
Parks and recreation:									
Park acreage	53	53	53	53	53	57	57	57	57
Parks	8	8	8	8	8	9	9	9	9
Horse-walking trails	1	1	1	1	1	1	1	1	1
Nature trails	1	1	1	1	1	1	1	1	1
Playground areas	8	8	8	8	8	8	8	8	8
Swimming pools	2	2	2	2	2	2	2	2	2
Softball fields	3	3	3	3	3	3	3	4	4
Baseball fields	3	3	3	3	3	3	3	3	3
Basketball courts	10	10	10	10	10	10	10	5	5
Roller hockey rinks	2	2	2	2	2	2	2	2	2
Tennis courts	3	3	3	3	3	3	3	9	9
Buildings and centers	12	12	12	12	12	12	12	3	3
Library buildings	1	1	1	1	1	1	1	1	1
<b>Transit</b>									
Parking structure (vehicle spaces)	655	655	655	655	655	655	655	655	655
Parking lot (secured bicycle spaces)	36	36	36	36	36	36	(2)	(2)	(2)
Transit vehicles	5	5	5	5	5	4	(2)	(2)	(2)
<b>Housing</b>									
Transitional housing	1	1	1	1	1	1	1	1	1
<b>Water utility</b>									
Reservoirs	9	9	8	8	8	8	8	8	8
Pump stations	7	7	6	6	6	6	6	6	6
Water mains (miles)	102	102	102	102	102	102	102	102	102
Service meters	8,650	8,650	8,552	8,703	8,437	8,329	8,443	8,470	8,470
Fire hydrants	1,059	1,059	1,057	1,057	1,043	1,037	1,006	1,003	991

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

<sup>(2)</sup> Information not available.

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

<b>Summary of Operations</b>										
	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
Water Purchased (in acre-feet)										
Covina Irrigating Company (CIC)	6,995.08	6,583.71	7,592.14	6,953.21	6,523.71	6,773.21	5,303.01	6,059.89	5,868.75	4,686.30
Three Valley Muni Water Dist(MWD)	-	561.14	71.30	63.04	33.25	29.50	148.50	-	238.50	1,427.10
<b>Total Purchased</b>	<b>6,995.08</b>	<b>7,144.85</b>	<b>7,663.44</b>	<b>7,016.25</b>	<b>6,556.96</b>	<b>6,802.71</b>	<b>5,451.51</b>	<b>6,059.89</b>	<b>6,107.25</b>	<b>6,113.40</b>
Potable Water Sold (in acre-feet)	6,991.10	7,063.32	7,654.84	7,016.28	6,563.21	6,313.76	5,418.59	5,410.57	5,479.33	5,738.46
Change from previous year	0.42%	1.03%	8.37%	-8.34%	-6.46%	-3.80%	-14.18%	-0.15%	1.12%	6.06%
Population	49,565	49,378	49,720	49,552	49,541	49,622	47,796	48,038	48,357	48,619
Cost of CIC Water \$/a-f	\$ 125.00	\$ 140.00	\$ 140.00	\$ 180.00	\$ 280.00	\$ 310.00	\$ 425.00	\$ 425.00	\$ 450.00	\$ 475.00
Cost of MWD Water \$/a-f	478.00	483.00	478.00	528.00	528.00	692.00	754.00	793.00	849.00	875.00

<b>Number of Water Accounts<sup>(1)</sup></b>	8,274	8,470	8,470	8,443	8,329	8,178	8,532	8,606	8,583	8,635
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<b>Water System Fund Revenues and Expenses<sup>(2)</sup></b>										
	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
<b>Operating Revenue</b>										
Charges for Services	5,073,656	5,229,321	5,518,403	6,155,131	5,460,462	6,625,803	8,872,848	10,515,236	10,902,689	13,337,157
<b>Operating Expenses</b>										
Source & supply	1,630,000	2,528,918	2,034,423	2,715,495	1,567,518	2,135,247	3,194,055	2,943,016	3,325,059	3,944,941
Production & storage	425,281	400,153	479,730	541,948	570,553	446,230	511,794	507,877	645,858	497,422
Transmission & distribution	468,530	473,949	586,448	786,324	925,845	960,513	1,207,591	1,423,143	1,531,620	1,394,900
Customer acct & collections	258,545	260,100	222,195	276,628	377,026	424,001	640,413	857,370	1,182,150	1,082,024
Administrative & general	665,889	753,549	846,941	834,117	784,365	921,618	1,026,874	655,696	835,384	904,636
Depreciation	362,098	379,948	392,624	411,491	443,133	464,462	1,056,167	783,715	779,081	867,235
<b>Total Operating Expenses</b>	<b>3,810,343</b>	<b>4,796,617</b>	<b>4,562,361</b>	<b>5,566,003</b>	<b>4,668,440</b>	<b>5,352,071</b>	<b>7,636,894</b>	<b>7,170,817</b>	<b>8,299,152</b>	<b>8,691,158</b>
<b>Net Revenues</b>	<b>1,263,313</b>	<b>432,704</b>	<b>956,042</b>	<b>589,128</b>	<b>792,022</b>	<b>1,273,732</b>	<b>1,235,954</b>	<b>3,344,419</b>	<b>2,603,537</b>	<b>4,645,999</b>
1999 Bond Installment Payments	261,405	255,243	258,715	256,665	254,148	251,190	218,555	-	-	-
2010 Bond Installment Payments	-	-	-	-	-	-	192,308	1,173,262	990,262	986,413
Coverage	4.83	1.70	3.70	2.30	3.12	5.07	3.01	2.85	2.63	4.71

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

<b>Largest Water Accounts<sup>(1)</sup></b>						
Customer	Type of Business	Consumption (in acre-feet)	% of total consumption	Revenue Received	% of total water sales	
Covina School District	Governmental	163.96	2.86%	\$ 269,640	2.22%	
Charter Oak Unified School Dist	Governmental	84.05	1.46%	123,441	1.02%	
Nijar Realty Prop 189	Commercial	76.14	1.33%	146,581	1.21%	
City of Covina	Governmental	69.28	1.21%	115,910	0.96%	
Inter-Comm Health SVC	Commercial	64.53	1.12%	118,241	0.98%	
The Washington Hotel Corp.	Commercial	39.64	0.69%	64,394	0.53%	
Cole Mt West Covina	Commercial	25.37	0.44%	78,007	0.64%	
Lucienne Forbush	Commercial	24.52	0.43%	35,426	0.29%	
Rayne Soft Water Service	Commercial	21.70	0.38%	32,360	0.27%	
Sonrise Christian School	Commercial	19.44	0.34%	33,910	0.28%	
<b>TOTALS</b>		<b>588.63</b>	<b>10.26%</b>	<b>\$ 1,017,910</b>	<b>8.39%</b>	

**GRAND TOTAL CONSUMPTION 5,738.46                      GRAND TOTAL SALES \$ 12,125,596**

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

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

<b>Sewer Fund Revenues and Expenses</b>									
	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
<u>Operating Revenue</u>									
Special Assessments	135,464	169,745	263,576	532,693	970,717	1,464,430	1,750,240	2,263,321	2,213,642
<u>Operating Expenses</u>									
General & Administrative	97,064	406,489	864,689	270,453	688,638	435,948	164,835	522,657	784,732
Depreciation	-	-	-	-	12,527	25,461	28,319	42,314	110,795
Total Operating Expenses	97,064	406,489	864,689	270,453	701,165	461,409	193,154	564,971	895,527
Net Revenues	38,400	(236,744)	(601,113)	262,240	269,552	1,003,021	1,557,086	1,698,350	1,318,115
2009 Installment Payments	-	-	-	-	459,193	685,931	932,806	1,296,869	1,296,056
Coverage	-	-	-	-	0.59	1.46	1.67	1.31	1.02
<b>Sewer Rates <sup>(1)</sup></b>									
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014			
	2.38	3.94	5.50	7.06	8.62	8.62			

<sup>(1)</sup> Monthly Rates