



CITY OF WEST COVINA  
AUDIT COMMITTEE

THURSDAY, MARCH 14, 2019, 5:00 PM  
SPECIAL MEETING

WEST COVINA CITY HALL  
MANAGEMENT RESOURCE CENTER (MRC) ROOM 314  
WEST COVINA, CALIFORNIA 91790

**AGENDA**

James Grivich, Chair  
Marsha Solorio, Vice Chair  
Dario Castellanos, Audit Committee Member  
Jessica Shewmaker, Audit Committee Member  
Colleen Rozatti, Audit Committee Member  
David Lin, Audit Committee Member  
Vacant, Audit Committee Member

***AMERICANS WITH DISABILITIES ACT***

The Committee complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Committee Meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8:00 a.m. to 5:00 p.m. Monday through Thursday, at least 48 hours prior to the meeting to make arrangements.

***AGENDA MATERIAL***

Agenda material is available for review at the West Covina City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue and at [www.westcovina.org](http://www.westcovina.org). Any writings or documents regarding any item on this agenda not exempt from public disclosure, provided to a majority of the Commission that is distributed less than 72 hours before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall during normal business hours.

**PUBLIC COMMENTS**  
**ADDRESSING THE AUDIT COMMITTEE MEMBERS**

Any person wishing to address the Committee on any matter listed on the agenda or on any other matter within their jurisdiction should complete a speaker card that is provided at the entrance to the Council Chambers and submit the card to the Committee Secretary

*Please identify on the speaker card whether you are speaking on an agenda item or non-agenda.* Requests to speak on agenda items will be heard prior to requests to speak on non-agenda items. All comments are limited to three (3) minutes per speaker.

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**ORAL COMMUNICATIONS - Three (3) minutes per speaker**

Please state your name and city of residence for the record when recognized by the Committee Chair.

**APPROVAL OF MEETING MINUTES**

- 1) **JUNE 28, 2018 SPECIAL AUDIT COMMITTEE MEETING MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on June 28, 2018

**2) MARCH 7, 2019 SPECIAL AUDIT COMMITTEE MEETING MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on March 7, 2019.

**3) COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2018**

It is recommended that the Audit Committee submit to the City Council the following letters and financial reports for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements.

**NEW BUSINESS**

**Request by Chair Grivich to discuss committee action regarding variance of projected budget ending balance June 30, 2018 and actual ending balance.**

**ADJOURNMENT**



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 03/14/2019  
**TO:** Audit Committee  
**FROM:**  
**SUBJECT: JUNE 28, 2018 SPECIAL AUDIT COMMITTEE MEETING MINUTES**

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**RECOMMENDATION:**

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on June 28, 2018

**Prepared by:** Valerie Gonzales, Administrative Assistant I  
**Additional Approval:** Marcie Medina, Finance Director

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**Attachments**

Attachment No. 1 - June 28, 2018 Minutes

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CITY OF WEST COVINA

AUDIT COMMITTEE

MINUTES

SPECIAL MEETING

THURSDAY, JUNE 28, 2018 4:00 p.m.

The special meeting of the Audit Committee was called to order at 4:05 p.m. in the M.R.C. Chair James Grivich led the Pledge of Allegiance.

**ROLL CALL**

Present: Chair James Grivich  
Vice Chair – Vacant  
Committee Member David Lin  
Committee Member Colleen Rozatti  
Committee Member Marsha Solorio  
Committee Member Tony Wu

Absent: Committee Member Corey Warshaw

Staff Present: City Manager Chris Freeland, Financial Consultant Judy Lancaster,  
Administrative Assistant I Valerie Gonzales

**ORAL COMMUNICATIONS**

No oral communication.

**1. APPROVAL OF DECEMBER 7, 2017, SPECIAL AUDIT COMMITTEE MINUTES**

Motion by Rozatti and seconded by Grivich to approve the Special Audit Committee minutes on Thursday, December 7, 2017, as presented.

Motion carried by a vote of 5-0 and Warshaw absent.

**2. AUDIT COMMITTEE NOMINATIONS**

**RECOMMENDATION:**

It is recommended that the Audit Committee nominate a:

1. Chair
2. Vice-Chair

## **1. NOMINATION OF CHAIR**

Committee Member Wu nominated Committee Member Solorio for the position of Chair if Grivich does not want to stay on as Chair. After a discussion, Grivich agreed to stay on as Chair. A motion was given by Wu and seconded by Solorio to appoint Committee Member Grivich to remain as Chair of the Audit Committee. Motion carried by a vote of 5-0 with Warshaw absent.

## **2. NOMINATION OF VICE-CHAIR**

Committee Member Wu nominated Committee Member Solorio for the position of Vice-Chair. Committee Member Solorio nominated Committee Member Lin. No second was given for Lin. A motion was given by Wu and seconded by Rozatti to appoint Committee Member Solorio as the next Vice-Chair of the Audit Committee. Motion carried by a vote of 5-0 with Warshaw absent.

Committee Member Grivich took over as Chair and asked if there were any oral comments. None were heard.

## **3. SINGLE AUDIT REPORT ON FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017**

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Awards for the year ended June 30, 2018.

Terry Shea Audit Partner with Rogers, Anderson, Malody & Scott, LLP (RAMS), reported that the Single Audit was completed in February. The largest grants were from US Dept. of Justice and CDBG, two biggest items. The City of West Covina did not qualify as a low risk audit because the City had findings in 2016. The requirement to meet a low risk audit is to have no findings for two consecutive fiscal years. City has resolved all of findings for Fiscal Year 6/30/16. There was no finding for Fiscal Year Ending 6/30/2017. Finance and Community Services Departments oversee these findings.

Policy and Procedures for Audit Committee.

Motion was given by Grivich and seconded by Wu. Motion carried by a vote of 5-0 with Warshaw absent.

Grants Policy and Procedure for Audit Committee.

Motion by Rozatti, seconded by Wu. Motion carried by a vote of 5-0 with Warshaw absent.

After a very long discussion between staff and the Committee Members, a motion was made by Wu and seconded by Lin to receive and file the Single Audit Report on Federal Awards for the Fiscal Year Ended June 30, 2017. Motion carried by a vote 5-0 with Warshaw absent.

**4. FISCAL YEAR 2017-18 AUDIT PLANNING SESSION**

It is recommended that Audit Committee recommend any specific areas to be reviewed during the Fiscal Year 17-18 audit process.

A Motion was made by Grivich, seconded by Solorio to receive a copy of the Policy and Procedures on the use of City Credit Cards.

Motion carried 5-0 with Warshaw absent.

A motion was made by Grivich and second by Wu to have the auditors review the Budget Policy.

Motion carried 5-0 with Warshaw absent.

**5. RECONCILIATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT WITH THE PRELIMINARY BUDGET**

**RECOMMENDATION:**

It is recommended that the Audit Committee receive and file the Reconciliation of the Comprehensive Annual Financial Report with the Preliminary Budget.

The numbers were different in the Comprehensive Annual Report. For Fiscal Year 2018-19 fund 120 and fund 219 is now combined into the General Fund for both CAFR and Budget.

It was decided that RAMS will get some research on the Fannie Mae write off. Investment was retired 2015-2016. Loss occurred in 2015-2016 that wasn't booked and needed to be booked in 2016-2017. No net effect on the City based on this event.

Agenda was supposed to be distributed 3 days in advance, it was received day before. It is if it is a Brown Act Meeting, this is a Brown Act Meeting, but it's a Special Meeting.

Next meeting in December.

**ADJOURNMENT**

Motion was made by Wu, seconded by Lin to adjourn the meeting at 5:40 p.m.  
Motion carried by a vote of 5-0.

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Valerie Gonzales  
Audit Committee Secretary



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 03/14/2019  
**TO:** Audit Committee  
**FROM:** Marcie Medina, Finance Director  
**SUBJECT:** MARCH 7, 2019 SPECIAL AUDIT COMMITTEE MEETING MINUTES

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**RECOMMENDATION:**

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on March 7, 2019.

**Prepared by:** Valerie Gonzales, Administrative Assistant I  
**Additional Approval:** Marcie Medina, Finance Director

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**Attachments**

Attachment No. 1 - March 7, 2019 Minutes

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**CITY OF WEST COVINA**

**AUDIT COMMITTEE**

**MINUTES  
SPECIAL MEETING  
THURSDAY, MARCH 7, 2019 5:00 p.m.**

The special meeting of the Audit Committee was called to order at 5:03 p.m. in the M.R.C. Committee Member Colleen Rozatti led the Pledge of Allegiance.

**ROLL CALL**

Present: Chair James Grivich  
Vice Chair Marsha Solorio  
Committee Member Dario Castellanos  
Committee Member David Lin  
Committee Member Colleen Rozatti  
Committee Member Marsha Solorio  
Committee Member Vacant

Absent:

Staff Present: Accounting Manager Todd H. Owens, Administrative Assistant I Valerie Gonzales

**ORAL COMMUNICATIONS**

Speaker – Bill Robinson

Addressed the Committee regarding MOU's, Pensions, and request a copy of the Pro Mark research report.

**1. APPROVAL OF MARCH 7, 2019, SPECIAL AUDIT COMMITTEE MINUTES**

A Motion was given by Grivich and seconded by Castellanos to postpone approval of the June 28, 2018 minutes to the next meeting. Motion carried by a vote 6-0.

**2. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2018**

**RECOMMENDATION:**

It is recommended that the Audit Committee submit to the City Council the following letters and financial reports for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements

Terry Shea Audit Partner with Rogers, Anderson, Malody & Scott, LLP, distributed a power point handout that informed everyone of what their responsibilities are and what the Cities responsibilities are with respect to a financial statement audit. Cities financial responsibilities are to present the Cities financials and the result of operations which is the CAFR.

Hold up on issuance of the CAFR was the calculation of the OPEB, which is done by an outside actuarial, it was received late January early February 2019. Basic Audit was done in October. GASB 75 affected the statements this year as it was new. At the end of June 2018 Total OPEB Liability was \$59.9 million. That number was added as a prior period adjustment. Staff did a really good job of closing this year, it was done by September 30<sup>th</sup>.

Lin request copy of audit procedure, not usually given out by firm. Possibly give risk assessments.

Grivich questions the general opinion that financial statements are correct. Information in statement compared to budget information prepared by staff last August contained a variance. He couldn't reconcile that information. Handout from Grivich was distributed. Budget was questioned compared to CAFR. Final budget differs from CAFR by \$6 million, which Grivich contends is a material weakness in the accounting system. Part of the problem was the turnover, and change.

Solorio questions if they anticipate any management letter comments. Verbal was done with Marcie, it can be put in writing what was discussed by firm.

City was stable for years up until about six (6) years ago. We signed a five (5) year contract, we'll be lucky if we get through two (2) years with the same people, stated Shea.

Solorio questions under Public Safety 2016, 2017, and 2018 expenses jumped quite dramatically. That's the GASB 68 for your public safety and GASB 75 for your OPEB. When do we anticipate to get the Single Audit Report. Staff responded that most of it is finished just waiting on a couple of items.

Grivich not prepared to forward the CAFR to Council would like staff to ask Judy Lancaster what she did to come up with the numbers. Castellanos would like us to figure out where the variance is between Budget and CAFR.

After a very long discussion between staff, auditor, and Committee Members, a motion was made by Grivich and seconded by Castellanos that the City provide information on the variance.

Motion carried by a vote 6-0.

Motion was made by Grivich and seconded by Rozatti to have a Special Audit Meeting March 14, 2019. Motion carried by a vote of 6-0.

Rozatti to question Housing Authority Fund. This is in reference to notes and loan receivables, quite a few loans going back to 1998. Do we have addresses to investments/loans that we've made to these people. One is Executive Law Dept., another is West Covina Senior Villas, curious to know where these properties are. Who are the partners? Loan does not accrue any interest, that is typical.

Shewmaker questioned to look back at May 2009 West Covina Senior Villas 2 it shows original loan was \$8.6 million and 9 years later \$8.5 million is still owed. It states loan is most likely to be forgiven. That's typical especially with senior housing projects like that. That's why the state came in a few years later and said you can only do so many senior housing programs because that's what cities are doing with their loan mod money.

Solorio questions AQMD report, report last year had expenditures for almost \$86,000 this year it's \$937,000, do we know why it jumped. You would have to look at the GL detail to see what's included. Originally budgeted \$29,000 mid-year adjust the budget \$951,000 expense of \$936,000. City has \$600,000 worth of AQMD money.

## **ADJOURNMENT**

Motion was made by Grivich, seconded by Rozatti to adjourn the meeting at 6:00 p.m. Motion carried by a vote of 6-0.

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Valerie Gonzales  
Audit Committee Secretary



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 03/14/2019  
**TO:** Audit Committee  
**FROM:** Marcie Medina, Finance Director  
**SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2018**

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### RECOMMENDATION:

It is recommended that the Audit Committee submit to the City Council the following letters and financial reports for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements.

### DISCUSSION:

Annually, the Finance Department prepares and publishes the City's Comprehensive Annual Financial Report (CAFR) following the completion of an independent and certified audit. Attached is the June 30, 2018, CAFR, which is officially transmitted herewith to the Audit Committee (Attachment No. 1). This document is an extensive report summarizing the financial activities of the City that occurred from July 1, 2017 through June 30, 2018.

The CAFR is prepared in compliance with the Governmental Accounting Standards Board (GASB) standards. Pursuant to GASB guidelines, the City's CAFR is divided into three sections: Introductory, Financial, and Statistical. The Introductory section contains a Letter of Transmittal. This letter includes a brief overview of the City, the economic outlook, operational controls and major initiatives.

The Financial section contains the independent auditors' opinion letter, Management's Discussion and Analysis (MD&A), and the Basic Financial Statements. The audit firm of Rogers, Anderson, Malody, & Scott, LLP has issued an unmodified ('clean') opinion on the financial statements for the year ended June 30, 2018. This means that their examination, testing and audit procedures allowed them to conclude that the financial statements present fairly the financial position of the City. This is the best opinion the City can receive from its auditors.

The MD&A provides a narrative of how the financial report is presented and key highlights of some of the changes in financial position. The MD&A provides tables showing comparative information from the year ended June 30, 2017 to the year ended June 30, 2018.

The final section of the CAFR is the Statistical section. This section presents data useful in analyzing the City's financial and operational history for comparative purposes. Some of the statistics tracked include financial trends, revenue capacity, and debt capacity which are useful for evaluating the City's financial stability. Additional

statistics include operating indicators.

### **Financial Highlights**

The CAFR represents the City of West Covina's financial position at June 30, 2018 and includes financial statements for all of its component units. Financial highlights of the fiscal year are noted in the Financial section of the CAFR and include the following:

- At June 30, 2018, the City's total net position (assets plus deferred outflows of resources less liabilities and less deferred inflows of resources) was \$2.8 million.
- The City's total net position decreased \$56.8 million from the prior year. This is mostly due to the implementation of Governmental Accounting Standards Boards Statement No. 75 (GASB 75), which amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB) and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures.
- The City's total governmental funds reported a combined ending fund balances of \$73.3 million, an increase of \$0.4 million in comparison with the prior fiscal year of \$72.9 million. Of this, \$10 million, or 13.7% of this total is non-spendable (not available for new spending). The restricted fund balance categories of \$50.3 million or 68.6% is spendable for restricted purposes. The assigned fund balance of \$2.3 million or 2.7% represents amounts that are intended to be used for specific purposes, but are not formally restricted or committed. The unassigned fund balance category of \$10.9 million or 14.9% represents the City's fund balance reserves.
- The City's business-type computer service enterprise activity (West Covina Service Group) had an operating loss for Fiscal Year 2017-18 of \$22,674, compared with \$116,660 in operating loss in Fiscal Year 2016-17. The total net position for the computer service enterprise fund is (\$275,010). The net position in the prior year was (\$252,336).
- At the end of the current fiscal year, the City had debt outstanding of \$66.4 million. Of this amount, \$41.2 million represents outstanding bonds and \$25.2 million represents other debt such as compensated absences payable, claims and judgments payable, capital lease obligations, and the Successor Agency note. All of the outstanding bonds are lease revenue bonds secured by leases from the General Fund.

### **Government Auditing Standards Letter**

The Government Auditing Standards Letter (Attachment No. 2) notes any identified deficiencies or weaknesses in internal control over financial reporting that could lead to material misstatements in the City's financial statements as well as any other compliance findings.

*A deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The auditors did not identify any deficiencies in internal control over financial reporting that they considered to be material weaknesses. Furthermore, the results of the tests performed disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Audit Communication Letter**

The Audit Communication Letter (Attachment No. 3) provides certain information related to the audit of the City's

financial records including the following:

- Qualitative Aspects of Accounting Practices – The letter notes that City management is responsible for the selection and use of appropriate accounting policies. The letter indicates that there have been no significant changes in accounting policies or their application during the fiscal year. The letter also noted that there were no transactions entered into by the City during Fiscal Year 2017-18 for which there was a lack of authoritative guidance, and that all significant transactions were recorded in the proper accounting periods.
- Significant Difficulties Encountered during the Audit – The letter communicates the auditors encountered no significant difficulties in dealing with management relating to the performance of the audit.
- Uncorrected and Corrected Misstatements – The letter communicates the auditors' responsibility to note all known and likely misstatements identified during the audit. The auditors noted no such misstatements that were material, either individually or in aggregate, to the financial statements taken as a whole.
- Disagreements with Management – The auditors are required to communicate any disagreements with management related to an accounting, reporting or auditing matter, whether resolved or not, in the Audit Communication Letter. No such disagreements arose during the course of the audit for Fiscal Year 2017-18.

### West Covina Housing Authority Annual Financial Report

Changes in state law require the Housing Authority, as the Housing Successor, to prepare an annual report regarding the low and moderate income housing asset fund (Report) of the former West Covina Redevelopment Agency (RDA). The law also requires the completion of an independent audit of the low and moderate-income housing asset fund (Fund). The attached annual report includes both the Report and the audit mentioned above (Attachment No. 4).

Senate Bill 341 (SB 341), which is partly codified in Health and Safety Code Section 34176.1 and became effective on January 1, 2014, requires each housing successor that assumed the housing functions of a former redevelopment agency, to post a report on its website that contains information regarding the Fund of the former redevelopment agency for the previous fiscal year. Each housing successor is also required to present this report to its governing body. In this case, the City Council designated the Community Development Commission (CDC) as the governing body of the Housing Authority. Because the CDC's membership is the City Council, the Housing Authority, as the housing successor, is required to present the Report on the Fund to the City Council pursuant to SB 341.

In addition, the Housing Successor is required to conduct and provide to the City Council an independent financial audit (Audit) of the Fund. Similar to the above, the West Covina Housing Authority assumed the housing functions of the former RDA. The transfer of the functions included the transfer of formerly designated RDA low and moderate-income housing funds together with any funds generated by former RDA housing assets. The funds must be maintained by the Housing Authority in a separate fund and expended **in accordance with Health and Safety Code section 34176.1 ("Section 34176.1")**. To ensure that the monies in the Fund are expended in accordance with the law, Section 34176.1(f) requires an independent financial audit of the Fund. SB 341 also requires annual reporting and website posting of additional housing information related to the Fund. As noted above, the CDC is the governing body of the Housing Authority and the City Council serves as the membership of the CDC. During their review of our compliance with Senate Bill 341 (Attachment No. 5), the auditors noted no instances of non-compliance for Fiscal Year 2017-18.

### Air Quality Improvement Fund Financial Statements

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and provides the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar provided to SCAQMD is allocated to the cities and counties in the South Coast District proportionately based upon population. The amounts attributable to the City of West Covina (the City), are maintained in the City's Air Quality Improvement Special Revenue Fund (Attachment No. 6). The

audit firm of Rogers, Anderson, Malody & Scott, LLP has issued an unmodified ('clean') opinion on the financial statements for the year ended June 30, 2018.

**Prepared by:** Todd H. Owens, Accounting Manager

**Additional Approval:** Marcie Medina, Finance Director

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### **Fiscal Impact**

**Fiscal Year:**

**Budgeted Y/N:**

**Amount Requested:**

**Account(s):**

**FISCAL IMPACT:**

There is no fiscal impact associated with this item.

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### **Attachments**

Attachment No. 1 - Comprehensive Annual Financial Report for the Year Ended June 30, 2018

Attachment No. 2 - Government Auditing Standards Letter

Attachment No. 3 - Audit Communication Letter

Attachment No. 4 - West Covina Housing Authority Fund Financial Report

Attachment No. 5 - West Covina Housing Authority Fund Addendum to the Annual Progress Report

Attachment No. 6 - Air Quality Improvement Fund Financial Statements

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# City of West Covina

CITY HALL

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

FISCAL YEAR ENDED  
JUNE 30, 2018

[WWW.WESTCOVINA.ORG](http://WWW.WESTCOVINA.ORG)



*City of West Covina,  
California*

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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## *Finance Department*

March 5, 2019

To the Members of the City Council, the City Manager, and the Citizens of the City of West Covina:

It is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of West Covina (City) for the fiscal year ended June 30, 2018. This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a firm of certified public accountants. The auditors have issued an unmodified opinion on these financial statements. Their report is located at the front of the financial section of this report.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the Government**

The City of West Covina is located in the San Gabriel Valley, 20 miles east of downtown Los Angeles and 15 miles north of Orange County. Incorporated as a general law city in 1923, the City's 16 square miles flourished with walnut groves and orange groves for many decades. The post-World War II building boom rapidly transformed the City, which experienced a significant population increase between 1950 and 1960, from less than 5,000 to more than 50,000 citizens. Subsequent to this rapid population increase, the City has continued to grow at a steady pace with a current population in excess of 110,000.

The City's location and access to major freeways makes West Covina close to many visitor attractions and an ideal business and commercial center. The City has over 32,000 housing units and offers the amenities of a big city location with a high standard of living for its community.

Under the Council-Manager form of government, the five City Council members are elected at-large to overlapping four-year terms. The City Council selects a Mayor from one of its members each November to serve a one-year term. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services to its citizens, including police, fire and emergency medical; construction and maintenance of streets, traffic signalization and other infrastructure; planning and building safety; and social, recreational and cultural activities and events. The City offers sixteen parks, three community centers, four day care facilities, a Sports Complex and a county operated library. The City is financially accountable for the Successor Agency to the former Redevelopment Agency of the City of West Covina, a financing authority, and a housing authority, which are combined within the City's financial statements. Additional information regarding all three of these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as a foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget for all funds. The budget appropriations are prepared by fund, function, and department. The City Manager is authorized to transfer budgeted amounts within departments to assure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase total appropriations in individual funds, must be approved by the City Council.

### **Economic Outlook and Major Objectives**

From early in its history, the City of West Covina has been noted as a City of beautiful homes. Through its General Plan, the City Council strives to maintain the City's high quality residential base and living environment. The City's identity is defined by carefully designed entry point elements, landmark areas, and open space areas.

Known as the headquarters of the East San Gabriel Valley, the City strives to maintain a prosperous business and commercial climate. The challenging economy has created opportunities in the business community to continually reinvent itself for the benefit of the City and its local surroundings. While sales tax revenues are expected to remain flat over the next few years, the City derives significant economic stability from its three major commercial districts: Plaza West Covina, Eastland Center, and The Lakes.

Despite the challenging economic climate, the City is making strides to improve the organizational structure through various reorganization efforts to help future budgets. The City is also fully aware that revenue growth is slow, which exacerbates the strain on the City's financial structure. The City must identify sustainable resources to address increasing costs such as retirement, continued rise in medical costs, debt service requirements, and costs for deferred maintenance of facilities and infrastructure.

The City of West Covina will continue to strive to provide the highest level of service to its residents and businesses, so the community can thrive.

### **Short-term and Long-term Financial Planning**

Annually, the City adopts a budget covering operating revenues and expenditures, labor usage, capital expenditures, and other sources and uses of funds. For financial planning purposes, the City conducts comprehensive citywide financial forecasting in conjunction with its revenue consultants and other sources.

During the past few years, the City has utilized a range of temporary and permanent cost reduction initiatives, economic development, and revenue generation priorities, outside grants, and the use of fiscal reserves as necessary. As a result, the City has weathered the effects of the difficult financial times while providing critical services to the public in such areas as public safety, facility maintenance, parks maintenance, and infrastructure improvement. On June 5, 2018, the City Council adopted a fund balance policy to maintain a minimum unassigned fund balance of 17% of the General Fund operating expenditures.

### **Awards and Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. These are extremely challenging times for local government in which many difficult decisions must be made. Credit also must be given to City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

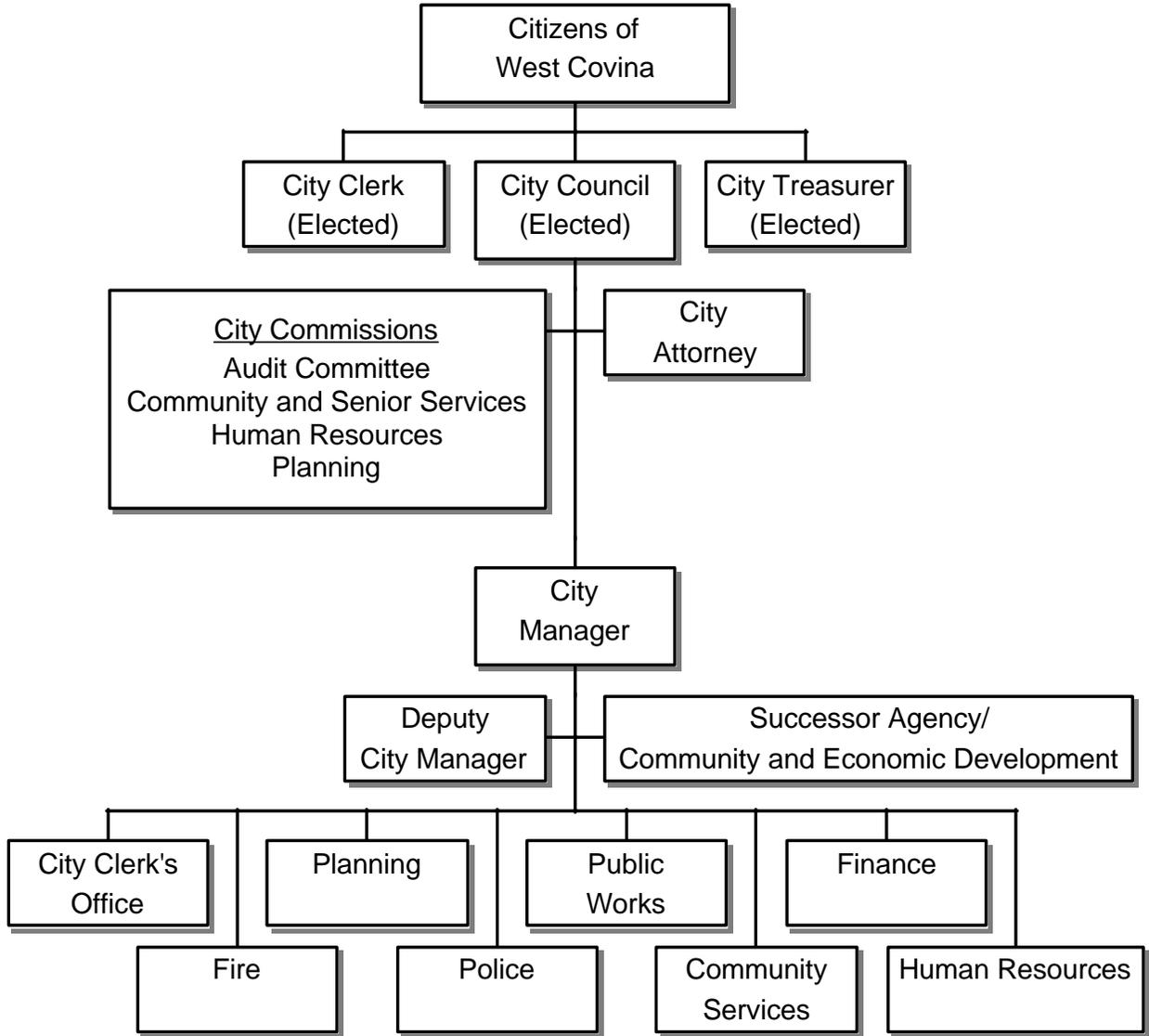
Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Marcie Medina', with a long horizontal flourish extending to the right.

Marcie Medina  
Finance Director

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**City of West Covina  
Organizational Chart**



CITY OF WEST COVINA

City Officials

June 30, 2018

CITY COUNCIL

Mayor Lloyd Johnson  
Mayor Pro Tem Tony Wu  
Councilman Mike Spence  
Councilmember James Toma  
Councilman Corey Warshaw

CITY MANAGER

Chris Freeland

EXECUTIVE MANAGEMENT

Kimberly Hall Barlow	City Attorney
Rosalia Butler	City Clerk
Nikole Bresciani	Community Services Director
Laura Minnich	Deputy City Manager
Judy Lancaster	Finance Director (Interim)
Larry Whithorn	Fire Chief
Edward Macias	Human Resources Director
Jeff Anderson	Planning Director
Dave Faulkner	Police Chief
Chino Consunji	Public Works Director



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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**PARTNERS**

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)  
Kirk A. Franks, CPA (Partner Emeritus)

**DIRECTORS**

Jenny Liu, CPA, MST

**MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Jingjie Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT  
Veronica Hernandez, CPA  
Tara R. Thorp, CPA, MSA

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants

The Honorable City Council  
of the City of West Covina  
West Covina, California

INDEPENDENT AUDITOR'S REPORT

**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 the City of West Covina, California (City), as of and for the year ended June 30, 2018, 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 as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Accounting Principle*

As described in Note 1, the City adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*. Our opinion is not modified with respect to this matter.

The cumulative effects of applying the provisions of GASB Statement No. 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the City'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's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
March 5, 2019

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial performance of the City of West Covina (the City) provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. The information presented herein should be considered in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### **FINANCIAL HIGHLIGHTS**

- As of June 30, 2018, the City's total net position (assets plus deferred outflows of resources less liabilities and less deferred inflows of resources) was \$2.8 million.
- The City's total net position decreased \$56.8 million from the prior year. This is mostly due to the implementation of Governmental Accounting Standards Boards Statement No. 75 (GASB 75), which amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB) and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures.
- The City's total governmental funds reported combined ending fund balances of \$73.3 million, an increase of \$0.4 million in comparison with the prior fiscal year of \$72.9 million. Of this, \$10 million, or 13.7% of this total is non-spendable (not available for new spending). The restricted fund balance categories of \$50.3 million or 68.6% is spendable for restricted purposes. The assigned fund balance of \$2 million or 2.7% represents amounts that are intended to be used for specific purposes, but are not formally restricted or committed. The unassigned fund balance category of \$10.6 million or 14.5% represents the City's fund balance reserves.
- The City's business-type computer service enterprise activity (West Covina Service Group) had an operating loss for fiscal year (FY) 2017-18 of \$22,674, compared with \$116,660 in income loss in FY 2016-17. The total net position for the computer service enterprise fund as of June 30, 2018 was (\$275,010). The net position in the prior year was (\$252,336).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.

- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities that are operated like a business, such as the West Covina Service Group, the City's computer service enterprise.
- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as an *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

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

### Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax or sales tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two kinds of activities:

- Governmental activities – Most of the City's basic services such as public safety, streets and roads, economic development and parks and recreation, are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. These activities include the City's computer service enterprise operation.

The government-wide financial statements include the West Covina Housing Authority, the West Covina Public Financing Authority, the Parking Authority of the City of West Covina and the West Covina Community Services Foundation (component units), along with the City of West Covina (the primary government). Although legally separate, these component units are important because the City is financially accountable for them.

The activities of the Successor Agency of the former redevelopment agency can be found in the Fiduciary Fund Section of the Financial Statements in the Private Purpose Trust Fund.

## Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliations on the pages following the fund financial statements in this report.
- *Proprietary funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in separate fiduciary funds. These activities are not included in the government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, net position for the City was \$2.8 million. Compared to the prior year, the net position of the City decreased by \$56.8 million or 95.2%.

The City's net position of \$2.8 million is made up of three components: Net investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. The largest portion of the City's net position, \$153.9 million, reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the community. As such, these assets are not available for spending. In addition, \$51.1 million of the City's net position represents resources that are subject to external restrictions on how they may be used.

The remaining deficit balance of unrestricted net position of \$202.2 million is a result of the implementation of GASB 68 and GASB 75.

The table below reflects the Statement of Net Position for the fiscal year ended June 30, 2018, with the comparative data for the fiscal year ended June 30, 2017:

Table 1  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 92,219,443	\$ 91,562,563	\$ (158,068)	\$ (83,318)	\$ 92,061,375	\$ 91,479,245
Capital assets	205,471,929	207,274,978	-	-	205,471,929	207,274,978
Total assets	<u>297,691,372</u>	<u>298,837,541</u>	<u>(158,068)</u>	<u>(83,318)</u>	<u>297,533,304</u>	<u>298,754,223</u>
<b>Deferred Outflows of Resources:</b>						
Pension related	28,845,151	30,344,516	-	-	28,845,151	30,344,516
OPEB related	2,470,254	-	-	-	2,470,254	-
	<u>31,315,405</u>	<u>30,344,516</u>	<u>-</u>	<u>-</u>	<u>31,315,405</u>	<u>30,344,516</u>
<b>Liabilities:</b>						
Long-term debt outstanding	311,496,374	259,244,979	93,543	140,549	311,589,917	259,385,528
Other liabilities	5,383,957	6,829,810	23,399	28,469	5,407,356	6,858,279
Total liabilities	<u>316,880,331</u>	<u>266,074,789</u>	<u>116,942</u>	<u>169,018</u>	<u>316,997,273</u>	<u>266,243,807</u>
<b>Deferred Inflows of Resources:</b>						
Pension related	3,180,451	3,264,778	-	-	3,180,451	3,264,778
OPEB related	5,826,512	-	-	-	5,826,512	-
	<u>9,006,963</u>	<u>3,264,778</u>	<u>-</u>	<u>-</u>	<u>9,006,963</u>	<u>3,264,778</u>
<b>Net Position:</b>						
Net investment in capital assets	153,940,332	153,784,463	-	-	153,940,332	153,784,463
Restricted	51,130,936	50,717,656	-	-	51,130,936	50,717,656
Unrestricted	<u>(201,951,785)</u>	<u>(144,659,629)</u>	<u>(275,010)</u>	<u>(252,336)</u>	<u>(202,226,795)</u>	<u>(144,911,965)</u>
Total net position	<u>\$ 3,119,483</u>	<u>\$ 59,842,490</u>	<u>\$ (275,010)</u>	<u>\$ (252,336)</u>	<u>\$ 2,844,473</u>	<u>\$ 59,590,154</u>

## Changes in Net Position

The City's total revenues of \$90.6 million for governmental activities are \$17.9 million less than the expenses of \$108.5 million. The decrease is a result of slow growth in revenues offset by increases in expenditures, the largest being public safety.

A summary of the government-wide statement of activities for the year ended June 30, 2018, with the comparative data for the fiscal year ended June 30, 2017, is as follows:

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 15,768,306	\$ 13,370,141	\$ 1,199,162	\$ 1,274,318	\$ 16,967,468	\$ 14,644,459
Operating contributions and grants	10,285,701	10,955,031	-	-	10,285,701	10,955,031
Capital contributions and grants	151,966	445,980	-	-	151,966	445,980
General revenues:						
Property taxes	25,392,860	23,994,740	-	-	25,392,860	23,994,740
Sales taxes	17,449,827	16,503,563	-	-	17,449,827	16,503,563
Other taxes	11,704,254	10,423,493	-	-	11,704,254	10,423,493
Other general revenues	9,815,755	11,300,580	83,590	184,088	9,899,345	11,484,668
Other item:						
Gain on transfer of land from Successor Agency	-	-	-	-	-	-
Total revenues	90,568,669	86,993,528	1,282,752	1,458,406	91,851,421	88,451,934
<b>Expenses</b>						
General government	\$ 7,523,129	5,775,173	-	-	7,523,129	5,775,173
Public safety	67,734,047	56,169,907	-	-	67,734,047	56,169,907
Public works	21,161,586	21,243,019	-	-	21,161,586	21,243,019
Community services	8,926,070	7,926,410	-	-	8,926,070	7,926,410
Community development	1,618,181	2,190,319	-	-	1,618,181	2,190,319
Interest expense	1,515,826	1,575,724	-	-	1,515,826	1,575,724
Computer service			1,305,426	1,575,066	1,305,426	1,575,066
Total expenses	108,478,839	94,880,552	1,305,426	1,575,066	109,784,265	96,455,618
Increase (decrease) in net position	(17,910,170)	(7,887,024)	(22,674)	(116,660)	(17,932,844)	(8,003,684)
Beginning net position, as restated	21,029,653	67,729,514	(252,336)	(135,676)	20,777,317	67,593,838
Ending net position	\$ 3,119,483	\$ 59,842,490	\$ (275,010)	\$ (252,336)	\$ 2,844,473	\$ 59,590,154

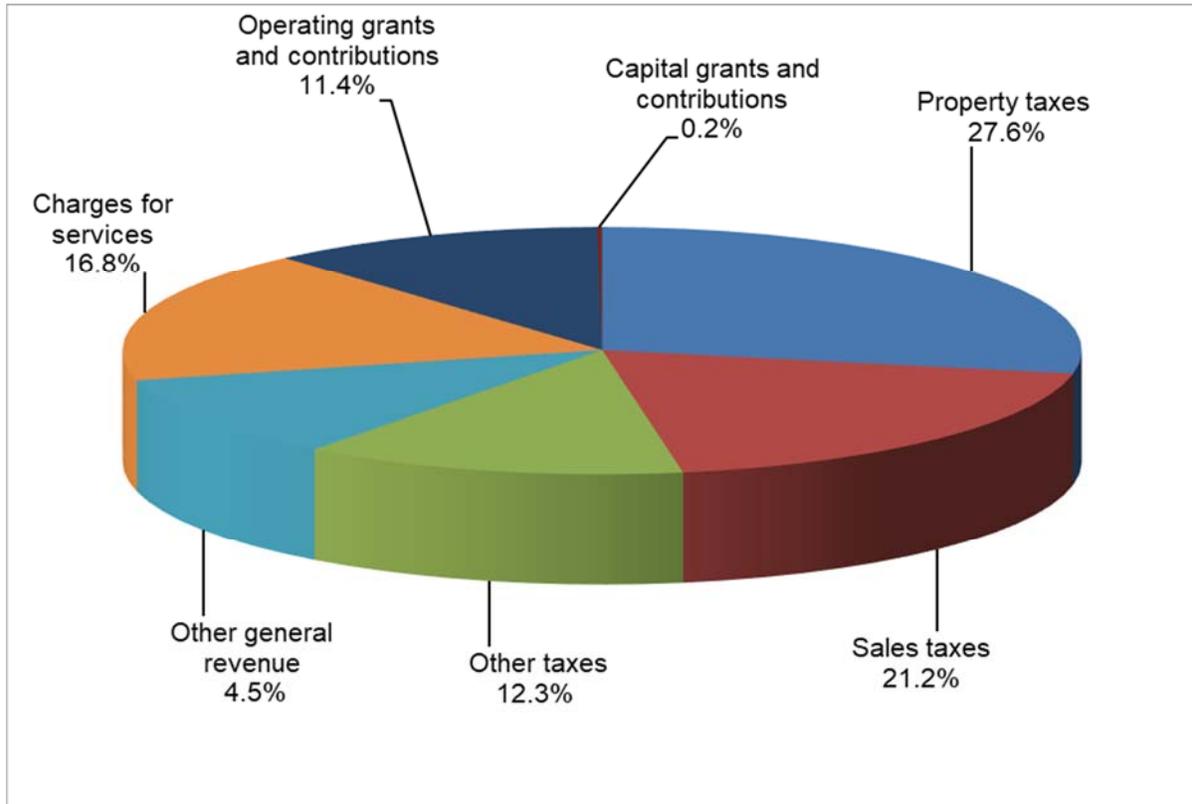
Certain reclassifications have been made to FY 2016-17 balances to confirm to classifications used in FY 2017-18.

## Governmental Activities

Some of the more significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

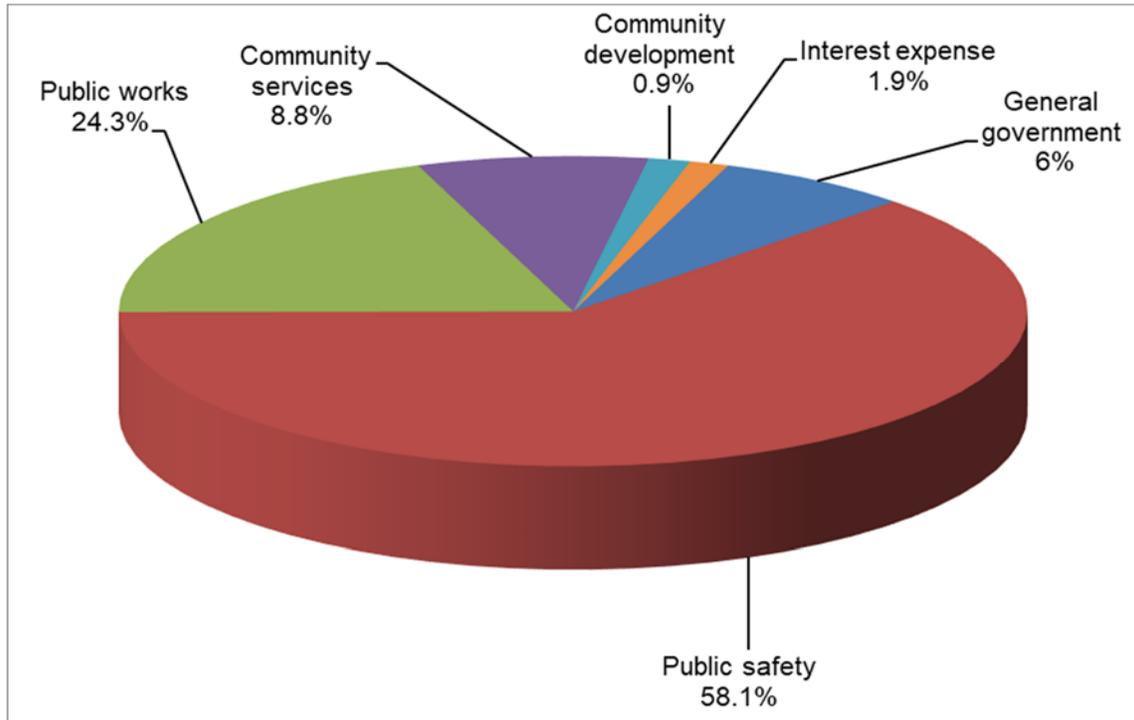
- Operating contributions and grants decreased by \$0.7 million, primarily due to a significant decrease in the drug enforcement revenue arising from delays in the flow of revenue to the City from the U.S. Department of Justice and U.S. Department of Treasury.
- Capital contributions and grants decreased by \$0.3 million due to a decrease in developer fees. Development fluctuates from year to year and several larger park developments occurred the prior fiscal year, primarily residential developments in West Covina Citrus Collection and Cadanera.
- Property taxes, the City's largest revenue source, increased \$1.4 million primarily due to an increase in the assessed valuation.
- Sales tax, the City's second largest revenue source, increased \$0.9 million with the final true up payments of the Sales Tax in Lieu (Triple Flip).
- Other general revenues decreased primarily in investment income due to the Department of Finance (DOF) determining that the advances between the City and the Successor Agency were an enforceable obligation on the Recognized Obligation Payment Schedule (ROPS) for FY 2016-17 which resulted in the increase in interest income and the advances owed to the General in the previous fiscal year.
- There was an overall increase in expenses of \$13.6 million, due to an increase in salaries and benefits, maintenance and operations, and capital improvements.

Revenues by Source – Governmental Activities



The most significant revenues of the governmental activities are property taxes (\$25.4 million), sales tax (\$17.4 million) and other taxes (\$11.7 million). Program revenues are \$26.2 million of the total revenues of the governmental activities, which include charges for services (\$15.8 million), operating contributions and grants (\$10.2 million), and capital grants and contributions (\$0.2 million).

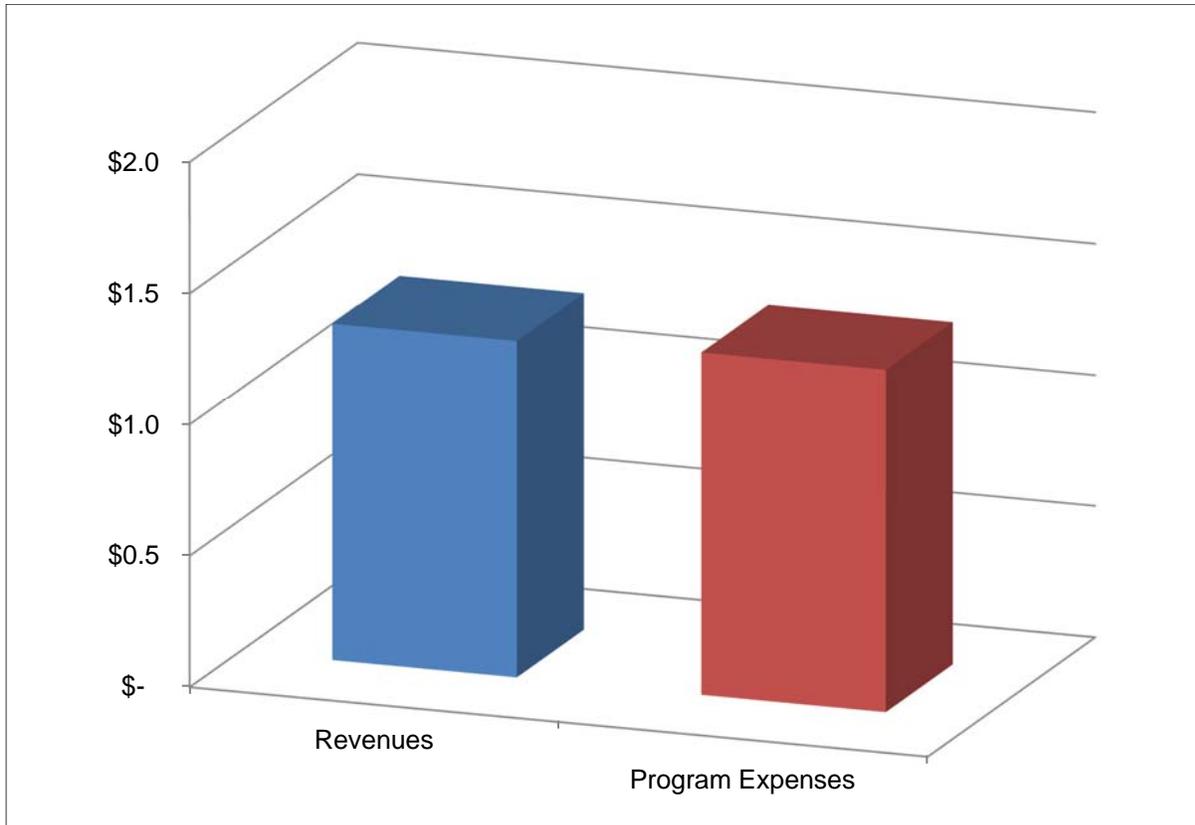
Expenses by Function – Governmental Activities



The City's expenses cover a range of services whose expenses were as follows: Public safety (\$67.7 million), public works (\$21.2 million), community services (\$8.9 million), general government (\$7.5 million), community development (\$1.6 million) and interest expense (\$1.5 million). These expenses include capital outlays which are now reflected in the City's capital assets.

Business-Type Activities

The business-type activity is the West Covina Service Group, which provides dispatch and records management software and services to other police departments.



The business-type activity's expenses decreased by \$269,641 or 17% from the prior fiscal year. Charges for services and other revenues decreased by \$175,654 in FY 2017-18 causing the decrease in net position of \$22,674.

## MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

### Major Governmental Funds

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12 million, while total fund balance was \$22.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.05% of total general fund expenditures, while total fund balance represents 35.4% of that same amount. The non-spendable portion of fund balance in the amount of \$10 million mainly consists of amounts currently owed to the City by the former redevelopment agency.

The reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year are as follows:

- Total revenues, exclusive of fund transfers in, increased \$2.8 million while total expenditures, exclusive of fund transfers out, decreased \$1.1 million.
- Total taxes were up \$1.8 million (3.7%) from the prior year. Property taxes increased by \$1.4 million (5.9%) and sales tax revenues decreased by \$0.2 million (1.1%).
- Investment income decreased by \$2.9 million from the prior year. As previously mentioned, DOF determined that the advances between the City and the Successor Agency were an enforceable obligation on the ROPS for FY 2016-17 which resulted in the increase in interest income in the prior year.
- Other revenue increased by \$2.1 million from the prior year primarily due to the sale of land from Successor Agency.

The **West Covina Housing Authority Fund** provides for low and moderate income activities that were previously provided by the redevelopment agency. The Authority has outstanding loans receivable of \$14.5 million and is due \$4.3 million from the Successor Agency for amounts borrowed by the former redevelopment agency to fund the SERAF payments and 20% of the loans made to the former redevelopment agency by the City.

The **Grants Special Revenue Fund** accounts for various Federal, State of California, and local grants that are restricted to expenditures for specific programs and projects. The fund finished the fiscal year with a total fund deficit of \$755,433. The deficit will be eliminated through future grant revenue the City will receive during FY 2018-19.

## GENERAL FUND BUDGET

There were numerous budget amendments throughout the fiscal year mostly due to clean up items, but the net effect to the General Fund budget was \$5.8 million. Taxes in total exceeded the budget by \$1,545,303, primarily from property taxes and the residual redevelopment property tax trust fund monies received during the fiscal year. The City budgeted conservatively for these sources of revenue as it may fluctuate from year to year. Other revenue exceeded the budget by \$3,084,415 primarily due to the sale of land from Successor Agency.

## CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 48,821,968	\$ 48,821,968	\$ -	\$ -	\$ 48,821,968	\$ 48,821,968
Buildings and improvements	68,733,069	61,908,591	-	-	68,733,069	61,908,591
Equipment and vehicles	8,272,650	8,276,489	-	-	8,272,650	8,276,489
Infrastructure	60,635,948	66,806,897	-	-	60,635,948	66,806,897
Rights of way	14,376,498	14,376,498	-	-	14,376,498	14,376,498
Construction in progress	4,631,796	7,084,535	-	-	4,631,796	7,084,535
Total	<u>\$ 205,471,929</u>	<u>\$ 207,274,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,471,929</u>	<u>\$ 207,274,978</u>

The major additions to capital assets during the year ended June 30, 2018 were as follows:

- Construction in progress had a net decrease of \$2.5 million. The \$4.6 million currently in progress includes the following:
  - Traffic Signal Modifications (\$754,000)
  - Various Street Projects (\$1.35 million)
  - Various Park Improvements (\$203,000)
  - Various Information Technology Upgrades (\$925,000)
  - Facility Repairs/Improvements (\$1.40 million)
- Completed fixed asset additions of \$6.8 million included:
  - Orangewood Soccer Park Complex (\$3.90 million)
  - Tiller Quint Fire Truck (\$1.34 million)
  - Sewer and Street Rehabilitation Projects (\$779,000)
  - Palmview Park Improvements (\$227,000)
  - Various Facility Repairs/Improvements (\$217,000)
  - Sewer Camera (\$187,000)
  - Various Information Technology Upgrades (\$137,000)
  - Fire Station 4 - Emergency Generator (\$40,000)

Additional information on the City's capital assets can be found in Note 7 of this report.

## LONG-TERM DEBT

At the end of the current fiscal year, the City had debt outstanding of \$66.5 million. Of this amount, \$41.2 million represents outstanding bonds and \$25.3 million represents other debt such as compensated absences payable, claims and judgments payable, capital lease obligations, and the Successor Agency note. All of the outstanding bonds are lease revenue bonds secured by leases from the General Fund.

### Outstanding Bonds

	Governmental Activities	
	2018	2017
Lease Revenue Bonds	\$ 41,190,000	\$ 42,570,000
Total	<u>\$ 41,190,000</u>	<u>\$ 42,570,000</u>

Additional information on the City's long-term debt can be found in Note 8 of this report.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, at City of West Covina, 1444 West Garvey Avenue South, West Covina, California 91790.

## **BASIC FINANCIAL STATEMENTS**

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# City of West Covina

## Statement of Net Position June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 51,170,511	\$ -	\$ 51,170,511
Cash and investments with fiscal agent	2,104,064	-	2,104,064
Restricted cash and investments	502,882	-	502,882
Receivables, net:			
Accounts	236,727	4,613	241,340
Taxes	3,524,431	-	3,524,431
Notes and loans	14,510,928	-	14,510,928
Other	2,351,798	6,228	2,358,026
Internal balances	168,909	(168,909)	-
Inventories	26,949	-	26,949
Advances to Successor Agency	10,639,168	-	10,639,168
Due from other agencies	1,428,299	-	1,428,299
Due from Successor Agency	2,313,738	-	2,313,738
Prepays and other assets	233,237	-	233,237
Land held for resale	3,007,802	-	3,007,802
Capital assets:			
Non-depreciable	67,830,262	1,059,120	68,889,382
Depreciable, net	137,641,667	(1,059,120)	136,582,547
Total assets	<u>297,691,372</u>	<u>(158,068)</u>	<u>297,533,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	28,845,151	-	28,845,151
OPEB related	2,470,254	-	2,470,254
Total deferred outflows of resources	<u>31,315,405</u>	<u>-</u>	<u>31,315,405</u>
<b>LIABILITIES</b>			
Accounts payable	2,649,581	6,891	2,656,472
Other accrued liabilities	2,159,484	16,508	2,175,992
Interest payable	115,063	-	115,063
Unearned revenues	195,011	-	195,011
Deposits	264,818	-	264,818
Long-term liabilities:			
Net OPEB obligation	59,914,016	-	59,914,016
Net pension liability	185,149,727	-	185,149,727
Due within one year	8,415,178	51,369	8,466,547
Due in more than one year	58,017,453	42,174	58,059,627
Total liabilities	<u>316,880,331</u>	<u>116,942</u>	<u>316,997,273</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	3,180,451	-	3,180,451
OPEB related	5,826,512	-	5,826,512
Total deferred inflows of resources	<u>9,006,963</u>	<u>-</u>	<u>9,006,963</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	153,940,332	-	153,940,332
Restricted for:			
Public safety	4,410,835	-	4,410,835
Public works	13,972,112	-	13,972,112
Community services	2,989,388	-	2,989,388
Affordable housing	24,725,216	-	24,725,216
Debt service	5,033,385	-	5,033,385
Unrestricted	(201,951,785)	(275,010)	(202,226,795)
Total net position (deficit)	<u>\$ 3,119,483</u>	<u>\$ (275,010)</u>	<u>\$ 2,844,473</u>

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Activities  
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 7,523,129	\$ 814,465	\$ -	\$ -
Public safety	67,734,047	3,610,467	3,178,172	-
Public works	21,161,586	8,967,472	1,384,591	58,140
Community services	8,926,070	2,110,943	5,722,938	93,826
Community development	1,618,181	264,959	-	-
Interest expense	1,515,826	-	-	-
Total governmental activities	<u>108,478,839</u>	<u>15,768,306</u>	<u>10,285,701</u>	<u>151,966</u>
<b>Business-type activity:</b>				
Computer service	<u>1,305,426</u>	<u>1,199,162</u>	<u>-</u>	<u>-</u>
Total business-type activity	<u>1,305,426</u>	<u>1,199,162</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 109,784,265</u>	<u>\$ 16,967,468</u>	<u>\$ 10,285,701</u>	<u>\$ 151,966</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Other taxes

Investment income

Other revenues

Total general revenues and transfers

Change in net position

Net position (deficit), beginning of year, restated

Net position (deficit), end of year

The accompanying notes are an integral part of these financial statements.

(continued)

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,708,664)	\$ -	\$ (6,708,664)
(60,945,408)	-	(60,945,408)
(10,751,383)	-	(10,751,383)
(998,363)	-	(998,363)
(1,353,222)	-	(1,353,222)
(1,515,826)	-	(1,515,826)
<u>(82,272,866)</u>	<u>-</u>	<u>(82,272,866)</u>
<u>-</u>	<u>(106,264)</u>	<u>(106,264)</u>
<u>-</u>	<u>(106,264)</u>	<u>(106,264)</u>
<u>(82,272,866)</u>	<u>(106,264)</u>	<u>(82,379,130)</u>
25,392,860	-	25,392,860
17,449,827	-	17,449,827
4,011,817	-	4,011,817
1,924,885	-	1,924,885
5,767,552	-	5,767,552
559,164	884	560,048
<u>9,256,591</u>	<u>82,706</u>	<u>9,339,297</u>
<u>64,362,696</u>	<u>83,590</u>	<u>64,446,286</u>
(17,910,170)	(22,674)	(17,932,844)
<u>21,029,653</u>	<u>(252,336)</u>	<u>20,777,317</u>
<u>\$ 3,119,483</u>	<u>\$ (275,010)</u>	<u>\$ 2,844,473</u>

*City of West Covina*

**Balance Sheet – Governmental Funds  
June 30, 2018**

	General Fund	Special Revenue Funds	
		West Covina Housing Authority	Grants
<b>ASSETS</b>			
Cash and investments	\$ 8,595,749	\$ 5,862,949	\$ -
Cash and investments with fiscal agent	-	-	-
Restricted cash and investments	-	-	-
Receivables, net:			
Accounts	118,274	-	118,453
Taxes	3,216,478	-	-
Interest	(10,610)	1,807	90
Notes and loans	-	14,510,928	-
Other	1,928,056	-	41,478
Due from other funds	460,774	-	-
Advances to Successor Agency	6,388,400	4,250,768	-
Advances to other funds	434,372	-	-
Due from other agencies	-	-	967,316
Prepaid expenses	122,404	110,833	-
Due from Successor Agency	1,058,076	-	-
Land held for resale	3,007,802	-	-
Total assets	<u>\$ 25,319,775</u>	<u>\$ 24,737,285</u>	<u>\$ 1,127,337</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 711,980	\$ 4,059	\$ 650,243
Other accrued liabilities	1,905,015	8,010	52,300
Due to other funds	-	-	97,030
Advances from other funds	-	-	-
Due to other governments	164,141	-	-
Deposits	264,818	-	-
Unearned revenue	20,990	-	174,021
Total liabilities	<u>3,066,944</u>	<u>12,069</u>	<u>973,594</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	909,176
Fund balances (deficit):			
Nonspendable	9,952,978	110,833	-
Restricted:			
Affordable housing	-	24,614,383	-
Debt service	-	-	-
Community services	-	-	98,483
Public safety	-	-	-
Public works	-	-	-
Assigned	320,200	-	-
Unassigned	11,979,653	-	(853,916)
Total fund balances (deficit)	<u>22,252,831</u>	<u>24,725,216</u>	<u>(755,433)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,319,775</u>	<u>\$ 24,737,285</u>	<u>\$ 1,127,337</u>

The accompanying notes are an integral part of these financial statements.

(continued)

Non-Major Governmental Funds	Total Governmental Funds
\$ 24,286,169	\$ 38,744,867
2,104,064	2,104,064
502,882	502,882
-	236,727
307,953	3,524,431
8,393	(320)
-	14,510,928
381,770	2,351,304
-	460,774
-	10,639,168
-	434,372
625,124	1,592,440
-	233,237
1,255,662	2,313,738
-	3,007,802
<u>\$ 29,472,017</u>	<u>\$ 80,656,414</u>
\$ 988,846	\$ 2,355,128
192,247	2,157,572
194,835	291,865
434,372	434,372
-	164,141
-	264,818
-	195,011
<u>1,810,300</u>	<u>5,862,907</u>
<u>625,124</u>	<u>1,534,300</u>
-	10,063,811
-	24,614,383
5,033,385	5,033,385
3,005,968	3,104,451
3,501,659	3,501,659
14,001,419	14,001,419
2,004,895	2,325,095
(510,733)	10,615,004
<u>27,036,593</u>	<u>73,259,207</u>
<u>\$ 29,472,017</u>	<u>\$ 80,656,414</u>

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# City of West Covina

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2018

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Fund balances for governmental funds \$ 73,259,207

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and accumulated depreciation, are not considered current financial resources in the governmental funds (this does not include internal service fund net capital assets of \$293,446):

Capital assets	\$ 425,845,896	
Less accumulated depreciation	<u>(220,667,413)</u>	205,178,483

Long-term debt and compensated absences applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position (this does not include internal service fund long-term liabilities of \$10,291,523):

Bonds payable	(41,190,000)	
Compensated absences (less internal service \$7,849)	(4,609,511)	
Notes payable	(10,341,597)	
Net pension liability	(185,149,727)	
Net OPEB liability	<u>(59,914,016)</u>	(301,204,851)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. (115,063)

Revenues that are measurable but not available are reported as unavailable revenues under the modified accrual basis of accounting. 1,534,300

Deferred inflows and outflows of resources related to pensions and OPEB that have not been included in the government fund activity

Deferred outflows of resources - pension related	28,845,151	
Deferred outflows of resources - OPEB related	2,470,254	
Deferred inflows of resources - pension related	(3,180,451)	
Deferred inflows of resources - OPEB related	<u>(5,826,512)</u>	22,308,442

Internal service funds were used by management to charge the costs of certain activities, such as vehicle and equipment maintenance and replacement, the City's self-insurance programs and retirement health benefits to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Position. 2,158,965

Net position of governmental activities \$ 3,119,483

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2018**

	General Fund	Special Revenue Funds	
		West Covina Housing Authority	Grants
<b>REVENUES</b>			
Taxes	\$ 50,491,403	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	1,089,850	-	-
Fines and forfeitures	1,290,187	-	-
Investment income	(95,022)	396,928	3,394
Rental income	649,968	-	-
Revenue from other agencies	2,188,406	-	732,402
Charges for services	8,003,970	-	36,542
Other revenues	3,577,730	46,013	-
Total revenues	<u>67,196,492</u>	<u>442,941</u>	<u>772,338</u>
<b>EXPENDITURES</b>			
Current:			
General government	5,688,954	-	-
Public safety	49,556,995	160,083	514,901
Public works	4,342,778	-	934,930
Community services	2,648,557	-	236,936
Community development	648,920	418,038	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>62,886,204</u>	<u>578,121</u>	<u>1,686,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,310,288</u>	<u>(135,180)</u>	<u>(914,429)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	518,821	-	-
Transfers out	(3,677,624)	-	(27,121)
Total other financing sources (uses)	<u>(3,158,803)</u>	<u>-</u>	<u>(27,121)</u>
Net change in fund balances	1,151,485	(135,180)	(941,550)
Fund balances, beginning of year	<u>21,101,346</u>	<u>24,860,396</u>	<u>186,117</u>
Fund balances (deficit), end of year	<u>\$ 22,252,831</u>	<u>\$ 24,725,216</u>	<u>\$ (755,433)</u>

The accompanying notes are an integral part of these financial statements.

(continued)

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Non-Major Governmental Funds	Total Governmental Funds
\$ 8,764,313	\$ 59,255,716
6,077,861	6,077,861
-	1,089,850
-	1,290,187
246,648	551,948
-	649,968
4,999,370	7,920,178
641,192	8,681,704
606,152	4,229,895
<u>21,335,536</u>	<u>89,747,307</u>
11,507	5,700,461
2,855,651	53,087,630
12,357,781	17,635,489
4,089,685	6,975,178
115,297	1,182,255
1,958,918	1,958,918
1,501,956	1,501,956
<u>22,890,795</u>	<u>88,041,887</u>
<u>(1,555,259)</u>	<u>1,705,420</u>
3,383,235	3,902,056
(1,527,821)	(5,232,566)
<u>1,855,414</u>	<u>(1,330,510)</u>
300,155	374,910
<u>26,736,438</u>	<u>72,884,297</u>
<u>\$ 27,036,593</u>	<u>\$ 73,259,207</u>

*City of West Covina*

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2018**

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Net change in fund balances - total governmental funds \$ 374,910

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

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays and disposals in the current period: (this does not include the following internal service fund activity: depreciation expense of \$34,679).

Capital outlay	\$ 5,343,162	
Depreciation expense	(10,997,787)	
Transfer from Successor Agency	4,478,605	
Construction in progress deemed not viable	<u>(592,350)</u>	(1,768,370)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on long-term debt 1,958,918

The Statement of Net Position includes accrued interest on long-term debt. This is the net change in the current year. (13,871)

Change in revenues that are measureable but not available are reported as unavailable revenue under the modified accrual basis of accounting. 814,147

Expenses reported in the Statement of Activities which do not require the use of current financial resources are not reported as expenditures in the governmental funds:

Changes in OPEB related items	(118,947)
Change in compensated absences	(185,070)

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources. (20,174,416)

Internal service funds are used by management to charge the cost of certain activities, such as vehicle and equipment maintenance and replacement, the City's self-insurance, and retirement health benefits to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 1,202,529

Change in net position of governmental activities \$ (17,910,170)

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Net Position  
Proprietary Funds  
June 30, 2018**

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ -	\$ 12,425,644
Receivables, net		
Accounts	4,613	-
Interest	-	320
Other	6,228	494
Inventories	-	26,949
Total current assets	<u>10,841</u>	<u>12,453,407</u>
Noncurrent Assets:		
Capital Assets:		
Capital assets	1,059,120	2,674,757
Less accumulated depreciation	<u>(1,059,120)</u>	<u>(2,381,311)</u>
Total capital assets, net	-	293,446
Total noncurrent assets	<u>-</u>	<u>293,446</u>
 Total assets	 <u>10,841</u>	 <u>12,746,853</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	6,891	294,453
Other accrued liabilities	16,508	1,912
Claims and judgments - current portion	-	3,257,830
Compensated absences - current portion	51,369	5,420
Due to other funds	<u>168,909</u>	<u>-</u>
Total current liabilities	<u>243,677</u>	<u>3,559,615</u>
Noncurrent Liabilities:		
Claims and judgments	-	7,025,844
Compensated absences	<u>42,174</u>	<u>2,429</u>
Total noncurrent liabilities	<u>42,174</u>	<u>7,028,273</u>
 Total liabilities	 <u>285,851</u>	 <u>10,587,888</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	-	293,446
Unrestricted	<u>(275,010)</u>	<u>1,865,519</u>
 Total net position (deficit)	 <u>\$ (275,010)</u>	 <u>\$ 2,158,965</u>

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018**

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,199,162	\$ 4,291,743
Other revenues	82,706	26,884
Total operating revenues	<u>1,281,868</u>	<u>4,318,627</u>
<b>OPERATING EXPENSES</b>		
Personnel services	1,066,558	250,504
Cost of sales, services and operations	238,868	1,556,817
Depreciation	-	34,679
Insurance and claims paid	-	2,611,824
Total operating expenses	<u>1,305,426</u>	<u>4,453,824</u>
Operating income (loss)	<u>(23,558)</u>	<u>(135,197)</u>
<b>NONOPERATING REVENUES</b>		
Investment income	884	7,216
Total nonoperating revenues	<u>884</u>	<u>7,216</u>
Loss before transfers	(22,674)	(127,981)
Transfers in	-	1,330,510
Change in net position	(22,674)	1,202,529
Net position (deficit), beginning of year	<u>(252,336)</u>	<u>956,436</u>
Net position (deficit), end of year	<u>\$ (275,010)</u>	<u>\$ 2,158,965</u>

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,312,071	\$ 4,353,294
Payments to suppliers for goods and services	(243,938)	(4,643,213)
Payments to employees for services	(1,113,564)	(257,452)
Net cash provided by (used for) operating activities	(45,431)	(547,371)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	44,547	1,330,510
Paid to other funds	-	(67,285)
Net cash provided by non-capital financing activities	44,547	1,263,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	884	7,065
Net increase in cash and cash equivalents	-	722,919
Cash and cash equivalents, beginning of year	-	11,702,725
Cash and cash equivalents, end of year	\$ -	\$ 12,425,644

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Cash Flows, (Continued)  
Proprietary Funds  
For the Year Ended June 30, 2018**

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (23,558)	\$ (135,197)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	-	34,679
(Increase) Decrease in operating assets:		
Accounts receivable	(4,613)	35,161
Other receivables	34,816	(494)
Inventories	-	(10,400)
Increase (Decrease) in operating liabilities:		
Accounts payable	775	(153,069)
Other accrued liabilities	(5,845)	(8,389)
Claims and judgments payable	-	(302,714)
Compensated absences payable	(47,006)	(6,948)
Net cash provided by (used for) operating activities	<u>\$ (45,431)</u>	<u>\$ (547,371)</u>

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018**

	Successor Agency Private Purpose Trust Fund	Pension Trust Funds	Special Deposits Agency Fund
<b>ASSETS</b>			
Cash and investments	\$ 13,219,529	\$ 734,853	\$ 1,905,180
Cash and investments with fiscal agent	7,385,025	-	-
Restricted cash and investments	1,139,647	-	-
Receivables, net:			
Taxes	71,155	-	-
Interest	18,776	-	-
Assessments	19,770,000	-	-
Other	-	-	1,496
Due from other governments	164,141	-	-
Prepaid expenses	2,353	-	-
Due from City of West Covina	9,841,597	-	-
Land held for resale	139,016	-	-
	<u>51,751,239</u>	<u>734,853</u>	<u>\$ 1,906,676</u>
<b>LIABILITIES</b>			
Accounts payable	36,094	-	\$ 19,089
Accrued liabilities	1,342	-	-
Interest payable	529,979	-	-
Due to the City of West Covina	2,313,738	-	-
Due to other governments	80,584	-	-
Deposits	21,825	-	1,887,587
Advances from the City of West Covina	10,639,168	-	-
Long-term liabilities:			
Due to County Auditor Controller	9,841,597	-	-
Due within one year	7,976,117	-	-
Due in more than one year	89,554,966	-	-
	<u>120,995,410</u>	<u>-</u>	<u>\$ 1,906,676</u>
<b>NET POSITION (DEFICIT)</b>			
Held in trust for Successor Agency	(69,244,171)	-	
Held in trust for pension benefits	-	734,853	
Total net position (deficit)	<u>\$ (69,244,171)</u>	<u>\$ 734,853</u>	

The accompanying notes are an integral part of these financial statements.

*City of West Covina*

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2018**

	Successor Agency Private Purpose Trust Fund	Pension Trust Funds
<b>ADDITIONS</b>		
Taxes	\$ 13,122,970	\$ -
Employer contribution	-	134,156
Investment income	438,024	45,166
Rental income	50,000	-
Other revenues	633,916	-
	<u>14,244,910</u>	<u>179,322</u>
<b>DEDUCTIONS</b>		
Program administration	15,664,598	-
Administrative costs	-	4,154
Benefit distributions	-	195,611
Interest and fiscal charges	1,871,997	-
Depreciation	368,072	-
	<u>17,904,667</u>	<u>199,765</u>
Total deductions	<u>17,904,667</u>	<u>199,765</u>
Change in net position before other item	(3,659,757)	(20,443)
<b>OTHER ITEM</b>		
Loss on transfer of assets to City of West Covina	<u>(4,478,605)</u>	-
Change in net position	(8,138,362)	(20,443)
Net position (deficit), beginning of year	<u>(61,105,809)</u>	<u>755,296</u>
Net position (deficit), end of year	<u>\$ (69,244,171)</u>	<u>\$ 734,853</u>

The accompanying notes are an integral part of these financial statements.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Presentation

The basic financial statements of the City of West Covina, California (the City) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below:

B) Description of Reporting Entity

The City was incorporated on February 23, 1923 under the general laws of the State of California. The accompanying financial statements present the City and its component units; entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Because each component unit meets the above-mentioned criteria, included within the financial reporting entity of the City are the City of West Covina Housing Authority, the West Covina Public Financing Authority, the Parking Authority of the City of West Covina, and the West Covina Community Services Foundation, Inc.

A brief description of each component unit follows:

The West Covina Housing Authority (the Housing Authority) was formed on January 17, 2012 and is responsible for the administration of providing affordable housing in the City. The Housing Authority is administered by a Board which consists of members of the City Council. The transactions of the Housing Authority are reported as a special revenue fund.

The West Covina Public Financing Authority (the Authority) was created by a joint powers agreement between the City and the Community Development Commission of the City on June 1, 1990. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Authority is administered by the Board who are the members of the City Council. The Authority's sole source of income is installment sale, loan and lease payments received from the City and former Community Development Commission (the Commission) which are used to meet the debt service requirements on debt issues. The Authority is blended into the debt service fund of the City.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### B) Description of Reporting Entity, (continued)

The Parking Authority of the City of West Covina (the Parking Authority) was formed under the provision of the government code of the State of California for the purpose of financing and constructing parking facilities for lease to the City. The City Council acts as the governing body of the Parking Authority and is able to impose its will on the Parking Authority. It is a component unit of the City, and the financial statements of the Parking Authority are included within the financial statements of the City using the blended method. The Parking Authority has been inactive since 1999.

The West Covina Community Services Foundation, Inc. (the Foundation) was established on July 26, 2005 as a nonprofit public benefit corporation. It was organized and operates exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation is administered by the Board of Directors who are the members of the City Council. The Foundation is blended into the special revenue funds of the City.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. Except for the Housing Authority, these component units do not issue component unit financial statements.

Separate financial statements for the Housing Authority can be obtained from the City of West Covina, City Hall.

#### C) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. Interfund services provided and used are not eliminated in the process of consolidation.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Generally Accepted Accounting Principles.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported as *general revenues*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

**Fund Financial Statements**

The underlying accounting system of the City is organized and operated on the basis of separate funds; each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements represent assets held by the City in a custodial capacity for other individuals or organizations in the private purpose trust, pension trust, and agency funds.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. Significant revenues subject to the criteria include taxes, licenses and permits, and intergovernmental revenues. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

**Governmental Funds, (continued)**

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Revenues, expenditures, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Generally Accepted Accounting Principles. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Therefore, recognition of governmental fund type revenue represented by receivables is reported as deferred inflows of resources until they meet the "availability" criteria.

Sales taxes, property taxes, franchise taxes, revenue from other agencies, rental income, occupancy taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government. The availability period for all revenues is 60 days.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures rather than as a reduction of a fund liability.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C) Basis of Accounting and Measurement Focus, (continued)

**Proprietary and Fiduciary Funds**

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements rather than as another financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability rather than as an expenditure.

The City's fiduciary private purpose and pension trust funds are accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. The private purpose trust fund accounts for the assets held by the City for the Successor Agency to the former Community Development Commission of the City. The pension trust fund account for assets and activities of the Public Agency Retirement System Enhancement and Supplemental Retirement defined benefit pension plans. The City's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

# *City of West Covina*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2018**

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### D) Fund Classifications

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 City except those required to be accounted for in another fund.

##### West Covina Housing Authority Special Revenue Fund

This fund is used to account for assets and related income received from the former Community Development Commission to be used for the administration of providing affordable housing in the City.

##### Grants Special Revenue Fund

This fund accounts for various Federal, State of California, and local grants that are restricted to expenditures for specific programs and projects.

The City reports the following major proprietary fund:

##### Computer Service Enterprise Fund

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The City's enterprise fund is used to account for computer services provided by the Police Department to other public agencies.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D) Fund Classifications, (continued)

Additionally, the City reports the following fund types:

**Non-Major Governmental Fund Types**

Special Revenue Funds – These funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest

Capital Projects Funds – These funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

**Proprietary Fund Types**

Internal Service Funds – These funds are used to account for vehicle and equipment maintenance and replacement, for the City's self-insurance programs, and for retirement health savings plans for qualified City employees. Departments of the City are charged for the services provided or benefits received from these funds.

**Fiduciary Fund Types**

Successor Agency Private Purpose Trust Fund – This fund is used to account for the assets and activities of the Successor Agency to Community Development Commission of the City of West Covina.

Pension Trust Funds – These funds are used to account for the assets and activities of the Public Agency Retirement System Retirement Enhancement and Supplemental Retirement plans.

Special Deposits Agency Fund – This fund accounts for developer funds placed on deposit with the City pending either a return to the depositor or disbursement by the City on behalf of the depositor to pay for studies and other developer expenses.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements

1) Cash, Cash Equivalents, and Investments

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3) Inventory

Inventory is stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventory.

4) Prepaid Items

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

5) Notes Receivable

The accompanying financial statements reflect the recording of certain notes receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property.

6) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category, which is the deferred outflow related to pensions.

In addition to liabilities, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item is unavailable revenues, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenues are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow of resources related to pensions.

# *City of West Covina*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2018**

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

##### 7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

##### 8) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City of West Covina accrues only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment – November 1 Second Installment – February 1
Delinquency Dates:	First Installment – December 10 Second Installment – April 10

Taxes are collected by Los Angeles County and are remitted to the City periodically. Dates and percentages are as follows:

December 20	40% Advance
January 17	10% Advance
February 20	Collection No. 1
April 18	35% Advance
May 20	Collection No. 2
July 18	Collection No. 3

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

9) Capital Assets

Capital assets greater than \$5,000 and infrastructure greater than \$100,000 are capitalized and recorded at cost or at an estimated fair value of the assets at the time of acquisition where complete historical records do not exist. Contributed capital assets are valued at their acquisition value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets include public domain infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains.

Depreciation has been provided using the straight-line method over the estimated useful life of the assets in the government-wide financial statements and in the fund financial statements of the proprietary and the private-purpose trust funds. Depreciation starts the year following acquisition.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no interest capitalized during the year ended June 30, 2018 since the proprietary funds have no debt utilized to construct capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

**Governmental activities:**

Infrastructure - pavement	25 years
Infrastructure - other	20-75 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Equipment and vehicles	5-25 years

**Business-type activities:**

Equipment and machinery	5-25 years
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**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

10) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including claims incurred but not reported) has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self-insurance activities.

11) Compensated Absences

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

The General Fund and Computer Service Enterprise Fund typically have been used to liquidate the liability for compensated absences.

12) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

#### E) Financial Statement Elements, (continued)

##### 13) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated so that the expenses are reported only once in the function in which they are allocated.

##### 14) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

##### 15) Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) and Public Agency Retirement System plans (PARS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results for pensions must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used for CalPERS:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

The following timeframes are used for PARS:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E) Financial Statement Elements, (continued)

16) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

17) Implementation of New Accounting Principle

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

This pronouncement has been implemented for purposes of measuring the net OPEB liability and any related deferred outflows/inflows of resources related to OPEB, and OPEB expense/expenditures.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 51,170,511
Cash and investments with fiscal agents	2,104,064
Restricted cash and investments	502,882
Statement of Fiduciary Net Position:	
Cash and investments	15,859,562
Cash and investments with fiscal agents	7,385,025
Restricted cash and investments	<u>1,139,647</u>
Total Cash and Investments	<u>\$ 78,161,691</u>

Cash and investments at June 30, 2018 consisted of the following:

Cash on hand	\$ 16,300
Deposits with financial institutions	17,434,695
Investments	<u>60,710,696</u>
Total Cash and Investments	<u>\$ 78,161,691</u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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2) CASH AND INVESTMENTS, (continued)

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. This table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that addresses interest rate risk and concentrations of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City and investments in the City's retirement enhancement and supplemental retirement defined benefit pension trust funds that are in the Public Agency Retirement Plans (PARS Trust Pool), rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Government Sponsored Agency Securities	Yes	5 years	None	None
Municipal Securities	Yes	5 years	30%	5%
Supernationals	Yes	5 years	30%	10%
Medium-Term Notes	Yes	5 years	30%	5%
Collateralized Certificate of Deposit	Yes	5 years	25%	25%
Negotiable Certificate of Deposit	Yes	5 years	30%	30%
Banker's Acceptance	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	5%
Asset-Backed Securities	Yes	5 years	20%	20%
Money Market Mutual Funds	Yes	N/A	20%	10%
Repurchase Agreements	Yes	100 days	20%	20%
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	\$65,000,000

\* Based on state law requirements or investment policy requirements whichever is more restrictive.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 2) CASH AND INVESTMENTS, (continued)

#### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Maximum Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S Government Sponsored Agency Securities	None	None	None
Certificates of Deposit	None	None	None
Banker's Acceptance	360 to 365 days	None	None
Commercial Paper	180 to 365 days	None	None
Repurchase Agreements	30 days to 6 months	None	None
Local Agency Investment Fund	None	None	None
Investment Agreements	None	None	None
Money Market Funds	None	None	None

#### Investments Authorized by Pension Trust Agreements

Investments of pension trust fund contributions held by the trustee are governed by the trust agreements. The City selected an investment strategy allowed by the trust agreements with the objective of providing current income and moderated capital appreciation. The strategic ranges for the investment strategy selected by the City are as follows:

5%	Cash
45%	Fixed Income
48.50%	Equities
1.50%	REIT

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 2) CASH AND INVESTMENTS, (continued)

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Less than 1 year	1 to 3 Years	3 to 5 Years	Total
Los Angeles County Investment Pool	\$ 29,300,954	\$ -	\$ -	\$ 29,300,954
U.S. Treasury Obligations	447,589	4,605,661	1,637,306	6,690,556
U.S. Government Sponsored				
Agency Securities	698,506	6,027,196	2,349,199	9,074,901
Commercial Paper	302,899	-	-	302,899
Supranational	697,954	1,536,375	599,246	2,833,575
U.S. Corporate	2,458,320	4,619,563	862,402	7,940,285
Money Market Mutual Funds	1,563,725	-	-	1,563,725
Asset-Backed Securities	30,801	931,483	342,370	1,304,654
Negotiable Certificates of Deposit	964,294	-	-	964,294
Subtotal	<u>\$ 36,465,042</u>	<u>\$ 17,720,278</u>	<u>\$ 5,790,523</u>	59,975,843
PARS Trust Pool				734,853
Total Investments				<u>\$ 60,710,696</u>

#### Credit Risk

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

Investment Type	Minimum Legal Rating*	Total as of June 30, 2017	Rating							Not Rated
			AAA	AA+	AA-	AA	A+	A	A-1	
Los Angeles County Investment Pool	N/A	\$ 29,300,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,300,954
U.S. Treasury Obligations	N/A	6,690,556	6,690,556	-	-	-	-	-	-	-
U.S. Government Sponsored										
Agency Securities	N/A	9,074,901	9,074,901	-	-	-	-	-	-	-
Commercial Paper	A-1	302,899	-	-	-	-	-	-	302,899	-
Supranational	AA/A-1+	2,833,575	2,833,575	-	-	-	-	-	-	-
U.S. Corporate	A	7,940,285	595,349	989,026	1,791,127	201,915	1,919,542	2,443,326	-	-
Money market mutual funds	AAA	1,563,725	1,563,725	-	-	-	-	-	-	-
Asset-Backed Securities	AA	1,304,654	1,304,654	-	-	-	-	-	-	-
Negotiable Certificates of Deposit	N/A	964,294	-	-	-	-	-	-	964,294	-
PARS Trust Pool	N/A	734,853	-	-	-	-	-	-	-	734,853
Total		<u>\$ 60,710,696</u>	<u>\$ 22,062,760</u>	<u>\$ 989,026</u>	<u>\$ 1,791,127</u>	<u>\$ 201,915</u>	<u>\$ 1,919,542</u>	<u>\$ 2,443,326</u>	<u>\$ 1,267,193</u>	<u>\$ 30,035,807</u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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2) CASH AND INVESTMENTS, (continued)

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There was no investments in any one issuer (other than U.S. Government Agencies, Supranationals, Money Market 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 provisions 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All the City's deposits are either federally insured or collateralized as of June 30, 2018. Investments held by bond trustee are selected under the terms of the applicable trust agreement. The trustee acquires the investment and holds the investment on behalf of the reporting government.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 2) CASH AND INVESTMENTS, (continued)

#### Investment in County Investment Pool

The City is a voluntary participant in the Los Angeles County Investment Pool (LACIP) that is regulated by the California Government Code and the Los Angeles County Board of Supervisors under the oversight of the Los Angeles County Treasurer-Tax Collector. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's pro-rata share of the fair value provided by LACIP for the entire LACIP portfolio. The balance for withdrawal is based on the accounting records maintained by LACIP, which are recorded on an amortized cost basis.

#### Fair Value Measurements

Generally accepted accounting principles requires classifying investments under a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2018:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
U.S. Treasury Obligations	\$ 6,690,556	\$ -	\$ 6,690,556	\$ -
U.S. Government Sponsored				
Agency Securities	9,074,901	-	9,074,901	-
Commercial Paper	302,899	-	302,899	-
Supranational	2,833,575	-	2,833,575	-
U.S. Corporate	7,940,285	-	7,940,285	-
Asset-Backed Securities	1,304,654	-	1,304,654	-
Negotiable Certificates of Deposit	964,294	-	964,294	-
Total Investments by Fair Value Level	29,111,164	\$ -	\$ 29,111,164	\$ -

Investments Measured at Net Asset Value (NAV) or not subject to the fair value hierarchy:

Los Angeles County Investment Pool	29,300,954
Money market mutual funds	1,563,725
PARS Trust Pool	734,853
<b>Total</b>	<b>\$ 60,710,696</b>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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3) INTERFUND RECEIVABLES AND TRANSFERS

**Interfund transactions – Due to/due from interfund borrowings**

Interfund receivable and payable balances at June 30, 2018 were as follows:

Payable Fund	Receivable Fund General Fund	Total
Grants	\$ 97,030	\$ 97,030
Non-Major Governmental Funds	194,835	194,835
Enterprise Fund	168,909	168,909
Total	\$ 460,774	\$ 460,774

These interfund payables represent temporary loans to cover negative cash balances.

**Interfund transactions - Advances**

Payable Fund	Receivable Fund General Fund
Non-Major Governmental Funds	\$ 434,372

Advances between the General Fund and the Auto Plaza Improvement District non-major special revenue fund are for cash advanced for the replacement of the reader board sign at the Auto Plaza.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

3) INTERFUND RECEIVABLES AND TRANSFERS, (continued)

**Interfund transactions - Transfers**

The following schedule summarizes the City's transfer activity:

	Transfer In			Total Transfers Out
	General Fund	Non-major Governmental Funds	Internal Service Funds	
Transfers Out:				
General Fund	\$ -	\$ 2,847,114	\$ 830,510	\$ 3,677,624
Grants	-	27,121	-	27,121
Non-major Governmental Funds	518,821	509,000	500,000	1,527,821
Total Transfers In:	\$ 518,821	\$ 3,383,235	\$ 1,330,510	\$ 5,232,566

Of the \$2,847,114 the General Fund transferred to Non-major Governmental Funds, \$2,130,561 was for debt service payments, \$706,792 was for various capital projects, and \$9,761 was to cover electricity expenditures.

Of the \$830,510 the General Fund transferred to Internal Service Funds, \$533,645 was for workers' compensation insurance funding and \$296,865 was for vehicle replacement.

The \$27,121 transfer from the Grants Fund to Non-major Governmental Funds was for Amar Road Rehabilitation project.

The \$518,821 transfer from Non-major Governmental Funds to General Funds was due to the excess funds from the Capital Projects Fund.

Of the \$509,000 of transfers within Non-major Governmental Funds, \$500,000 was for future park acquisition and \$9,000 was for shared services.

The \$500,000 transfer from the Non-major Governmental Funds to Internal Service Funds was to assist in funding ongoing claims.

4) LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City authorized several advances to be used for completing redevelopment projects throughout the community. As a result of the dissolution, the liabilities related to these advances were transferred to the Successor Agency. See Note 19 for additional information. The outstanding receivable side of these advances at June 30, 2018 was as follows:

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 4) LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY, (continued)

- (a) The General Fund had made the several advances to the Commission totaling \$8,100,000 for administrative and capital improvement construction costs ("General Advance"). Eighty percent (80%) of the balance is reported in the General Fund and the remaining twenty percent (20%) balance is reported in the West Covina Housing Authority Special Revenue Fund.
- (b) In May 2010, the Commission made an advance of \$6,529,308 from the Low and Moderate Income Housing Capital Projects Fund to the Citywide Project Area Debt Service Fund to satisfy the Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as required by Assembly Bill ABX4-26. The advance bears no interest. In May 2011, the Commission made an advance of \$1,344,269 from the Low and Moderate Income Housing Capital Projects Fund to the Citywide Project Area Debt Service Fund to satisfy the SERAF obligation as required by Assembly Bill ABX4-26. The advance bears no interest and must be repaid by August 1, 2022. Effective February 1, 2012, the Commission's redevelopment activities were dissolved and the receivable side of these advances were retained by the Housing Authority.

The "Dissolution Act" (AB 1x26 as amended by AB 1484) outlines the method of repayment for the General Advances and the SERAF Advances by the Successor Agency.

The Dissolution Act sets a defined schedule by which the general advances may be repaid. The repayment schedule is to span a reasonable term of years, with outstanding balances incurring interest at a rate not to exceed that earned by the funds deposited into the Local Agency Investment Fund ("LAIF"). Repayment of the general advances is subject to additional repayment limitations. Repayment commenced in the 2015-2016 fiscal year, annual payments are capped as determined by a specific formula, repayment of the general advances is on a lower payment priority than other obligations of the Successor Agency, and twenty percent (20%) of the repayment amount must be deposited in the LMIHF for the benefit of the Housing Authority. Total general advance and SERAF advance repayments made in the 2017-18 fiscal year were \$610,518 and \$151,319 respectively.

The outstanding balances at June 30, 2018 were as follows:

General advances	\$ 7,985,500
SERAF advances	<u>2,653,668</u>
Total advances to Successor Agency	<u>\$ 10,639,168</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 5) NOTES AND LOANS RECEIVABLE

The following notes and loans receivable were outstanding as of June 30, 2018:

Housing rehabilitation	\$ 364,438
First time home buyers	259,469
Housing preservation program	724,487
Home improvement program	870,131
Lark Ellen Towers	6,259,137
Executive Lodge Apartments Limited Partnership	6,144,192
West Covina Senior Villas, LLC	2,833,333
West Covina Senior Villas II, L.P.	8,513,885
Other loans	608,196
Less allowance for doubtful accounts	<u>(12,066,340)</u>
Total	<u>\$ 14,510,928</u>

Several housing rehabilitation loans totaling \$364,438 have been made to qualified applicants using Community Development Block Grants received by the City and housing set-aside funds of the former Commission's redevelopment activities. These loans bear interest up to 5% and are repaid when title to the property changes. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority has loans to first-time home buyers totaling \$259,469. Loans are secured by second trust deeds and bear interest at 5%. Principal and interest are deferred for five years and are due monthly in years 6 through 30. There were 19 individual loans outstanding at June 30, 2018 ranging from \$6,866 to \$22,407. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority also has housing preservation loans to qualified applicants using housing set-aside funds totaling \$724,487. Principal and interest are deferred for ten years; after the tenth year loans bear interest at 5%. Loans are repaid after the tenth year or when title to the property changes. There were 86 individual loans outstanding at June 30, 2018 ranging from \$205 to \$10,659. The City has included 5% of the balance in the allowance for doubtful accounts.

Several housing improvement loans totaling \$870,131 have been made to qualified applicants. The loans are secured by second trust deeds. The City has included 5% of the balance in the allowance for doubtful accounts.

In May 1997, the Commission loaned \$4,270,000 to Lark Ellen Towers. The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan accrues interest at 3% per annum and requires annual payments equal to the maximum of \$35,000 or 50% of net profits earned by the project. The outstanding principal and accrued interest at June 30, 2018 was \$6,259,137.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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5) NOTES AND LOANS RECEIVABLE, (continued)

In April 1998, the Commission loaned \$5,622,300 to Executive Lodge Apartments Limited Partnership (Promenade Apartments project). The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan was amended and restated on April 1, 2017, with a principal of \$6,056,621 accruing interest at 2.82% compounded annually and requires annual payments equal to 50% of "Available Cash Flow." The outstanding principal and accrued interest at June 30, 2018 was \$6,144,192.

In May 2002, the Commission loaned \$4,360,000 to West Covina Senior Villas, LLC. The loan is secured by a deed of trust. The loan does not accrue interest. The loan requires annual payments of \$141,667 through May 2032 that are forgiven by the City unless the borrower defaults on the agreement. The outstanding principal at June 30, 2018 was \$2,833,333. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

In May 2009, the Commission entered into an agreement with West Covina Senior Villas II, L.P. to provide \$8,600,000 for the acquisition of real property in the City and construction and maintenance of an approximately 65-unit apartment complex to be rented to low income and very low income senior citizens. The loan is secured by a deed of trust. The loan does not accrue interest and is forgiven so long as the borrower does not default on the loan. The outstanding principal at June 30, 2018 was \$8,513,885. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

Other notes consist of affordable housing loans of \$400,000. The notes do not accrued interest and are forgiven unless the borrower sells or refinances the property. Additionally, the balance included a note of \$242,892 for low income housing which accrues no interest and is forgivable if the owner maintains the low and moderate income housing status. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts. The outstanding principal at June 30, 2018 was \$608,196.

6) LAND HELD FOR RESALE

Land held for resale is valued at the lower of cost or the sales price per contract with the developer. The land held for resale at June 30, 2018 was comprised of land to be used as open space or a municipal golf course in the amount of \$3,007,802.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 7) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2018:

Governmental activities:	Balance				Balance June 30, 2018
	June 30, 2017	Additions	Deletions	Transfers	
Capital assets, not depreciated:					
Land	\$ 48,821,968	\$ -	\$ -	\$ -	\$ 48,821,968
Rights of way	14,376,498	-	-	-	14,376,498
Construction in progress	7,084,535	4,973,253	(7,425,992)	-	4,631,796
Total capital assets, not depreciated	70,283,001	4,973,253	(7,425,992)	-	67,830,262
Capital assets, being depreciated:					
Buildings and improvements	90,194,286	4,348,527	-	18,403,609	112,946,422
Equipment and vehicles	28,965,577	1,964,274	(1,141,474)	61,405	29,849,782
Infrastructure - pavement	194,359,251	-	-	-	194,359,251
Infrastructure - other	22,644,187	890,750	-	-	23,534,937
Total capital assets, being depreciated	336,163,301	7,203,551	(1,141,474)	18,465,014	360,690,392
Less accumulated depreciation for:					
Buildings and improvements	(28,285,695)	(2,002,654)	-	(13,925,004)	(44,213,353)
Equipment and vehicles	(20,689,088)	(1,968,113)	1,141,474	(61,405)	(21,577,132)
Infrastructure - pavement	(132,907,838)	(6,631,269)	-	-	(139,539,107)
Infrastructure - other	(17,288,703)	(430,430)	-	-	(17,719,133)
Total accumulated depreciation	(199,171,324)	(11,032,466)	1,141,474	(13,986,409)	(223,048,725)
Total capital assets, being depreciated, net	136,991,977	(3,828,915)	-	4,478,605	137,641,667
Total governmental activities	\$ 207,274,978	\$ 1,144,338	\$ (7,425,992)	\$ 4,478,605	\$ 205,471,929

Depreciation expense (including \$34,679 from Internal Service Funds) was charged to the following functions in the Statement of Activities for the year ended June 30, 2018 as follows:

General government	\$ 69,752
Public safety	1,557,302
Public works	7,723,544
Community services	1,681,868
Total depreciation expense – governmental activities	<u>\$ 11,032,466</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 7) CAPITAL ASSETS, (continued)

Capital asset activity was as follows for the year ended June 30, 2018:

<b>Business-type activities:</b>	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, being depreciated:				
Equipment and vehicles	\$ 1,059,120	\$ -	\$ -	\$ 1,059,120
Less accumulated depreciation for:				
Equipment and vehicles	(1,059,120)	-	-	(1,059,120)
<b>Total business-type activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

There was no depreciation expense charged to the computer service program for the year ended June 30, 2018.

### 8) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018:

<b>Governmental activities:</b>	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Lease Revenue Bonds:					
2002 Lease Revenue Refunding Bonds	\$ 14,035,000	\$ -	\$ (560,000)	\$ 13,475,000	\$ 575,000
2004 Lease Revenue Bonds	9,790,000	-	(395,000)	9,395,000	410,000
2006 Lease Revenue Bonds	16,625,000	-	(360,000)	16,265,000	405,000
2013 Lease Revenue Refunding Bonds	2,120,000	-	(65,000)	2,055,000	65,000
Total Lease Revenue Bonds	42,570,000	-	(1,380,000)	41,190,000	1,455,000
Compensated absences	4,439,237	4,516,360	(4,338,237)	4,617,360	2,623,430
Claims and judgments payable	10,586,388	2,951,238	(3,253,952)	10,283,674	3,257,830
Notes payable	10,920,515	-	(578,918)	10,341,597	1,078,918
<b>Total</b>	<b>\$ 68,516,140</b>	<b>\$ 7,467,598</b>	<b>\$ (9,551,107)</b>	<b>\$ 66,432,631</b>	<b>\$ 8,415,178</b>

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2018:

<b>Business-type activities:</b>	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 140,549	\$ 112,594	\$ (159,600)	\$ 93,543	\$ 51,369

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Lease Revenue Bonds

##### 2002 Lease Revenue Refunding Bonds, Series A and B (Public Facilities Project)

On June 25, 2002, the City issued \$2,690,000 of Taxable Variable Rate Lease Revenue Refunding Bonds, 2002 Series A and \$19,205,000 Variable Rate Lease Revenue Refunding Bonds, 2002 Series B to provide financing for the advance refunding of the City's 1997 Refunding Certificates of Participation. The entire Series A principal amount of \$2,690,000 was paid in full in September 2005.

The Series B bonds initially bear interest at 2.5% per annum and, during the initial rate period, interest on the Series B bonds is payable on March 1, 2003, and semiannually thereafter on September 1 and March 1 of each year until September 1, 2006. Thereafter, interest with respect to the Series B bonds is payable on October 1, 2006, and each month thereafter at a variable rate, and after the fixed rate conversion date at the fixed rates. The Series B bonds have not been converted to the fixed rate as of June 30, 2018. Principal on the Series B bonds is due annually on September 1, in amounts ranging from \$495,000 to \$950,000. The Series B bonds mature on September 1, 2035.

The Series B bonds are payable from lease payments to be made by the City to the Authority as rental for certain public facilities consisting of a portion of the City's Civic Center Complex. The outstanding principal balance at June 30, 2018 was \$13,475,000.

In connection with this issuance of the 2002 Lease Revenue Bonds, the City obtained a letter of credit as a credit facility for the bonds. The letter of credit was due to expire on June 26, 2012. Prior to the expiration of the letter of credit, on June 1, 2012, the 2002 Lease Revenue Bonds were directly purchased by Wells Fargo Bank, National Association.

The annual debt service requirements on the 2002 Lease Revenue Refunding Bonds as of June 30, 2018 were as follows (using a 2.65891% interest rate):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 575,000	\$ 358,288	\$ 933,288
2020	595,000	342,999	937,999
2021	610,000	327,179	937,179
2022	630,000	310,960	940,960
2023	650,000	294,208	944,208
2024-2028	3,540,000	1,202,093	4,742,093
2029-2033	4,105,000	702,085	4,807,085
2034-2036	2,770,000	148,766	2,918,766
Total	<u>\$ 13,475,000</u>	<u>\$ 3,686,578</u>	<u>\$ 17,161,578</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Lease Revenue Bonds, (continued)

#### 2004 Lease Revenue Bonds, Series A and B (Golf Course Project)

In August 2004, the City issued \$8,165,000 of Variable Rate Lease Revenue Bonds, Series A and \$5,335,000 of Variable Rate Lease Revenue Bonds, Series B to provide financing for grading and infrastructure relating to the City's proposed municipal golf course. The Series A bonds mature annually through May 1, 2034, in amounts ranging from \$185,000 to \$460,000. The Series B bonds mature annually through May 1, 2034, in amounts ranging from \$140,000 and \$350,000. The Series A and B bonds bear interest at a variable rate reset weekly and at a fixed rate after the fixed rate conversion date. Prior to the fixed rate conversion date, interest is payable on the first business day of each month. Following the fixed rate conversion date, interest is payable on May 1 and November 1 of each year. The Series A and B bonds have not been converted to the fixed rate as of June 30, 2018.

The bonds are payable from lease payments as rental for certain public facilities. The outstanding principal balance at June 30, 2018 was \$9,395,000.

The annual debt service requirements on the 2004 Lease Revenue Bonds as of June 30, 2018 were as follows (using a 1.460% interest rate):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 410,000	\$ 137,167	\$ 547,167
2020	430,000	131,181	561,181
2021	450,000	124,903	574,903
2022	465,000	118,333	583,333
2023	490,000	111,544	601,544
2024-2028	2,810,000	443,621	3,253,621
2029-2033	3,530,000	218,489	3,748,489
2034	810,000	11,826	821,826
Total	<u>\$ 9,395,000</u>	<u>\$ 1,297,064</u>	<u>\$ 10,692,064</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Lease Revenue Bonds, (continued)

#### 2006 Lease Revenue Bonds, Series A and B (Big League Dreams Project)

In September 2006, the City issued \$10,710,000 of Lease Revenue Bonds, Series A and \$7,295,000 of taxable Lease Revenue Bonds, Series B to provide financing for facilities and infrastructure related to the Big League Dreams sports park. The Series A bonds mature annually through June 1, 2036, in amounts ranging from \$80,000 to \$1,270,000, with interest rates that range from 4.0% to a maximum of 5.0% over the term of the bonds. The Series B bonds mature annually through June 1, 2036, in amounts ranging from \$115,000 to \$550,000, with interest rates that range from 5.39% to a maximum of 6.07% over the term of the bonds. The bonds are payable from lease payments as rental for certain public facilities. The reserve requirement was fully funded at June 30, 2018. The outstanding principal balance at June 30, 2018 was \$16,265,000.

The annual debt service requirements on the 2006 Lease Revenue Bonds as of June 30, 2018 were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 405,000	\$ 875,692	\$ 1,280,692
2020	460,000	854,777	1,314,777
2021	515,000	830,990	1,345,990
2022	585,000	804,327	1,389,327
2023	660,000	772,557	1,432,557
2024-2028	3,875,000	3,287,698	7,162,698
2029-2033	5,040,000	2,116,244	7,156,244
2034-2036	4,725,000	538,526	5,263,526
Total	<u>\$ 16,265,000</u>	<u>\$ 10,080,811</u>	<u>\$ 26,345,811</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Lease Revenue Bonds, (continued)

#### 2013 Lease Revenue Refunding Bonds, Series A (Community Center Project)

On January 8, 2014, the City issued \$2,185,000 of Variable Rate Lease Revenue Refunding Bonds, 2013 Series to provide financing for the advance refunding of the City's 2003 Lease Revenue Bonds, Series A.

The bonds mature annually on August 1 in amounts ranging from \$65,000 to \$95,000 through August 1, 2043. The bonds bear interest at a variable rate reset weekly and at a fixed rate after the fixed rate conversion date. Prior to the fixed rate conversion date, interest is payable on the first business day of each month. Following the fixed rate conversion date, interest is payable on February 1 and August 1 of each year. The bonds have not been converted to the fixed rate as of June 30, 2018. The outstanding principal balance at June 30, 2018 was \$2,055,000.

The City refunded the 2003 Bonds to reduce its total debt service payments over 30 years by \$109,604 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$421,241.

The annual debt service requirements on the 2013 Lease Revenue Refunding Bonds as of June 30, 2018 were as follows (using a 1.560% interest rate):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 65,000	\$ 31,044	\$ 96,044
2020	65,000	30,030	95,030
2021	65,000	29,016	94,016
2022	70,000	27,924	97,924
2023	70,000	26,832	96,832
2024-2028	360,000	117,546	477,546
2029-2033	390,000	88,062	478,062
2034-2038	420,000	56,160	476,160
2039-2043	455,000	21,762	476,762
2044	95,000	-	95,000
Total	<u>\$ 2,055,000</u>	<u>\$ 428,376</u>	<u>\$ 2,483,376</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Compensated Absences

The liability of \$4,617,360 represents the governmental activities portion of total unpaid vacation and compensation time earned by employees of the City. There is no fixed payment schedule for earned but unpaid compensated absences. The General Fund typically has been used to liquidate the liability for compensated absences.

The liability of \$93,543 represents the business-type activity portion of total unpaid vacation and compensation time earned by employees of the City. There is no fixed payment schedule for earned but unpaid compensated absences.

#### Claims and Judgments

The City is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. The City's Internal Service Self-Insurance Fund is used to account for and finance its uninsured risks of loss.

The City is self-insured for the first \$1,000,000 each for general liability and workers' compensation claims against the City.

The City purchases excess insurance for general liability and workers' compensation.

Settlements for general liability and worker's compensation claims did not exceed the insurance coverage during the last three years.

The claims and judgments liability reported in the Internal Service Self-Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims and judgments be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$10,283,674 as of June 30, 2018.

Changes in the claims and judgments payable amounts in fiscal years 2017 and 2018 for the Self-Insurance Fund were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2016-2017	\$ 9,653,758	\$ 1,956,856	\$ (1,024,226)	\$ 10,586,388
2017-2018	10,586,388	2,951,238	(3,253,952)	10,283,674

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 8) LONG-TERM LIABILITIES, (continued)

#### Notes Payable

##### CVHP Note Payable

On September 13, 2016, the City entered in to a note agreement for \$500,000 with Citrus Valley Health Partners (CVHP) to finance the purchase of certain real property to expand Cameron Park. The promissory note was part of the negotiations for the potential sale of Sunset Field to CVHP and bears no interest. The City has granted to CVHP the option to purchase the Sunset Field before the expiration date as set forth in the Memorandum of Option. The City has the right to prepay the outstanding principal amount in whole or in part without penalty. The full principal amount will be credited to Lender against the purchase price payable if Lender acquires the Sunset Field from the City. The outstanding balance at June 30, 2018 was \$500,000.

##### Successor Agency Note

On December 4, 2015, the City and Successor Agency entered into a settlement agreement with the California Department of Finance (DOF) regarding the Other Funds Due Diligence Review. The agreement requires the City to repay the Successor Agency \$11,578,351 for transfers that did not represent enforceable obligations. The Successor Agency will then remit these funds to the Los Angeles County Auditor-Controller for allocation to the affected taxing entities. The amount of the note must be repaid through biannual payments in the amount of \$289,459 each January 15th and June 15th until the loan is repaid in full on June 15, 2035. There is no interest charged on this repayment. The outstanding balance at June 30, 2018 was \$9,841,597.

The annual debt service requirements on the Successor Agency note as of June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 578,918
2020	578,918
2021	578,918
2022	578,918
2023	578,918
2024-2028	2,894,590
2029-2033	2,894,590
2034-2035	<u>1,157,827</u>
Total	<u>\$ 9,841,597</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 9) LETTERS OF CREDIT

The City has letters of credit securing the payment of principal and interest on its variable rate bonded debt. The letters of credit are issued in favor of the bond trustees and enable the trustees to make drawings against the letters of credit for payment of principal and interest amounts, if necessary. There were no draws made during fiscal year ended June 30, 2018.

The terms of the letters of credit are summarized as follows:

<u>Letter of credit</u>	<u>Trustee</u>	<u>Amount</u>	<u>Expiration Date</u>
Wells Fargo Bank:			
2004 Lease Revenue Bonds	US Bank	\$ 9,571,060	April 30, 2019
Bank of the West:			
2013A Lease Revenue Bonds	US Bank	\$ 2,077,971	January 9, 2019

### 10) FUND BALANCE CLASSIFICATION

The fund balances reported on the fund statements consist of the following categories:

Non-spendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - This classification includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. Additional formal action does not normally have to be taken for the removal of an assignment.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 10) FUND BALANCE CLASSIFICATION, (continued)

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

The details of fund balance as of June 30, 2018 were presented below:

	General Fund	Special Revenue Funds		Non-Major Governmental Funds	Total Governmental Funds
		West Covina Housing Authority	Grants		
Non-spendable:					
Prepaid expenses	\$ 122,404	\$ 110,833	\$ -	\$ -	\$ 233,237
Advances to other funds	434,372	-	-	-	434,372
Advances to					
Successor Agency	6,388,400	-	-	-	6,388,400
Land held for resale	3,007,802	-	-	-	3,007,802
Restricted:					
Affordable housing	-	24,614,383	-	-	24,614,383
Debt service	-	-	-	5,033,385	5,033,385
Community services	-	-	98,483	3,005,968	3,104,451
Public safety	-	-	-	3,501,659	3,501,659
Public works	-	-	-	14,001,419	14,001,419
Assigned:					
Capital projects	320,200	-	-	2,004,895	2,325,095
Unassigned	11,979,653	-	(853,916)	(510,733)	10,615,004
Totals	<u>\$ 22,252,831</u>	<u>\$ 24,725,216</u>	<u>\$ (755,433)</u>	<u>\$ 27,036,593</u>	<u>\$ 73,259,207</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 11) ACCUMULATED FUND BALANCES/NET POSITION DEFICITS

The following funds reported deficits in fund balances/net position as of June 30, 2018:

	<u>Deficit Balance</u>
Major Fund:	
Grants Special Revenue Fund	\$ (755,433)
Non-Major Funds:	
Air Quality Improvement Special Revenue Fund	(123,519)
Transportation Development Act Special Revenue Fund	(71,625)
Community Development Block Grant Special Revenue Fund	(9,303)
Auto Plaza Improvement District Special Revenue Fund	(306,286)
Enterprise Fund:	
Computer Service Fund	(275,010)

The deficit of \$755,433 in the Grants Special Revenue Fund, \$123,519 in the Air Quality Improvement Special Revenue Fund, \$71,625 in the Transportation Development Act Special Revenue Fund, \$9,303 in the Community Development Block Grant Special Revenue Fund, and \$306,286 in the Auto Plaza Improvement District Special Revenue Fund are the results of expenditures incurred prior to reimbursement from grantors. The deficits will be eliminated through future grant revenues and as the Auto Plaza Improvement District pays back their advance from the General Fund.

The deficit in the Computer Service Fund was a result of additional expenses incurred for the development of new software.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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12) PENSION PLAN SUMMARY

The City currently has a total of two pension plans administered by CalPERS and two retirement enhancement plan administered by PARS. The pension plans consist of a miscellaneous agent plan and a safety agent plan (see Note 12 for a full description of the plans). The retirement enhancement plan consists of an EPMC replacement supplemental retirement plan and a supplemental retirement plan for executive staff and City Council (see Note 13 for a full description of the plans). The summary of the pension related liability, deferred inflows of resources and deferred outflows of resources are as follows:

	Miscellaneous	Safety	EPMC	Exec	Total
Deferred Outflows of Resources -					
Pension related	\$ 5,915,920	\$ 22,570,157	\$ 270,794	\$ 88,280	\$ 28,845,151
Deferred Inflows of Resources -					
Pension related	482,963	2,553,325	144,163	-	3,180,451
Pension Liability	42,915,836	138,691,670	787,857	2,754,364	185,149,727

13) RETIREMENT PLAN - CALPERS

A) General Information about the Pension Plans

Plan Descriptions

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

### 13) RETIREMENT PLAN - CALPERS, (continued)

#### A) General Information about the Pension Plans, (continued)

##### Benefits Provided, (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board. The Plans' provisions and benefits in effect at June 30, 2018 were summarized as follows:

	Miscellaneous Plan			
	Prior to January 1, 2011	After January 1, 2011	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.0% @ 55	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 67+	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	0.00%	8.00%	7.00%	5.50%
Required employer contribution rates	7.887%	7.887%	7.887%	7.887%

	Safety Plan		
	Prior to July 1, 2012	Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 & Up	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates	19.232%	19.232%	19.232%

##### Employees Covered

At June 30, 2016, (valuation date), the following employees were covered by the benefit terms:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	413	335
Inactive employees entitled to but not yet receiving benefits	236	67
Active employees	156	163
<b>Total</b>	<b>805</b>	<b>565</b>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

A) General Information about the Pension Plans, (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Miscellaneous and Safety Plan's for the fiscal year ended June 30, 2018 were \$755,617 and \$3,892,612, respectively.

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.15%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increase vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on the table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Change in Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN – CALPERS, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

B) Net Pension Liability, (continued)

Discount Rate, (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Year 11+<sup>2</sup></u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	<u>100.0%</u>		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

13) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2016 (VD)</b>	<b>\$ 143,272,363</b>	<b>\$ 104,861,843</b>	<b>\$ 38,410,520</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service Cost	1,568,756	-	1,568,756
• Interest on the Total Pension Liability	10,499,411	-	10,499,411
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	(1,086,666)	-	(1,086,666)
• Changes of Assumptions	8,138,458	-	8,138,458
• Plan to Plan Resource Movement	-	-	-
• Contributions from the Employer	-	2,449,585	(2,449,585)
• Contributions from Employees	-	788,064	(788,064)
• Net Investment Income	-	11,531,815	(11,531,815)
• Benefit Payments, including Refunds of Employee Contributions	(8,527,256)	(8,527,256)	-
• Administrative Expense	-	(154,821)	154,821
<b>Net Changes during 2016-17</b>	<b>10,592,703</b>	<b>6,087,387</b>	<b>4,505,316</b>
<b>Balance at: 6/30/2017 (MD)</b>	<b>\$ 153,865,066</b>	<b>\$ 110,949,230</b>	<b>\$ 42,915,836</b>

Valuation Date (VD), Measurement Date (MD).

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

13) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2016 (VD)</b>	<b>\$ 343,275,748</b>	<b>\$ 218,056,919</b>	<b>\$ 125,218,829</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service Cost	5,376,792	-	5,376,792
• Interest on the Total Pension Liability	25,330,388	-	25,330,388
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	(2,764,123)	-	(2,764,123)
• Changes of Assumptions	21,000,606	-	21,000,606
• Plan to Plan Resource Movement	-	-	-
• Contributions from the Employer	-	10,058,079	(10,058,079)
• Contributions from Employees	-	1,818,024	(1,818,024)
• Net Investment Income	-	23,916,665	(23,916,665)
• Benefit Payments, including Refunds of Employee Contributions	(19,858,900)	(19,858,900)	-
• Administrative Expense	-	(321,946)	321,946
<b>Net Changes during 2016-17</b>	<b>29,084,763</b>	<b>15,611,922</b>	<b>13,472,841</b>
<b>Balance at: 6/30/2017 (MD)</b>	<b>\$ 372,360,511</b>	<b>\$ 233,668,841</b>	<b>\$ 138,691,670</b>

Valuation Date (VD), Measurement Date (MD).

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Miscellaneous and Safety Plan's as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Miscellaneous Plan's Net Pension Liability	\$ 62,143,900	\$ 42,915,836	\$ 26,985,082
Safety Plan's Net Pension Liability	\$ 189,039,185	\$ 138,691,670	\$ 97,422,733

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings      5 year straight-line amortization

All other amounts      Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

C) Changes in the Net Pension Liability and Proportionate Share of Net Pension Liability, (continued)

Recognition of Gains and Losses, (continued)

The EARSL for the Miscellaneous Plan for the 2016-17 measurement period is 1.8 years, which was obtained by dividing the total service years of 1,477 (the sum of remaining service lifetimes of the active employees) by 805 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the 2016-17 measurement period is 3.7 years, which was obtained by dividing the total service years of 2,068 (the sum of remaining service lifetimes of the active employees) by 565 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 13) RETIREMENT PLAN - CALPERS, (continued)

#### D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2016), the net pension liability for Miscellaneous and Safety Plan was \$38,410,520 and \$125,218,829, respectively.

For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense/ (income) of \$7,688,742 for the Miscellaneous Plan and \$16,326,250 for the Safety Plan. A complete breakdown of the pension expense for Miscellaneous and Safety Plan is as follows:

#### Miscellaneous Plan

Description:	<u>Amount</u>
Service Cost	\$ 1,568,756
Interest on the Total Pension Liability	10,499,411
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Experience	(856,363)
Plan to Plan Resource Movement	-
Recognized Changes of Assumptions	4,521,366
Employee Contributions	(788,064)
Projected Earnings on Pension Plan Investments	(7,286,510)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(124,675)
Administrative Expense	<u>154,821</u>
Total Pension Expense	<u>\$ 7,688,742</u>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

Safety Plan

Description:	<u>Amount</u>
Service Cost	\$ 5,376,792
Interest on the Total Pension Liability	25,330,388
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Experience	(1,340,269)
Plan to Plan Resource Movement	-
Recognized Changes of Assumptions	3,845,192
Employee Contributions	(1,818,024)
Projected Earnings on Pension Plan Investments	(15,242,796)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(146,979)
Administrative Expense	<u>321,946</u>
Total Pension Expense	<u><u>\$ 16,326,250</u></u>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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13) RETIREMENT PLAN - CALPERS, (continued)

D) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2018, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ (482,963)	\$ -	\$ (2,187,195)
Changes of Assumptions	3,617,092	-	15,324,767	(366,130)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,543,211	-	3,352,309	-
Difference in Actual vs Projected Contributions	-	-	469	-
Pension Contributions Subsequent to Measurement Date	755,617	-	3,892,612	-
	<u>\$ 5,915,920</u>	<u>\$ (482,963)</u>	<u>\$ 22,570,157</u>	<u>\$ (2,553,325)</u>

These amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. The \$755,617 and \$3,892,612 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
June 30, 2018	\$ 3,009,453	\$ 4,263,172
2019	1,848,917	8,740,816
2020	668,031	4,855,005
2021	(849,061)	(1,734,773)
2022	-	-
Thereafter	-	-

E) Payable to the Pension Plan

The City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS)

A) EPMC Replacement Supplemental Retirement Plan

General Information about the Pension Plan

Plan Description and Benefits

Effective November 1, 2007, the City established a single-employer defined benefit plan to supplement the current CalPERS retirement benefits that is to be administered for the City by the Public Agency Retirement System (PARS), a third-party administrator. The plan meets the requirements of a pension trust under California Government Code. Phase II Systems is the PARS Trust Administrator. The plan does not issue separate financial reports.

The EPMC Replacement Plan was established to replace a long-standing benefit for city employees no longer allowed by CalPERS. The plan provides for a benefit in an amount equal to the member's years of service, times the member's final pay, times the CalPERS age factor, times .70% for miscellaneous employees (times .89% for safety employees). At the time of retirement, employees will make an election to receive either a lump sum payment or receive ongoing stipends over their lifetime.

Employees shall be eligible to receive benefits under this plan if he or she meets all of the following requirements under one of the following tiers:

Tier 1

- Full time miscellaneous employees on or after July 1, 2004 but hired prior to July 1, 2011.
- Classified as a department head or city council, employee represented by the Confidential Employees' Association, General Employees' Association, West Covina Maintenance and Crafts Employees' Association, Mid-Management Employees' Association and Non-Sworn Support Employees' Association.
- Has had compensable earnings under CalPERS impacted by CalPERS regulation, thereby causing a reduction in CalPERS benefits.
- At least fifty (50) years of age.
- Has completed at least one year of employment.
- Has terminated employment with the City and concurrently retired under CalPERS under a regular service retirement, and remains in retired status under CalPERS.
- Has applied for benefits under this plan.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued):

A) EPMC Replacement Supplemental Retirement Plan, (continued)

General Information about the Pension Plan, (continued)

Plan Description and Benefits, (continued)

Tier 2

- Full time employee:
  - Fire management employee on or after July 1, 2004 but hired prior to July 1, 2011.
  - Fire safety employee on or after July 1, 2004 but hired prior to July 1, 2012.
  - Police management employee on or after July 1, 2004 but hired prior to December 31, 2012, or an employee hired prior to January 1, 2013 who promotes or transfers to police management position on or after January 1, 2013.
- Not represented by the West Covina Police Officers Association.
- Has had compensable earnings under CalPERS impacted by CalPERS regulation, thereby causing a reduction in CalPERS benefits.
- At least fifty (50) years of age.
- Has completed at least one year of employment.
- Has terminated employment with the City and concurrently retired under CalPERS under a regular service retirement, and remains in retired status under CalPERS.
- Has applied for benefits under this plan.

Contributions

The City makes all contributions to these plans. Participants do not make any contributions. The actuarially required contribution is determined on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is funding the plan to pay the benefit payments payable each year. The City's contribution for the year ended June 30, 2018 was \$60,056.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

General Information about the Pension Plan, (continued)

Employees Covered

At June 30, 2017, the measurement date, the following employees were covered by the benefit terms for the plan:

	<u>EPMC</u>
Inactive employees or beneficiaries currently receiving benefits	25
Active employees	<u>140</u>
Total	<u><u>165</u></u>

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown on the next page.

Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Net Pension Liability, (continued)

Actuarial Assumptions

The total pension liability at June 30, 2017, the measurement date, was determined using the following actuarial assumptions:

	<u>EPMC</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	4.98% (1)
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.25% (2)
Mortality Rate Table	(3)

(1) Discount Rate was updated from 3.90% to 4.98%

(2) Plan assets currently invested in PARS diversified moderate portfolio.

(3) The probabilities of mortality are derived using CalPERS 1997-2015 experience study.

Discount Rate

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary performs complex projections of future benefit payments and asset values.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Net Pension Liability, (continued)

Discount Rate, (continued)

The following circumstances were included in the evaluation of sufficiency for the City:

- Annual contributions of 0.7% of payroll (closed group basis) are assumed (beginning with 2015/16).
- Benefit payments are annually withdrawn from the Trust until assets are exhausted and then benefit payments made directly by the City.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.25%.
- The actuarial assumptions do not change.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that a depletion date projection is not appropriate. Therefore, the discount rate is based on the projected portion of the Total Pension Liability funded by the Fiduciary Net Position in each future year. For the funded portion, the long-term expected rate of return on pension plan investments (6.25%) was used. For the unfunded portion, the Bond Buyer 20-Bond Go Index as of the June 30, 2017, measurement date (3.58%) was used. The discount rate used (4.98%) represents the single equivalent rate of return, as described under GASB 68 (paragraph 31).

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

#### A) EPMC Replacement Supplemental Retirement Plan, (continued)

##### Net Pension Liability, (continued)

##### Discount Rate, (continued)

The table below reflects the long-term expected real rate of return by asset class:

<u>Asset Class Component</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Equity	58.00%	4.82%
REITs	2.00%	3.76%
Fixed Income	35.00%	1.47%
Cash	5.00%	0.06%
Total	<u>100.00%</u>	

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current retirees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The City chose the Bond Buyer General Obligation 20-Bond Index resulting in the use of a 3.58% rate in calculating the pension liability.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balances as of June 30, 2016</b>	<b>\$ 890,000</b>	<b>\$ 125,000</b>	<b>\$ 765,000</b>
<b>Changes for the year:</b>			
• Service Cost	35,733	-	35,733
• Interest	35,268	-	35,268
• Difference between actual and expected experience	98,508	-	98,508
• Assumptions Changes	(85,060)	-	(85,060)
• Contributions- employer	-	61,019	(61,019)
• Contributions- employee	-	-	-
• Net Investment Income	-	10,029	(10,029)
• Benefit payments and refunds	(42,877)	(42,877)	-
• Administrative Expenses	-	(9,456)	9,456
<b>Net Changes</b>	<b>41,572</b>	<b>18,715</b>	<b>22,857</b>
<b>Balance as of June 30, 2017</b>	<b>\$ 931,572</b>	<b>\$ 143,715</b>	<b>\$ 787,857</b>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

A) EPMC Replacement Supplemental Retirement Plan, (continued)

Changes in the Net Pension Liability, (continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>Discount Rate - 1%</b> <b>(3.98%)</b>	<b>Current Discount Rate</b> <b>(4.98%)</b>	<b>Discount Rate + 1%</b> <b>(5.98%)</b>
Net Pension Liability	\$ 882,180	\$ 787,857	\$ 708,934

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:**

For the year ended June 30, 2018, the City recognized pension expense of \$86,729. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 86,495	\$ (43,200)
Changes of Assumptions	119,999	(100,963)
Net Difference between Projected and Actual Earnings on Pension Plan	4,244	-
Employer Contributions Subsequent to Measurement Date	60,056	-
<b>Total</b>	<b>\$ 270,794</b>	<b>\$ (144,163)</b>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

#### A) EPMC Replacement Supplemental Retirement Plan, (continued)

##### Changes in the Net Pension Liability, (continued)

##### **Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (continued):**

The \$60,056 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net PARS
2018	\$ 14,356
2019	15,356
2020	14,956
2021	12,956
2022	5,343
Thereafter	3,608

##### **Payable to the Pension Plan**

The City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

#### B) Supplemental Retirement Plan for Executive Staff and City Council

##### General Information about the Pension Plan

##### Plan Description and Benefits

Effective November 1, 2007, the City established a single-employer defined benefit plan to supplement the current CalPERS retirement benefits that is to be administered for the City by with the Public Agency Retirement System (PARS), a third-party administrator. The plan meets the requirements of a pension trust under California Government Code. Phase II Systems is the PARS Trust Administrator. The plan does not issue separate financial reports and is closed to new hires.

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

#### B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

##### General Information about the Pension Plan, (continued)

##### Plan Description and Benefits, (continued)

This single-employer defined benefit pension plan is separated into three tiers.

Tier 1 (full-time non-safety Department Head and the City Manager) and Tier 2 (City Council) provides an additional retirement amount to miscellaneous department heads, City Manager and City Council in an amount equal to the amount of \$823 per month. This benefit amount increases each year by CPI, up to 2%. In order to be eligible for this benefit, participants must have five years of service with the City and must retire into PERS from the City.

Tier 3 (City Manager) provides an increased retirement benefit to a former City Manager consistent with the terms of his contract. It will convert the retirement formula for all years of prior CalPERS service at non-West Covina agencies to the CalPERS 2.5% @ 55 formula currently in place with the City of West Covina.

##### Contributions

All three tiers are combined for funding purposes in this plan. The City makes all contributions to these plans. Participants do not make any contributions. The actuarially required contribution is determined on a pay as you go funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is funding the plan to pay the benefit payments payable each year. The City's contribution for the year ended June 30, 2018 was \$74,100.

##### Employees Covered

At June 30, 2017, the measurement date, the following employees were covered by the benefit terms for the plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	9
Active employees	1
Total	<u>10</u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2017, the measurement date, was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.95% (1)
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.25% (2)
Mortality Rate Table	(3)

(1) Discount Rate was updated from 6.25% to 3.95%.

(2) Plan assets currently invested in PARS diversified moderate portfolio.

(3) The probabilities of mortality are derived using CalPERS' 1997-2015 experience study.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Net Pension Liability, (continued)

Discount Rate

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) and 68 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the City:

- The City ceased contributions and withdrawals from the Trust. The City will pay benefits directly to retirees until the trust is sufficient, on an expected basis, to pay all remaining benefits.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.25%.
- The actuarial assumptions do not change.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that a depletion date projection is not appropriate. Therefore, the discount rate is based on the projected portion of the Total Pension Liability funded by the Fiduciary Net Position in each future year. For the funded portion, the long-term expected rate of return on pension plan investments (6.25%) was used. For the unfunded portion, the Bond Buyer 20-Bond Go Index as of the June 30, 2017, measurement date, (3.58%) was used. The discount rate used (3.95%) represents the single equivalent rate of return, as described under GASB 68 (paragraph 31).

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

#### B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

##### Net Pension Liability, (continued)

##### Discount Rate, (continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The table below reflects the long-term expected real rate of return by asset class:

<u>Asset Class Component</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Equity	58.00%	4.82%
REITs	2.00%	3.76%
Fixed Income	35.00%	1.47%
Cash	5.00%	0.06%
Total	<u>100.00%</u>	

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current retirees. Therefore, the discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The City chose the Bond Buyer General Obligation 20-Bond Index resulting the use of a 3.58% rate in calculating the pension liability.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Changes in the Net Pension Liability

The changes in the net pension liability, with a measurement date of June 30, 2017, for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balances as of June 30, 2016</b>	<b>\$ 2,629,000</b>	<b>\$ 633,000</b>	<b>\$ 1,996,000</b>
<b>Changes for the year:</b>			
• Service Cost	20,388	-	20,388
• Interest	161,327	-	161,327
• Difference between actual and expected experience	(111,492)	-	(111,492)
• Assumptions Changes	803,038	-	803,038
• Contributions- employer	-	73,467	(73,467)
• Contributions- employee	-	-	-
• Net Investment Income	-	49,861	(49,861)
• Benefit payments and refunds	(136,317)	(136,317)	-
• Administrative Expenses	-	(8,431)	8,431
<b>Net Changes</b>	<b>736,944</b>	<b>(21,420)</b>	<b>758,364</b>
<b>Balance as of June 30, 2017</b>	<b>\$ 3,365,944</b>	<b>\$ 611,580</b>	<b>\$ 2,754,364</b>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Changes in the Net Pension Liability, (continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>Discount Rate - 1% (2.95%)</b>	<b>Current Discount Rate (3.95%)</b>	<b>Discount Rate + 1% (4.95%)</b>
Net Pension Liability	\$ 3,327,784	\$ 2,754,364	\$ 2,302,067

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:**

For the year ended June 30, 2018, the City recognized pension expense of \$847,251. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan	14,180	-
Pension Contributions Subsequent to Measurement Date	74,100	-
<b>Total</b>	<b>\$ 88,280</b>	<b>\$ -</b>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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14) PUBLIC AGENCY RETIREMENT SYSTEM (PARS), (continued)

B) Supplemental Retirement Plan for Executive Staff and City Council, (continued)

Changes in the Net Pension Liability, (continued)

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (continued)**

The \$74,100 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources, Net PARS
2018	\$ 2,895
2019	9,895
2020	3,895
2021	(2,505)
2022	-
Thereafter	-

**Payable to the Pension Plan**

The City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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15) DEFINED CONTRIBUTION PENSION PLAN

**Plan Description**

During the 1991-1992 fiscal year, the City established the West Covina Part-Time Retirement Plan, a defined contribution retirement plan, for all non-benefited, part-time employees in accordance with Internal Revenue Code Section 457, to conform to Section 3121(b)(7)(F) of the Internal Revenue Code added by the Omnibus Budget Reconciliation Act of 1990. The plan is administered by Nationwide Retirement Solutions. The plan was established by the authority of the City Council who retains the authority to amend the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of the contributions.

Part-time, non-benefited, non-persable employees of the City must participate in the plan. During 2012-13, 195 part-time employees participated in the plan. All contributions to the plan vest immediately. An employee who leaves the City is entitled to all contributions and earnings applied to the individual's account through the date of separation, less legally required income tax withholding. Contribution levels into the deferred compensation plan were established by City Council resolution at 0% for the City and 7.5% for non-benefited, non-persable part-time employees.

During the year, total required and actual contributions amounted to \$89,012 and covered payroll for the year ended June 30, 2018 totaled \$1,131,790. No contributions were made by the City and employees contributed \$89,012 (7.5% of current covered payroll). Total plan assets at June 30, 2018 were \$802,970. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and, therefore, are not included in the financial statements.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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16) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

Medical

The City administers a single-employer defined benefit plan which provides healthcare benefits to eligible retirees and their dependents in accordance with various labor agreements. City paid amounts are capped at varying amounts depending on employee's bargaining unit, as follows:

- Police:
  - \$1,005 per month for employees hired before July 1, 2012, with five years of sworn service or hired after July 1, 2012, with more than twenty years of sworn service
  - PEMHCA minimum amount (\$122 and \$125 per month in calendar years 2015 and 2016, respectively) for employees hired after July 1, 2012, with less than twenty years of sworn service
- Fire
  - \$1,005 per month for employees hired before July 1, 2012, with five years of sworn service
  - PEMHCA minimum amount (\$122 and \$125 per month in calendar years 2015 and 2016, respectively) for employees hired after July 1, 2012
- Miscellaneous - At the PEMHCA minimum amount (\$122 and \$125 per month in calendar years 2015 and 2016, respectively).

Life Insurance

Eligible retirees, in accordance with various labor agreements, receive life insurance benefits from the City as follows:

- \$500 Confidential/Exempt, General, Maintenance and Non-Sworn Safety bargaining units
- \$10,000 Executive Management, Mid-Management, Police Management (retired after September 1, 2006), Fire Management and Fire bargaining units
- \$10,500 Police bargaining unit

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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16) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	326
Inactive employees or beneficiaries currently receiving benefits	356
Inactive employees entitled to, but not yet receiving benefits	49
Total	<u>731</u>

Contribution

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and bargaining unit requirements is based on a pay-as-you-go basis (i.e. as medical insurance premiums become due). For fiscal year ended June 30, 2018, the City contributed \$2,470,254 to the plan, including \$1,958,254, for current premiums (100% of total premiums), and \$512,000 of implied subsidy premiums.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions</b>	<b>June 30, 2017 Measurement Date</b>
Actuarial Valuation Date	June 30, 2017
Contribution Policy	No pre-funding
Discount Rate	3.58%
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	3.00%
Medical Trend	Non-Medicare – 7.5% for 2020, decreasing to an ultimate rate of 4.00% in 2076 Medicare – 6.5% for 2020, decreasing to an ultimate rate of 4.00% in 2076
Healthcare Participation	Actives: 60% for PEMHCA minimum benefits, 95% for 2-party coverage benefits Retirees: 100% if covered, 5% re-elect at 65 if waived

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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16) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Discount Rate

A discount rate of 3.58% was used in the valuation for measurement date June 30, 2017.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	(a)	(b) Plan	(a) - (b) = (c)
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (6/30/16 measurement date)	\$ 65,619,220	\$ -	\$ 65,619,220
Changes recognized for the measurement period:			
Service cost	1,913,541	-	1,913,541
Interest	1,889,517	-	1,889,517
Changes of assumptions	(7,040,369)	-	(7,040,369)
Benefit payments	(2,467,893)	-	(2,467,893)
Net changes	(5,705,204)	-	(5,705,204)
Balance at June 30, 2018 (6/30/17 measurement date)	\$ 59,914,016	\$ -	\$ 59,914,016

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 69,886,942	\$ 59,914,016	\$ 52,004,534

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 56,403,494	\$ 59,914,016	\$ 63,829,568

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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16) OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

OPEB Plan Fiduciary Net Position

The Plan Fiduciary Net Position was \$0 at the June 30, 2017 measurement date, as the City is not prefunding with an OPEB trust.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$4,930,000. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 5,826,512
Contributions to OPEB plan subsequent to the measurement date	<u>2,470,254</u>	<u>-</u>
Total	<u>\$ 2,470,254</u>	<u>\$ 5,826,512</u>

The \$2,470,254 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,213,857)
2020	(1,213,857)
2021	(1,213,857)
2022	(1,213,857)
2023	(971,084)
Thereafter	-

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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17) COMMITMENTS AND CONTINGENCIES

- A) In 1989, in order to assist in the expansion of the Fashion Plaza shopping center, the City enacted an ordinance to allow the Redevelopment Agency of the City of West Covina (the predecessor to the West Covina Community Development Commission) to receive the sales tax generated as a result of the expansion project. At the same time, the City enacted an ordinance providing a credit for sales tax payable by the developer in the amount equal to the sales tax due to the redevelopment agency. These sales tax ordinances and related agreements between the City and the Agency essentially transferred the sales tax increment due to the Fashion Plaza expansion project from the City to the Agency.
- B) On July 25, 2005, the Board of Directors of the former West Covina Community Development Commission adopted Resolution No. 2005-50. By this resolution, the Board of Directors authorized the Commission to reimburse the City of West Covina over a period of 17 years for the sales tax revenue that had essentially been shifted from the City to the Agency. These budgeted interfund transfers between the primary government of the City of West Covina and the former Community Development Commission will be recorded in the fiscal year that they result in a flow of current financial resources, as required by the measurement focus prescribed for governmental funds. As a result of the dissolution of the Redevelopment Agency, the Department of Finance has deemed this agreement as an unenforceable obligation.

18) CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 10, 2012, the City elected to serve as the Successor Agency of the Community Development Commission of the City of West Covina.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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18) CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, (continued)

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. On January 17, 2012, the City created the City of West Covina Housing Authority to service as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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18) CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT  
AGENCIES, (continued)

As part of the dissolution process, AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012, and January 15, 2013, to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. The Successor Agency remitted \$1,891,166 to the County Auditor-Controller (CAC) on December 19, 2012, for the low and moderate income housing funds due diligence review.

The due diligence review for all other funds was finalized with the final letter of determination issued by the DOF on April 24, 2013. The DOF determined that the principal and interest payments made by the former Community Development Commission totaling \$12,205,531 on various loans from the City of West Covina for the period January 1, 2011, to June 30, 2012, were on loans not made within the first two years of the formation of the former redevelopment agency. The DOF ordered the Successor Agency to remit \$11,578,351 to the CAC within five days from the date of the letter.

City management, in consultation with its legal counsel, did not agree with the DOF's decision and filed a lawsuit to contest the decision. The City also did not remit the payments that were disallowed to the CAC. In December 2015, the City entered into a settlement agreement, which requires the City to repay the \$11,578,351 over a period of 20 years. See additional details on the long-term payable in Note 8. As the City repays the Successor Agency, the Successor Agency will remit the amounts collected to the CAC. The City reported a long-term liability of \$9,841,597 in the governmental activities and a receivable of \$9,841,597 in the Successor Agency related to the DOF's determination at June 30, 2018.

Advances from City of West Covina - AB 1484 specifies the actions to be taken and the method of repayment for advances by the Successor Agency to the various funds of the City. Upon application and approval by the Successor Agency and approval by the Oversight Board, loan agreements (advances) entered into by the former redevelopment agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the advances were for legitimate redevelopment purposes. The accumulated interest on the remaining amount of advances will be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The advances are to be repaid with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by the funds deposited into the Local Agency Investment Fund. The annual advances repayments are subject to certain limitations. Advance repayments shall not be made prior to the 2014-2015 fiscal year, are subject to a formula distribution, and have a lower priority for repayment as described in AB 1484 (Health and Safety Code Section 34191.4(2)(A)). The advances related to the borrowing for the SERAF payment have a priority over repayment of the other advances. 20% of the repayment of the other advances not related to the SERAF advances shall be deducted and transferred to the Low and Moderate Income Housing Asset Fund (Housing Authority). Management of the City has not recorded an allowance for uncollectible advances as all the advances are expected to be repaid.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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18) CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT  
AGENCIES, (continued)

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA 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.

The State Controller completed its review on December 11, 2013, and identified \$8,497,720 of unallowable transfers of assets that occurred during the audit between the former Commission and the City. This amount is already included in the amount ordered by DOF to remit to the CAC (see above).

On May 2, 2000, the City and the RDA entered into a Financing Agreement establishing a \$5,600,000 line of credit to the RDA to achieve project goals within the implementation plan. The City Council and RDA resolutions approved the 2000 Financing Agreement and promissory note. The Financing Agreement authorized the RDA to draw down funds from the line of credit. Specifically, the RDA withdrew \$600,000 and \$5,000,000 on September 2000 and June 2004, respectively, as substantiated through the financial statements. On March 9, 2016, the DOF found that the loans were for legitimate redevelopment purposes and therefore enforceable obligations.

Similarly, on June 15, 2010, the RDA and the City entered into a Cash Flow Loan totaling \$2,500,000 to satisfy the RDA's short term cash flow needs. The Agency provided City Council and RDA resolutions and financial statements substantiating the loans in the amount of \$2,500,000. On March 9, 2016, the DOF found that the loans were for legitimate redevelopment purposes and therefore enforceable obligations.

Management believes, in consultation with legal counsel, that the remaining obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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19) SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the Commission's former non-housing redevelopment activities were transferred to the City in its fiduciary capacity as the Successor Agency to the Redevelopment Agency of the City of West Covina on February 1, 2012, as a result of the dissolution of California redevelopment agencies. These assets and liabilities and any activities related to them are reported in the City's fiduciary private-purpose trust fund financial statements. Disclosures related to these assets and liabilities are as follows:

**Assessment Receivable**

In connection with the Commission's issuance of its \$51,220,000 1996 Special Tax Refunding Bonds, \$32,520,000 in assessments receivable was recorded. The assessment is an annual special tax levied on the Community Facilities District No.1989-1 in an amount sufficient to ensure payment of the debt service on the 1996 Special Tax Refunding Bonds. This special tax supplements sales and property tax increment revenues that also support the debt service on the bonds. The assessments receivable outstanding as of June 30, 2018 was \$19,770,000.

**Land Held for Resale**

Land held for resale is valued at the lower of cost or the sales price per contract with the developer. The land held for resale at June 30, 2018 was comprised of BKK Project in the amount of \$139,016.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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19) SUCCESSOR AGENCY DISCLOSURES, (continued)

**Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 3,007,802	\$ -	\$ (3,007,802)	\$ -	\$ -
Total capital assets, not being depreciated	3,007,802	-	(3,007,802)	-	-
Capital assets, being depreciated:					
Buildings and improvements	18,403,609	-	-	(18,403,609)	-
Equipment and vehicles	61,405	-	-	(61,405)	-
Total capital assets, being depreciated	18,465,014	-	-	(18,465,014)	-
Less accumulated depreciation for:					
Buildings and improvements	(13,556,932)	(368,072)	-	13,925,004	-
Equipment and vehicles	(61,405)	-	-	61,405	-
Total accumulated depreciation	(13,618,337)	(368,072)	-	13,986,409	-
Total capital assets, being depreciated, net	4,846,677	(368,072)	-	(4,478,605)	-
Total capital assets, net	<u>\$ 7,854,479</u>	<u>\$ (368,072)</u>	<u>\$ (3,007,802)</u>	<u>\$ (4,478,605)</u>	<u>\$ -</u>

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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19) SUCCESSOR AGENCY DISCLOSURES, (continued)

**Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
<b>Successor Agency:</b>					
Lease Revenue Bonds:					
1988 Lease Revenue Refunding Bonds	\$ 1,295,000	\$ -	\$ (625,000)	\$ 670,000	\$ 670,000
Special Tax Bonds:					
1996 Special Tax Redunding Bonds	22,440,000	-	(3,000,000)	19,440,000	3,250,000
Tax Allocation Bonds:					
2017 Tax Allocation Revenue Refunding Bonds	15,380,000	-	(1,480,000)	13,900,000	1,765,000
Plus deferred amounts:					
Issuance premium	238,237	-	(6,807)	231,430	6,807
Total Bonds Payable	<u>39,353,237</u>	<u>-</u>	<u>(5,111,807)</u>	<u>34,241,430</u>	<u>5,691,807</u>
Developer agreement payable	54,858,845	5,872,582	(524,615)	60,206,812	404,040
Due to County of Los Angeles	<u>4,637,140</u>	<u>201,681</u>	<u>(1,755,980)</u>	<u>3,082,841</u>	<u>1,880,270</u>
<b>Total</b>	<u>\$ 98,849,222</u>	<u>\$ 6,074,263</u>	<u>\$ (7,392,402)</u>	<u>\$ 97,531,083</u>	<u>\$ 7,976,117</u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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19) SUCCESSOR AGENCY DISCLOSURES, (continued)

**Long-Term Liabilities, (continued)**

**Lease Revenue Bonds**

**1988 Lease Revenue Refunding Bonds (The Lakes Public Parking Project)**

In 1988, the Community Development Commission issued \$7,750,000 of Variable Rate Lease Revenue Bonds for the purpose of constructing two multi-story parking structures. The bonds consist of \$7,350,000 of current interest bonds and \$400,000 of compound interest bonds. The bonds carried interest rates of 6.625% and 7.50%, respectively, until January 31, 1994. On February 1, 1994, the bonds were converted to variable rate bonds. The interest rates vary based on the prevailing financial market conditions beginning on February 1, 1994, to a maximum of 12% over the term of the bonds and are payable monthly. The bonds are subject to mandatory redemption beginning August 1, 1994, and annually thereafter through August 1, 2018.

The bonds are secured by the facilities and lease rentals to be received pursuant to a lease agreement between the Commission and the City. The reserve requirement was fully funded at June 30, 2018. The outstanding principal balance at June 30, 2018 was \$670,000.

The annual debt service requirements on the 1988 Lease Revenue Refunding Bonds as of June 30, 2018 were as follows (using a 1.39% interest rate at June 30, 2018):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 670,000</u>	<u>\$ 1,553</u>	<u>\$ 671,553</u>
Total	<u><u>\$ 670,000</u></u>	<u><u>\$ 1,553</u></u>	<u><u>\$ 671,553</u></u>

Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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19) SUCCESSOR AGENCY DISCLOSURES, (continued)

**Long-Term Liabilities, (continued)**

**Special Tax Bonds**

**1996 Special Tax Refunding Bonds (The Fashion Plaza Project)**

In 1996, the Community Development Commission issued \$51,220,000 of Special Tax Refunding Bonds comprised of \$9,980,000 of serial bonds and \$41,240,000 of term bonds to finance public parking facilities, street and other improvements located in or adjacent to the Community Development Commission Community Facilities District. The serial bonds matured during the fiscal year ended June 30, 2007. The term bonds bear interest at a rate from 5.75% to 6.0% payable semiannually and are due September 1, 2022. The term bonds are not subject to optional redemption; mandatory redemption begins September 1, 2007, then annually thereafter through September 1, 2022. Interest is payable semiannually on March 1 and September 1 of each year. The bonds are secured by and payable from a portion of the revenues derived from an annual special tax to be levied against all taxable real property within the Special Assessment District. In addition, the Commission has pledged certain other incremental revenues generated within the District consisting of property taxes and sales taxes. In addition, the reserve requirement of \$5,002,670 was fully funded at June 30, 2018. There was a bond call on March 1, 2016, for \$425,000. The outstanding principal balance of the bonds at June 30, 2018 was \$19,440,000.

The annual debt service requirements on the 1996 Special Tax Bonds as of June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,250,000	\$ 1,068,900	\$ 4,318,900
2020	3,495,000	866,550	4,361,550
2021	3,735,000	649,650	4,384,650
2022	4,055,000	415,950	4,470,950
2023	<u>4,905,000</u>	<u>147,150</u>	<u>5,052,150</u>
Total	<u>\$ 19,440,000</u>	<u>\$ 3,148,200</u>	<u>\$ 22,588,200</u>

# City of West Covina

## Notes to Basic Financial Statements For the Year Ended June 30, 2018

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### 19) SUCCESSOR AGENCY DISCLOSURES, (continued)

#### Long-Term Liabilities, (continued)

#### Tax Allocation Bonds

#### 2017 Tax Allocation Revenue Refunding Bonds

On February 14, 2017, the Successor Agency issued Tax Allocation Revenue Refunding bonds, Series 2017A (Tax-Exempt) and 2017B (Federally Taxable). These bonds refinanced the 1998 Housing Set-Aside Tax Allocation Bonds Series A & B, the 2001 Housing Set-Aside Tax Allocation Revenue Bonds, the 2002 Tax Allocation Refunding Bonds and the 1999 Taxable Variable Rate Demand Tax Allocation Bonds. The bonds are payable from and secured solely from the Trust Estate, which will consist primarily of principal and interest payments on the Local Obligations to be purchased by the Authority as set forth in the Agency Indenture. The interest on the Series A bonds is payable semiannually on September 1 and March 1 of each year at interest rates ranging from 2% to 5%. The principal of the Series A bonds is due annually throughout 2026, in amounts ranging from \$400,000 to \$670,000. The interest on the Series B bonds is payable semiannually on September 1 and March 1 of each year at interest rates ranging from 1% to 3.75%. The principal of the Series B bonds is due annually throughout 2032, in amounts ranging from \$145,000 to \$1,215,000. The required reserve of \$1,537,074 at June 30, 2018 was fully funded. The principal balance of outstanding bonds at June 30, 2018 was \$13,900,000.

As a result of the refunding, the City reduced its debt service cash flow by \$1,443,006, resulting in an economic gain of \$603,922 (calculated as the difference between the debt service payments under the old and new bonds discounted to present value using the effective interest rate).

The annual debt service requirements on the 2017 Tax Allocation Revenue Refunding Bonds as of June 30, 2018 were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,765,000	\$ 405,625	\$ 2,170,625
2020	1,820,000	361,413	2,181,413
2021	1,865,000	305,641	2,170,641
2022	1,615,000	253,006	1,868,006
2023	1,425,000	205,613	1,630,613
2024-2028	4,305,000	462,804	4,767,804
2029-2032	1,105,000	58,969	1,163,969
Total	<u>\$ 13,900,000</u>	<u>\$ 2,053,071</u>	<u>\$ 15,953,071</u>

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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19) SUCCESSOR AGENCY DISCLOSURES, (continued)

Long-Term Liabilities, (continued)

**Developer Agreement Payable**

On June 26, 1989, the Commission entered into an agreement with a developer to share certain future tax revenues generated by the Community Facilities District. Since 1992, the developer's share of revenues totaled \$55,372,039, the unpaid balance accrues interest at a rate of 10%. The Commission has made payments to the developer totaling \$21,697,200. The balance outstanding at June 30, 2018 was \$60,206,812.

**Due to the County of Los Angeles**

Based on an agreement dated June 19, 1990, between the Commission and the County, during the first twenty years beginning in 1990, the Commission will retain from the County 50% of the County portion of tax increment. Per the agreement, the Commission must repay all amounts withheld from the County beginning in 2011. The repayment is made annually and is based on a calculation of excess tax increment revenues from the sub-project area. The outstanding balance accrues interest at 7%. The balance at June 30, 2018 was \$3,082,841.

20) SUBSEQUENT EVENT

On November 20, 2018, the City issued Lease Revenue Refunding bonds, Series 2018A (Tax-Exempt) in the amount of \$19,310,000 and 2018B (Federally Taxable) in the amount of \$4,855,000. These bonds refinanced the 2002 Lease Revenue Refunding Bonds Series B, the 2004 Lease Revenue Bonds Series A & B, and the 2013 Lease Revenue Refunding Bonds Series A.

*City of West Covina*

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2018**

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21) PRIOR PERIOD RESTATEMENT

*Change in Accounting Principle*

As discussed in Note 1, the City implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. The City's net OPEB liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

The cumulative effects of applying the provisions of GASB 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement as follows:

**Governmental Activities**

Beginning net position, as previously reported	\$ 59,842,490
Prior period restatement - change in accounting principle	<u>(38,812,837)</u>
Beginning net position, as restated	<u>\$ 21,029,653</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

# City of West Covina

## Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios CalPERS Pension Plan - Miscellaneous Last Ten Years\*

Measurement Period	2013-14	2014-15	2015-16	2016-17
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 1,653,769	\$ 1,454,757	\$ 1,395,164	\$ 1,568,756
Interest	9,849,865	10,180,561	10,423,152	10,499,411
Changes of Benefit Terms	-	-	-	8,138,458
Difference Between Expected and Actual Experience	-	(134,455)	(568,485)	(1,086,666)
Changes of Assumptions	-	(2,336,836)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,835,867)	(7,534,397)	(8,197,448)	(8,527,256)
<b>Net Change in Total Pension Liability</b>	<b>4,667,767</b>	<b>1,629,630</b>	<b>3,052,383</b>	<b>10,592,703</b>
<b>Total Pension Liability - Beginning</b>	<b>133,922,583</b>	<b>138,590,350</b>	<b>140,219,980</b>	<b>143,272,363</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 138,590,350</b>	<b>\$ 140,219,980</b>	<b>\$ 143,272,363</b>	<b>\$ 153,865,066</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 1,441,234	\$ 1,507,469	\$ 1,871,710	\$ 2,449,585
Contributions - Employee	921,495	714,712	819,011	788,064
Net Investment Income	17,189,513	2,500,142	590,110	11,531,815
Benefit Payments, Including Refunds of Employee Contributions	(6,835,867)	(7,534,397)	(8,197,448)	(8,527,256)
Plan to Plan Resource Movement	-	307	(4,880)	-
Administrative Expense	-	(123,626)	(66,948)	(154,821)
<b>Net Change in Fiduciary Net Position</b>	<b>12,716,375</b>	<b>(2,935,393)</b>	<b>(4,988,445)</b>	<b>6,087,387</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>100,069,306</b>	<b>112,785,681</b>	<b>109,850,288</b>	<b>104,861,843</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 112,785,681</b>	<b>\$ 109,850,288</b>	<b>\$ 104,861,843</b>	<b>\$ 110,949,230</b>
<b>Plan Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 25,804,669</b>	<b>\$ 30,369,692</b>	<b>\$ 38,410,520</b>	<b>\$ 42,915,836</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	81.38%	78.34%	73.19%	72.11%
<b>Covered Payroll</b>	<b>\$ 10,025,879</b>	<b>\$ 9,381,292</b>	<b>\$ 9,349,710</b>	<b>\$ 14,062,225</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>257.38%</b>	<b>323.73%</b>	<b>410.82%</b>	<b>305.19%</b>

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# City of West Covina

## Required Supplementary Information Schedule of Plan Contributions CalPERS Pension Plan - Miscellaneous Last Ten Years\*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 1,507,469	\$ 1,871,710	\$ 2,449,585	\$ 755,617
Contributions in Relation to the Actuarially Determined Contribution	(1,507,469)	(1,871,710)	(2,449,585)	(755,617)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,381,292	\$ 9,349,710	\$ 14,062,225	\$ 12,173,646
Contributions as a Percentage of Covered Payroll	16.07%	20.02%	17.42%	6.21%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013, Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

# City of West Covina

## Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios CalPERS Pension Plan - Safety Last Ten Years\*

Measurement Period	2013-14	2014-15	2015-16	2016-17
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 4,824,545	\$ 4,604,800	\$ 4,729,431	\$ 5,376,792
Interest	23,426,151	24,117,128	24,899,740	25,330,388
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	-	(1,760,971)	(145,882)	(2,764,123)
Changes of Assumptions	-	(5,858,071)	-	21,000,606
Benefit Payments, Including Refunds of Employee Contributions	(17,362,607)	(17,865,208)	(18,951,025)	(19,858,900)
<b>Net Change in Total Pension Liability</b>	<b>10,888,089</b>	<b>3,237,678</b>	<b>10,532,264</b>	<b>29,084,763</b>
<b>Total Pension Liability - Beginning</b>	<b>318,617,717</b>	<b>329,505,806</b>	<b>332,743,484</b>	<b>343,275,748</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 329,505,806</b>	<b>\$ 332,743,484</b>	<b>\$ 343,275,748</b>	<b>\$ 372,360,511</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 6,403,118	\$ 7,339,064	\$ 8,387,165	\$ 10,058,079
Contributions - Employee	2,416,548	1,628,630	1,660,160	1,818,024
Net Investment Income	34,775,710	5,057,426	1,179,228	23,916,665
Benefit Payments, Including Refunds of Employee Contributions	(17,362,607)	(17,865,208)	(18,951,025)	(19,858,900)
Plan to Plan Resource Movement	-	10,338	4,880	-
Administrative Expense	-	(254,287)	(137,683)	(321,946)
<b>Net Change in Fiduciary Net Position</b>	<b>26,232,769</b>	<b>(4,084,037)</b>	<b>(7,857,275)</b>	<b>15,611,922</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>203,765,462</b>	<b>229,998,231</b>	<b>225,914,194</b>	<b>218,056,919</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 229,998,231</b>	<b>\$ 225,914,194</b>	<b>\$ 218,056,919</b>	<b>\$ 233,668,841</b>
<b>Plan Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 99,507,575</b>	<b>\$ 106,829,290</b>	<b>\$ 125,218,829</b>	<b>\$ 138,691,670</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	69.80%	67.89%	63.52%	62.75%
<b>Covered Payroll</b>	<b>\$ 16,974,682</b>	<b>\$ 16,517,686</b>	<b>\$ 17,288,458</b>	<b>\$ 17,084,933</b>
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	<b>586.21%</b>	<b>646.76%</b>	<b>724.29%</b>	<b>811.78%</b>

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# City of West Covina

## Required Supplementary Information Schedule of Plan Contributions CalPERS Pension Plan - Safety Last Ten Years\*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 7,339,064	\$ 8,387,165	\$ 10,058,079	\$ 3,892,612
Contributions in Relation to the Actuarially Determined Contribution	(7,339,064)	(8,387,165)	(10,058,079)	(3,892,612)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 16,517,686	\$ 17,288,458	\$ 17,084,933	\$ 14,051,195
Contributions as a Percentage of Covered Payroll	44.43%	48.51%	58.87%	27.70%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013, Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013, Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

# City of West Covina

## Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios CalPERS Pension Plan- EPMC Replacement Supplemental Retirement Plan Last Ten Years\*

Measurement Period	2013-14	2014-15	2015-16	2016-2017
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 36,000	\$ 36,000	\$ 40,000	\$ 35,733
Interest	36,000	28,000	32,000	35,268
Difference Between Expected and Actual Experience	-	(72,000)	-	98,508
Changes of Assumptions	-	200,000	(37,000)	(85,060)
Changes in benefits	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(64,000)	(9,000)	(91,000)	(42,877)
<b>Net Change in Total Pension Liability</b>	<b>8,000</b>	<b>183,000</b>	<b>(56,000)</b>	<b>41,572</b>
<b>Total Pension Liability - Beginning</b>	<b>755,000</b>	<b>763,000</b>	<b>946,000</b>	<b>890,000</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 763,000</b>	<b>\$ 946,000</b>	<b>\$ 890,000</b>	<b>\$ 931,572</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 65,000	\$ 56,000	\$ 56,000	\$ 61,019
Contributions - Employee	-	-	-	-
Net Investment Income	12,000	3,000	(1,000)	10,029
Benefit Payments, Including Refunds of Employee Contributions	(64,000)	(9,000)	(91,000)	(42,877)
Plan to Plan Resource Movement	-	-	-	-
Administrative Expense	(3,000)	(7,000)	(1,000)	(9,456)
<b>Net Change in Fiduciary Net Position</b>	<b>10,000</b>	<b>43,000</b>	<b>(37,000)</b>	<b>18,715</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>109,000</b>	<b>119,000</b>	<b>162,000</b>	<b>125,000</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 119,000</b>	<b>\$ 162,000</b>	<b>\$ 125,000</b>	<b>\$ 143,715</b>
<b>Plan Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 644,000</b>	<b>\$ 784,000</b>	<b>\$ 765,000</b>	<b>\$ 787,857</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	15.60%	17.12%	14.04%	15.43%
<b>Covered Payroll</b>	\$ -	\$ -	\$ -	\$ -
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	n/a	n/a	n/a	n/a

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Changes in Benefit Terms: None.

Changes in Assumptions: In 2017, amounts reported reflect an adjustment of the discount rate from 3.90 percent to 4.98 percent. In 2016, amounts reported reflect an adjustment of the discount rate from 3.50 percent to 3.90 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 4.80 percent to 3.50 percent. In 2014, amounts reported were based on the 4.80 percent discount rate.

# City of West Covina

## Required Supplementary Information Schedule of Plan Contributions CalPERS Pension Plan- EPMC Replacement Supplemental Retirement Plan Last Ten Years\*

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 82,000	\$ 82,000	\$ 105,000	\$ 104,000
Contributions in Relation to the Actuarially Determined Contribution	(56,000)	(56,000)	(66,000)	(60,056)
Contribution Deficiency (Excess)	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 39,000</u>	<u>\$ 43,944</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount
	9-year fixed (closed) period for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate:	6%
All Other Assumptions:	Same as those used to develop the TPL

# City of West Covina

## Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios CalPERS Pension Plan - Supplemental Retirement Plan for Executive Staff Last Ten Years\*

Measurement Period	2013-14	2014-15	2015-16	2016-17
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 112,000	\$ 116,000	\$ 30,000	\$ 20,388
Interest	168,000	178,000	141,000	161,327
Difference Between Expected and Actual Experience	-	(643,000)	-	(111,492)
Changes of Assumptions	-	346,000	(455,000)	803,038
Changes in benefits	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(82,000)	(104,000)	(137,000)	(136,317)
<b>Net Change in Total Pension Liability</b>	<b>198,000</b>	<b>(107,000)</b>	<b>(421,000)</b>	<b>736,944</b>
<b>Total Pension Liability - Beginning</b>	<b>2,959,000</b>	<b>3,157,000</b>	<b>3,050,000</b>	<b>2,629,000</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 3,157,000</b>	<b>\$ 3,050,000</b>	<b>\$ 2,629,000</b>	<b>\$ 3,365,944</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 59,000	\$ 78,000	\$ 78,000	\$ 73,467
Contributions - Employee	-	-	-	-
Net Investment Income	75,000	13,000	9,000	49,861
Benefit Payments, Including Refunds of Employee Contributions	(82,000)	(104,000)	(137,000)	(136,317)
Plan to Plan Resource Movement	-	-	-	-
Administrative Expense	(6,000)	(6,000)	(4,000)	(8,431)
<b>Net Change in Fiduciary Net Position</b>	<b>46,000</b>	<b>(19,000)</b>	<b>(54,000)</b>	<b>(21,420)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>660,000</b>	<b>706,000</b>	<b>687,000</b>	<b>633,000</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 706,000</b>	<b>\$ 687,000</b>	<b>\$ 633,000</b>	<b>\$ 611,580</b>
<b>Plan Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 2,451,000</b>	<b>\$ 2,363,000</b>	<b>\$ 1,996,000</b>	<b>\$ 2,754,364</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	22.36%	22.52%	24.08%	18.17%
<b>Covered Payroll</b>	\$ -	\$ -	\$ -	\$ -
<b>Plan Net Pension Liability as a Percentage of Covered Payroll</b>	n/a	n/a	n/a	n/a

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

### Notes to Schedule:

Changes in Benefit Terms:None.

Changes in Assumptions: In 2017, amounts reported reflect an adjustment of the discount rate from 6.25 percent to 3.95 percent. In 2016, amounts reported reflect an adjustment of the discount rate from 4.70 percent to 6.25 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 5.55 percent to 4.70 percent. In 2014, amounts reported were based on the 5.55 percent discount rate.

*City of West Covina*

**Required Supplementary Information  
 Schedule of Plan Contributions  
 CalPERS Pension Plan - Supplemental Retirement Plan for Executive Staff  
 Last Ten Years\***

	<b>Fiscal Year 2014-15</b>	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>
Actuarially Determined Contribution	\$ 439,000	\$ 439,000	\$ 279,000	\$ 278,000
Contributions in Relation to the Actuarially Determined Contribution	(78,000)	(78,000)	(73,000)	(74,100)
Contribution Deficiency (Excess)	<u>\$ 361,000</u>	<u>\$ 361,000</u>	<u>\$ 206,000</u>	<u>\$ 203,900</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

**Notes to Schedule:**

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount
	9-year fixed (closed) period for 2017-18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate:	6%
All Other Assumptions:	Same as those used to develop the TPL

*City of West Covina*

**Required Supplementary Information  
Schedule of Changes in the Net OPEB Liability and Related Ratios  
Last Ten Years\***

Fiscal Year Measurement Period	<u>2017-18</u> <u>2016-17</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 1,913,541
Interest	1,889,517
Changes of assumptions	(7,040,369)
Benefit payments	<u>(2,467,893)</u>
Net change in total OPEB liability	(5,705,204)
Total OPEB liability - beginning	<u>65,619,220</u>
Total OPEB liability - ending (a)	<u>59,914,016</u>
<b>Plan Fiduciary Net Position</b>	
Contributions – employer	-
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 59,914,016</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 26,527,000
Net OPEB liability as a percentage of covered payroll	225.9%

**Notes to Schedule:**

Changes in assumptions: Discount rate increased from 2.85% at June 30, 2016 to 3.58% at June 30, 2017.

\* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

\* Fiscal Year 2017-18 was the first year of implementation.

# *City of West Covina*

## **Required Supplementary Information General Fund**

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### **General Fund**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 49,961,100	\$ 48,946,100	\$ 50,491,403	\$ 1,545,303
Licenses and permits	974,871	974,871	1,089,850	114,979
Fines and forfeitures	764,500	764,500	1,290,187	525,687
Investment income	209,433	209,433	(95,022)	(304,455)
Rental income	638,937	649,137	649,968	831
Revenue from other agencies	2,125,388	2,059,205	2,188,406	129,201
Charges for services	7,267,013	7,082,185	8,003,970	921,785
Other revenues	107,700	493,315	3,577,730	3,084,415
Total revenues	<u>62,048,942</u>	<u>61,178,746</u>	<u>67,196,492</u>	<u>6,017,746</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,689,136	6,025,663	5,688,954	336,709
Public safety	47,309,770	50,197,890	49,556,995	640,895
Public works	4,022,962	4,142,388	4,342,778	(200,390)
Community services	2,654,963	2,829,299	2,648,557	180,742
Community development	638,383	658,833	648,920	9,913
Total expenditures	<u>60,315,214</u>	<u>63,854,073</u>	<u>62,886,204</u>	<u>967,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,733,728</u>	<u>(2,675,327)</u>	<u>4,310,288</u>	<u>6,985,615</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	728,710	728,710	518,821	(209,889)
Transfers out	(2,595,370)	(3,993,028)	(3,677,624)	315,404
Total other financing sources (uses)	<u>(1,866,660)</u>	<u>(3,264,318)</u>	<u>(3,158,803)</u>	<u>105,515</u>
Net change in fund balance	(132,932)	(5,939,645)	1,151,485	7,091,130
Fund balance, beginning of year	<u>21,101,346</u>	<u>21,101,346</u>	<u>21,101,346</u>	<u>-</u>
Fund balance, end of year	<u>\$ 20,968,414</u>	<u>\$ 15,161,701</u>	<u>\$ 22,252,831</u>	<u>\$ 7,091,130</u>

## *City of West Covina*

### **Required Supplementary Information Major Special Revenue Funds**

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#### **West Covina Housing Authority Special Revenue Fund**

This fund accounts for assets and related income received from the former Community Development Commission to be used for the administration of providing affordable housing in the City.

#### **Grants Special Revenue Fund**

This fund accounts for various Federal, State of California, and local grants that are restricted to expenditures for specific programs and projects.

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
West Covina Housing Authority Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 396,928	\$ 396,928
Revenue from other agencies	-	50,000	-	(50,000)
Other revenues	-	-	46,013	46,013
Total revenues	-	50,000	442,941	392,941
<b>EXPENDITURES</b>				
Current:				
Public Safety	150,000	160,083	160,083	-
Community development	519,294	513,985	418,038	95,947
Total expenditures	669,294	674,068	578,121	95,947
Net change in fund balance	(669,294)	(624,068)	(135,180)	488,888
Fund balance, beginning of year	24,860,396	24,860,396	24,860,396	-
Fund balance, end of year	\$ 24,191,102	\$ 24,236,328	\$ 24,725,216	\$ 488,888

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Grants Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from other agencies	\$ 630,120	\$ 903,702	\$ 732,402	\$ (171,300)
Investment income	-	-	3,394	3,394
Charges for services	45,000	45,000	36,542	(8,458)
Total revenues	675,120	948,702	772,338	(176,364)
<b>EXPENDITURES</b>				
Current:				
Public safety	353,978	603,451	514,901	88,550
Public works	515,739	967,530	934,930	32,600
Community services	282,387	297,572	236,936	60,636
Total expenditures	1,152,104	1,868,553	1,686,767	181,786
Excess (deficiency) of revenues over (under) expenditures	(476,984)	(919,851)	(914,429)	5,422
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(27,121)	(27,121)
Net change in fund balance	(476,984)	(919,851)	(941,550)	(21,699)
Fund balance, beginning of year	186,117	186,117	186,117	-
Fund balance (deficit), end of year	\$ (290,867)	\$ (733,734)	\$ (755,433)	\$ (21,699)

**Notes to Required Supplementary Information  
June 30, 2018**

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1) BUDGETARY INFORMATION

The annual budget adopted by the City Council provides for the general operation of the City. The annual budget is adopted in summary by the City Council in June of each year for the General Fund, special revenue funds, debt service funds and capital projects funds. The resolution sets a combined appropriation of the funds for the operation of the City.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds, must be approved by the City Council. The budgetary level of control is at the departmental level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year for the General Fund, special revenue funds, debt service funds and capital projects funds.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year. Capital projects funds are appropriated on a project basis and appropriations are funded by the council to continue until the specific projects are completed.

2) EXPENDITURES IN EXCESS OF APPROPRIATIONS

Governmental Funds	Final Budget	Expenditures	Excess
Major Fund - General Fund:			
Public Works	\$ 4,142,388	\$ 4,342,778	\$ (200,390)
Non-Major Special Revenue Funds:			
Drug Enforcement Rebate			
Public safety	1,525,507	1,588,107	(62,600)
Proposition A			
Community services	2,133,566	2,139,868	(6,302)
Public Safety Augmentation			
Public Safety	700,000	701,884	(1,884)
Measure R			
Community services	226,411	228,899	(2,488)
Community Development Block Grant			
Public safety	20,000	20,827	(827)
Sewer Maintenance			
Public works	2,907,536	2,923,843	(16,307)
Non-Major Capital Projects Funds:			
Construction Tax			
Public works	395,030	395,490	(460)
Information Technology			
Public works	793,958	801,887	(7,929)

**SUPPLEMENTARY INFORMATION**

## *City of West Covina*

### **Non-Major Governmental Funds**

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**SPECIAL REVENUE FUNDS** – These funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**DEBT SERVICE FUNDS** – These funds are used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

**CAPITAL PROJECTS FUNDS** – These funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

*City of West Covina*

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2018**

	Special Revenue Funds	City Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 20,942,751	\$ 1,183,282	\$ 2,160,136	\$ 24,286,169
Cash and investments with fiscal agent	-	2,104,064	-	2,104,064
Restricted cash and investments	-	502,882	-	502,882
Receivables, net:				
Taxes	307,953	-	-	307,953
Interest	6,433	1,743	217	8,393
Other	374,491	7,279	-	381,770
Due from other Successor Agency	-	1,255,662	-	1,255,662
Due from other agencies	625,124	-	-	625,124
	<u>625,124</u>	<u>-</u>	<u>-</u>	<u>625,124</u>
Total assets	<u>\$ 22,256,752</u>	<u>\$ 5,054,912</u>	<u>\$ 2,160,353</u>	<u>\$ 29,472,017</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 851,511	\$ 21,527	\$ 115,808	\$ 988,846
Other accrued liabilities	152,597	-	39,650	192,247
Due to other funds	194,835	-	-	194,835
Advances from other funds	434,372	-	-	434,372
	<u>1,633,315</u>	<u>21,527</u>	<u>155,458</u>	<u>1,810,300</u>
Deferred inflows of resources:				
Unavailable revenue	625,124	-	-	625,124
	<u>625,124</u>	<u>-</u>	<u>-</u>	<u>625,124</u>
Fund Balances:				
Restricted:				
Debt service	-	5,033,385	-	5,033,385
Community services	3,005,968	-	-	3,005,968
Public safety	3,501,659	-	-	3,501,659
Public works	14,001,419	-	-	14,001,419
Assigned	-	-	2,004,895	2,004,895
Unassigned	(510,733)	-	-	(510,733)
	<u>19,998,313</u>	<u>5,033,385</u>	<u>2,004,895</u>	<u>27,036,593</u>
Total fund balances	<u>19,998,313</u>	<u>5,033,385</u>	<u>2,004,895</u>	<u>27,036,593</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,256,752</u>	<u>\$ 5,054,912</u>	<u>\$ 2,160,353</u>	<u>\$ 29,472,017</u>

*City of West Covina*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended June 30, 2018**

	Special Revenue Funds	City Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 8,688,489	\$ -	\$ 75,824	\$ 8,764,313
Special assessments	6,077,861	-	-	6,077,861
Investment income	167,129	66,049	13,470	246,648
Revenue from other agencies	3,682,173	1,255,662	61,535	4,999,370
Charges for services	224,841	416,351	-	641,192
Other revenues	556,734	-	49,418	606,152
	<u>19,397,227</u>	<u>1,738,062</u>	<u>200,247</u>	<u>21,335,536</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	11,507	-	-	11,507
Public safety	2,584,911	-	270,740	2,855,651
Public works	11,160,404	-	1,197,377	12,357,781
Community services	3,853,814	-	235,871	4,089,685
Community development	115,297	-	-	115,297
Debt service:				
Principal	-	1,958,918	-	1,958,918
Interest and fiscal charges	-	1,501,956	-	1,501,956
	<u>17,725,933</u>	<u>3,460,874</u>	<u>1,703,988</u>	<u>22,890,795</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>1,671,294</u>	<u>(1,722,812)</u>	<u>(1,503,741)</u>	<u>(1,555,259)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	45,882	2,130,561	1,206,792	3,383,235
Transfers out	(9,000)	(1,000,000)	(518,821)	(1,527,821)
	<u>36,882</u>	<u>1,130,561</u>	<u>687,971</u>	<u>1,855,414</u>
Total other financing sources (uses)				
Net change in fund balance	1,708,176	(592,251)	(815,770)	300,155
Fund balances, beginning of year	18,290,137	5,625,636	2,820,665	26,736,438
Fund balances, end of year	<u>\$ 19,998,313</u>	<u>\$ 5,033,385</u>	<u>\$ 2,004,895</u>	<u>\$ 27,036,593</u>

## *City of West Covina*

### **Non-Major Governmental Funds – Special Revenue Funds**

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**SPECIAL REVENUE FUNDS** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Drug Enforcement Rebate** – This fund accounts for the City's portion of revenue received from drug asset seizures. The revenue is used to enhance the police programs.

**Measure M** – This fund accounts for the 0.5% sales tax collected in Los Angeles County used for transportation projects.

**Air Quality Improvement** – This fund accounts for the City's portion of motor vehicle registration fees collected under AB 2766. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and buses. Money is distributed to the cities based on population, and additional discretionary grants are made based on specific requests.

**Proposition A** – This fund accounts for the 0.5% sales tax collected in Los Angeles County which is used for transportation programs and projects.

**Proposition C** – This fund accounts for gasoline taxes which are restricted for transportation programs and projects.

**State Gas Tax** – This fund accounts for the City's proportionate share of gas tax monies collected by the State of California and Proposition 1B monies which are used for street construction and maintenance.

**Police Donations** – This fund accounts for donations received and expenditures related to various police programs.

**Transportation Development Act** – This fund accounts for regional Transportation Development Act funds received from Los Angeles County which are used for local streets and roads.

**AB939** – This fund accounts for programs to reduce solid waste deposits in local landfills, pursuant to AB939.

**Public Safety Augmentation** – This fund accounts for sales tax revenue legally restricted for public safety. Revenue is used to augment police operations.

**COPS/SLESA** – This fund accounts for revenue from the State restricted for supplementing police operations.

## *City of West Covina*

### **Non-Major Governmental Funds – Special Revenue Funds, (continued)**

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**Charter PEG** – This fund accounts for monies received from the City's cable television franchisee for a one-time litigation settlement and for cable-related capital expenditures.

**Art in Public Places** – This fund accounts for development fees paid in lieu of acquisition and installation of approved artwork in a development with expenditures restricted to acquisition, installation, maintenance and repair of artworks at approved sites.

**Measure R** – This fund accounts for sales tax revenues collected in Los Angeles County to provide transportation related projects and programs.

**Inmate Welfare** – This fund accounts for any money, refund, rebate or commission received from a telephone call from inmates while incarcerated to meet the requirements of California Penal Code: Part 3; Title 4; Chapter 1; Section 4025. The monies are to be expended for the benefit, education, and welfare of inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of the jail facilities.

**West Covina Community Services Foundation** – This fund accounts for activity of the West Covina Community Services Foundation, a 501(c) (3) nonprofit organization.

**Community Development Block Grant (CDBG)** – This fund accounts for the activities of the Community Development Block Grant received from the U.S. Department of Housing and Urban Development.

**SAFER Grant** – This fund accounts for personnel costs that are reimbursable through the Staffing for Adequate Fire and Emergency Response (SAFER) Grant.

**Maintenance District #1** – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

**Maintenance District #2** – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

**Coastal Sage Shrub** – This community facilities district was formed to provide for the restoration and ongoing maintenance of sensitive environmental habitat within the development area of a former landfill, including habitat for endangered species such as the California gnatcatcher (*Polioptila californica*).

**Maintenance District #4** – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

**Non-Major Governmental Funds – Special Revenue Funds, (continued)**

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**Maintenance District #6** – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

**Maintenance District #7** – The City levies special benefit assessments and property taxes upon property within defined districts. Through the Los Angeles County Tax Collector, assessments are placed on the property owner's annual tax bill. These funds are used to maintain and improve the open spaces within the districts by providing landscape maintenance.

**Citywide Maintenance District** – Revenue for the fund comes from annual special benefit assessments from property owners who benefit from covered improvements. This fund provides the majority of funding for the City's street lighting system and street tree program.

**Sewer Maintenance** – This fund supports the City's street sweeping program and maintenance of the City's sewer system. The City also provides services to the City of Covina through this fund.

**Auto Plaza Improvement District** – This fund is an assessment district supported by six of West Covina's automobile dealers to fund the construction, maintenance and operations of a reader board adjacent to Interstate 10.

*City of West Covina*

**Combining Balance Sheet  
Non-Major Special Revenue Funds  
June 30, 2018**

	Drug Enforcement Rebate	Measure M	Air Quality Improvement	Proposition A
<b>ASSETS</b>				
Cash and investments	\$ 3,110,584	\$ 1,072,022	\$ -	\$ 86,738
Receivables, net:				
Taxes	-	-	-	-
Interest	954	329	-	29
Other	-	-	35,495	-
Due from other agencies	-	-	554,199	-
Total assets	<u>\$ 3,111,538</u>	<u>\$ 1,072,351</u>	<u>\$ 589,694</u>	<u>\$ 86,767</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 165,302	\$ -	\$ 14,043	\$ -
Other accrued liabilities	3,692	-	44,399	-
Due to other funds	-	-	100,572	-
Advances from other funds	-	-	-	-
Total liabilities	<u>168,994</u>	<u>-</u>	<u>159,014</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	554,199	-
Fund Balances (Deficit):				
Restricted:				
Community services	-	1,072,351	-	86,767
Public safety	2,942,544	-	-	-
Public works	-	-	-	-
Unassigned	-	-	(123,519)	-
Total fund balances (deficit)	<u>2,942,544</u>	<u>1,072,351</u>	<u>(123,519)</u>	<u>86,767</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,111,538</u>	<u>\$ 1,072,351</u>	<u>\$ 589,694</u>	<u>\$ 86,767</u>

(continued)

Proposition C	State Gas Tax	Police Donations	Transportation Development Act	AB939	Public Safety Augmentation	COPS/SLESA
\$ 1,462,463	\$ 554,526	\$ 24,909	\$ -	\$ 415,428	\$ 64,500	\$ 347,055
-	-	-	-	-	134,076	-
447	-	8	-	126	34	129
-	228,508	-	-	51,225	-	-
-	-	-	70,925	-	-	-
<u>\$ 1,462,910</u>	<u>\$ 783,034</u>	<u>\$ 24,917</u>	<u>\$ 70,925</u>	<u>\$ 466,779</u>	<u>\$ 198,610</u>	<u>\$ 347,184</u>
\$ 127,248	\$ 112,717	\$ -	\$ 12,383	\$ 1,580	\$ -	\$ 12,874
4,080	15,886	-	-	1,747	9,359	754
-	-	-	59,242	-	-	-
-	-	-	-	-	-	-
<u>131,328</u>	<u>128,603</u>	<u>-</u>	<u>71,625</u>	<u>3,327</u>	<u>9,359</u>	<u>13,628</u>
-	-	-	70,925	-	-	-
1,331,582	-	-	-	-	-	-
-	-	24,917	-	-	189,251	333,556
-	654,431	-	-	463,452	-	-
-	-	-	(71,625)	-	-	-
<u>1,331,582</u>	<u>654,431</u>	<u>24,917</u>	<u>(71,625)</u>	<u>463,452</u>	<u>189,251</u>	<u>333,556</u>
<u>\$ 1,462,910</u>	<u>\$ 783,034</u>	<u>\$ 24,917</u>	<u>\$ 70,925</u>	<u>\$ 466,779</u>	<u>\$ 198,610</u>	<u>\$ 347,184</u>

*City of West Covina*

**Combining Balance Sheet  
Non-Major Special Revenue Funds (continued)  
June 30, 2018**

	Charter PEG	Art in Public Places	Measure R	Inmate Welfare
<b>ASSETS</b>				
Cash and investments	\$ 270,578	\$ 142,515	\$ 2,303,079	\$ 11,377
Receivables, net:				
Taxes	-	-	-	-
Interest	83	43	703	4
Other	-	-	-	-
Due from other agencies	-	-	-	-
Total assets	<u>\$ 270,661</u>	<u>\$ 142,558</u>	<u>\$ 2,303,782</u>	<u>\$ 11,381</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 16,017	\$ -
Other accrued liabilities	-	37,598	5,584	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>37,598</u>	<u>21,601</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit):				
Restricted:				
Community services	270,661	104,960	-	-
Public safety	-	-	-	11,381
Public works	-	-	2,282,181	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>270,661</u>	<u>104,960</u>	<u>2,282,181</u>	<u>11,381</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 270,661</u>	<u>\$ 142,558</u>	<u>\$ 2,303,782</u>	<u>\$ 11,381</u>

(continued)

West Covina Community Services Foundation	Community Development Block Grant	SAFER Grant	Maintenance District #1	Maintenance District #2	Coastal Sage Shrub	Maintenance District #4
\$ 122,357	\$ -	\$ 10	\$ 2,125,610	\$ 703,515	\$ 303,614	\$ 2,385,169
-	-	-	29,382	4,463	124	16,409
38	-	-	649	214	92	729
22,675	36,588	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 145,070</u>	<u>\$ 36,588</u>	<u>\$ 10</u>	<u>\$ 2,155,641</u>	<u>\$ 708,192</u>	<u>\$ 303,830</u>	<u>\$ 2,402,307</u>
\$ 5,423	\$ 7,888	\$ -	\$ 48,983	\$ 10,460	\$ 5,882	\$ 94,635
-	2,982	-	1,613	985	265	1,959
-	35,021	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,423</u>	<u>45,891</u>	<u>-</u>	<u>50,596</u>	<u>11,445</u>	<u>6,147</u>	<u>96,594</u>
-	-	-	-	-	-	-
139,647	-	-	-	-	-	-
-	-	10	-	-	-	-
-	-	-	2,105,045	696,747	297,683	2,305,713
-	(9,303)	-	-	-	-	-
<u>139,647</u>	<u>(9,303)</u>	<u>10</u>	<u>2,105,045</u>	<u>696,747</u>	<u>297,683</u>	<u>2,305,713</u>
<u>\$ 145,070</u>	<u>\$ 36,588</u>	<u>\$ 10</u>	<u>\$ 2,155,641</u>	<u>\$ 708,192</u>	<u>\$ 303,830</u>	<u>\$ 2,402,307</u>

*City of West Covina*

**Combining Balance Sheet  
Non-Major Special Revenue Funds (continued)  
June 30, 2018**

	Maintenance District #6	Maintenance District #7	Citywide Maintenance District
<b>ASSETS</b>			
Cash and investments	\$ 243,854	\$ 290,440	\$ 1,232,375
Receivables, net:			
Taxes	2,602	2,438	34,611
Interest	74	88	382
Other	-	-	-
Due from other agencies	-	-	-
Total assets	<u>\$ 246,530</u>	<u>\$ 292,966</u>	<u>\$ 1,267,368</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 12,553	\$ 32,153	\$ 146,312
Other accrued liabilities	973	1,352	526
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>13,526</u>	<u>33,505</u>	<u>146,838</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	-	-
Fund Balances (Deficit):			
Restricted:			
Community services	-	-	-
Public safety	-	-	-
Public works	233,004	259,461	1,120,530
Unassigned	-	-	-
Total fund balances (deficit)	<u>233,004</u>	<u>259,461</u>	<u>1,120,530</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 246,530</u>	<u>\$ 292,966</u>	<u>\$ 1,267,368</u>

(continued)

<u>Sewer Maintenance</u>	<u>Auto Plaza Improvement District</u>	<u>Total Non-Major Special Revenue Funds</u>
\$ 3,540,516	\$ 129,517	\$ 20,942,751
83,848	-	307,953
1,238	40	6,433
-	-	374,491
-	-	625,124
<u>\$ 3,625,602</u>	<u>\$ 129,557</u>	<u>\$ 22,256,752</u>
\$ 23,587	\$ 1,471	\$ 851,511
18,843	-	152,597
-	-	194,835
-	434,372	434,372
<u>42,430</u>	<u>435,843</u>	<u>1,633,315</u>
-	-	625,124
-	-	3,005,968
-	-	3,501,659
3,583,172	-	14,001,419
-	(306,286)	(510,733)
<u>3,583,172</u>	<u>(306,286)</u>	<u>19,998,313</u>
<u>\$ 3,625,602</u>	<u>\$ 129,557</u>	<u>\$ 22,256,752</u>

*City of West Covina*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Special Revenue Funds  
For the Year Ended June 30, 2018**

	Drug Enforcement Rebate	Measure M	Air Quality Improvement	Proposition A
<b>REVENUES</b>				
Taxes	\$ -	\$ 1,132,879	\$ -	\$ 2,012,184
Special assessments	-	-	-	-
Investment income	32,080	2,798	2,112	28
Revenue from other agencies	251,688	-	138,524	103,655
Charges for services	98,656	-	-	-
Other revenues	1,000	-	1,700	-
Total revenues	<u>383,424</u>	<u>1,135,677</u>	<u>142,336</u>	<u>2,115,867</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	1,588,107	-	-	-
Public works	-	63,326	936,746	-
Community services	-	-	-	2,139,868
Community development	-	-	-	-
Total expenditures	<u>1,588,107</u>	<u>63,326</u>	<u>936,746</u>	<u>2,139,868</u>
Excess of revenues over (under) expenditures	<u>(1,204,683)</u>	<u>1,072,351</u>	<u>(794,410)</u>	<u>(24,001)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	9,761	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,761</u>	<u>-</u>
Net change in fund balances	(1,204,683)	1,072,351	(784,649)	(24,001)
Fund balances (deficit), beginning of year	<u>4,147,227</u>	<u>-</u>	<u>661,130</u>	<u>110,768</u>
Fund balances (deficit), end of year	<u>\$ 2,942,544</u>	<u>1,072,351</u>	<u>\$ (123,519)</u>	<u>\$ 86,767</u>

(continued)

Proposition C	State Gas Tax	Police Donations	Transportation Development Act	AB939	Public Safety Augmentation	COPS/SLESA
\$ 1,665,220	\$ 631,736	\$ -	\$ -	\$ -	\$ 758,640	\$ -
-	-	-	-	-	-	-
12,694	-	242	-	3,408	1,138	3,245
-	2,132,512	4,000	84,318	-	-	230,437
-	124,294	-	-	-	-	-
-	123,439	1,250	-	202,362	-	250
<u>1,677,914</u>	<u>3,011,981</u>	<u>5,492</u>	<u>84,318</u>	<u>205,770</u>	<u>759,778</u>	<u>233,932</u>
-	3,333	-	-	-	-	-
-	-	5,702	-	-	701,884	251,275
430,288	2,264,276	-	116,330	159,102	-	-
1,187,233	-	-	-	-	-	-
18,142	-	-	-	-	-	-
<u>1,635,663</u>	<u>2,267,609</u>	<u>5,702</u>	<u>116,330</u>	<u>159,102</u>	<u>701,884</u>	<u>251,275</u>
<u>42,251</u>	<u>744,372</u>	<u>(210)</u>	<u>(32,012)</u>	<u>46,668</u>	<u>57,894</u>	<u>(17,343)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,251</u>	<u>744,372</u>	<u>(210)</u>	<u>(32,012)</u>	<u>46,668</u>	<u>57,894</u>	<u>(17,343)</u>
<u>1,289,331</u>	<u>(89,941)</u>	<u>25,127</u>	<u>(39,613)</u>	<u>416,784</u>	<u>131,357</u>	<u>350,899</u>
<u>\$ 1,331,582</u>	<u>\$ 654,431</u>	<u>\$ 24,917</u>	<u>\$ (71,625)</u>	<u>\$ 463,452</u>	<u>\$ 189,251</u>	<u>\$ 333,556</u>

*City of West Covina*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Special Revenue Funds (continued)  
For the Year Ended June 30, 2018**

	Charter PEG	Art in Public Places	Measure R	Inmate Welfare
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,250,103	\$ -
Special assessments	-	-	-	-
Investment income	2,388	1,021	18,555	95
Revenue from other agencies	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	8,051	2,245	3,141
Total revenues	<u>2,388</u>	<u>9,072</u>	<u>1,270,903</u>	<u>3,236</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,174	-	-	-
Public safety	-	-	-	6,750
Public works	-	-	285,250	-
Community services	-	-	228,899	-
Community development	-	-	-	-
Total expenditures	<u>8,174</u>	<u>-</u>	<u>514,149</u>	<u>6,750</u>
Excess of revenues over (under) expenditures	<u>(5,786)</u>	<u>9,072</u>	<u>756,754</u>	<u>(3,514)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	27,121	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>27,121</u>	<u>-</u>
Net change in fund balances	(5,786)	9,072	783,875	(3,514)
Fund balances (deficit), beginning of year	<u>276,447</u>	<u>95,888</u>	<u>1,498,306</u>	<u>14,895</u>
Fund balances (deficit), end of year	<u>\$ 270,661</u>	<u>\$ 104,960</u>	<u>\$ 2,282,181</u>	<u>\$ 11,381</u>

(continued)

West Covina Community Services Foundation	Community Development Block Grant	SAFER Grant	Maintenance District #1	Maintenance District #2	Coastal Sage Shrub	Maintenance District #4
\$ -	\$ -	\$ -	\$ 523,787	\$ 202,505	\$ 107,873	\$ -
-	-	-	-	-	-	1,041,808
1,043	14	-	17,349	5,597	2,535	19,603
-	737,039	-	-	-	-	-
-	-	-	-	-	-	-
68,502	139,194	-	-	-	1,000	-
<u>69,545</u>	<u>876,247</u>	<u>-</u>	<u>541,136</u>	<u>208,102</u>	<u>111,408</u>	<u>1,061,411</u>
-	-	-	-	-	-	-
7,058	20,827	-	-	-	3,308	-
-	103,044	-	401,065	149,201	87,735	1,122,304
52,669	245,145	-	-	-	-	-
-	41,298	-	-	-	-	-
<u>59,727</u>	<u>410,314</u>	<u>-</u>	<u>401,065</u>	<u>149,201</u>	<u>91,043</u>	<u>1,122,304</u>
<u>9,818</u>	<u>465,933</u>	<u>-</u>	<u>140,071</u>	<u>58,901</u>	<u>20,365</u>	<u>(60,893)</u>
-	-	-	-	-	-	9,000
-	-	-	-	(9,000)	-	-
-	-	-	-	(9,000)	-	9,000
9,818	465,933	-	140,071	49,901	20,365	(51,893)
<u>129,829</u>	<u>(475,236)</u>	<u>10</u>	<u>1,964,974</u>	<u>646,846</u>	<u>277,318</u>	<u>2,357,606</u>
<u>\$ 139,647</u>	<u>\$ (9,303)</u>	<u>\$ 10</u>	<u>\$ 2,105,045</u>	<u>\$ 696,747</u>	<u>\$ 297,683</u>	<u>\$ 2,305,713</u>

*City of West Covina*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Special Revenue Funds (continued)  
For the Year Ended June 30, 2018**

	Maintenance District #6	Maintenance District #7	Citywide Maintenance District
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments	157,799	171,405	1,638,880
Investment income	2,381	2,867	8,718
Revenue from other agencies	-	-	-
Charges for services	-	-	1,891
Other revenues	-	-	350
	<u>160,180</u>	<u>174,272</u>	<u>1,649,839</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	232,387	278,555	1,606,952
Community services	-	-	-
Community development	-	-	-
	<u>232,387</u>	<u>278,555</u>	<u>1,606,952</u>
Total expenditures	<u>232,387</u>	<u>278,555</u>	<u>1,606,952</u>
Excess of revenues over (under) expenditures	<u>(72,207)</u>	<u>(104,283)</u>	<u>42,887</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(72,207)	(104,283)	42,887
Fund balances (deficit), beginning of year	<u>305,211</u>	<u>363,744</u>	<u>1,077,643</u>
Fund balances (deficit), end of year	<u>\$ 233,004</u>	<u>\$ 259,461</u>	<u>\$ 1,120,530</u>

(continued)

<u>Sewer Maintenance</u>	<u>Auto Plaza Improvement District</u>	<u>Total Non-Major Special Revenue Funds</u>
\$ 287,947	\$ 115,615	\$ 8,688,489
3,067,969	-	6,077,861
26,130	1,088	167,129
-	-	3,682,173
-	-	224,841
4,250	-	556,734
<u>3,386,296</u>	<u>116,703</u>	<u>19,397,227</u>
-	-	11,507
-	-	2,584,911
2,923,843	-	11,160,404
-	-	3,853,814
-	55,857	115,297
<u>2,923,843</u>	<u>55,857</u>	<u>17,725,933</u>
<u>462,453</u>	<u>60,846</u>	<u>1,671,294</u>
-	-	45,882
-	-	(9,000)
-	-	36,882
462,453	60,846	1,708,176
<u>3,120,719</u>	<u>(367,132)</u>	<u>18,290,137</u>
<u>\$ 3,583,172</u>	<u>\$ (306,286)</u>	<u>\$ 19,998,313</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Drug Enforcement Rebate Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 32,080	\$ 32,080
Revenue from other agencies	-	-	251,688	251,688
Charges for services	-	-	98,656	98,656
Other revenues	-	-	1,000	1,000
Total revenues	-	-	383,424	383,424
<b>EXPENDITURES</b>				
Current:				
Public safety	-	1,525,507	1,588,107	(62,600)
Net change in fund balance	-	(1,525,507)	(1,204,683)	320,824
Fund balance, beginning of year	4,147,227	4,147,227	4,147,227	-
Fund balance, end of year	\$ 4,147,227	\$ 2,621,720	\$ 2,942,544	\$ 320,824

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Measure M Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,343,814	\$ 1,343,814	\$ 1,132,879	\$ (210,935)
Investment income	-	-	2,798	2,798
Total revenues	1,343,814	1,343,814	1,135,677	(208,137)
<b>EXPENDITURES</b>				
Current:				
Public works	1,000,000	63,326	63,326	-
Net change in fund balance	343,814	1,280,488	1,072,351	(208,137)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 343,814	\$ 1,280,488	\$ 1,072,351	\$ (208,137)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Air Quality Improvement Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 2,112	\$ 2,112
Revenue from other agencies	141,000	141,000	138,524	(2,476)
Other revenues	-	-	1,700	1,700
Total revenues	141,000	141,000	142,336	1,336
<b>EXPENDITURES</b>				
Current:				
Public works	28,653	951,302	936,746	14,556
Excess (deficiency) of revenues over (under) expenditures	112,347	(810,302)	(794,410)	15,892
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	9,761	9,761
Net change in fund balance	112,347	(810,302)	(784,649)	25,653
Fund balance, beginning of year	661,130	661,130	661,130	-
Fund balance (deficit), end of year	\$ 773,477	\$ (149,172)	\$ (123,519)	\$ 25,653

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Proposition A Special Revenue Fund  
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,006,292	\$ 2,006,292	\$ 2,012,184	\$ 5,892
Investment income	-	-	28	28
Revenue from other agencies	100,000	100,000	103,655	3,655
Total revenues	<u>2,106,292</u>	<u>2,106,292</u>	<u>2,115,867</u>	<u>9,575</u>
<b>EXPENDITURES</b>				
Current:				
Community services	<u>2,133,534</u>	<u>2,133,566</u>	<u>2,139,868</u>	<u>(6,302)</u>
Net change in fund balance	(27,242)	(27,274)	(24,001)	3,273
Fund balance, beginning of year	<u>110,768</u>	<u>110,768</u>	<u>110,768</u>	<u>-</u>
Fund balance, end of year	<u>\$ 83,526</u>	<u>\$ 83,494</u>	<u>\$ 86,767</u>	<u>\$ 3,273</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Proposition C Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,664,167	\$ 1,664,167	\$ 1,665,220	\$ 1,053
Investment income	-	-	12,694	12,694
Total revenues	<u>1,664,167</u>	<u>1,664,167</u>	<u>1,677,914</u>	<u>13,747</u>
<b>EXPENDITURES</b>				
Current:				
Public works	319,832	440,881	430,288	10,593
Community services	1,309,346	1,309,187	1,187,233	121,954
Community development	28,528	28,528	18,142	10,386
Total expenditures	<u>1,657,706</u>	<u>1,778,596</u>	<u>1,635,663</u>	<u>142,933</u>
Net change in fund balance	6,461	(114,429)	42,251	156,680
Fund balance, beginning of year	<u>1,289,331</u>	<u>1,289,331</u>	<u>1,289,331</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,295,792</u>	<u>\$ 1,174,902</u>	<u>\$ 1,331,582</u>	<u>\$ 156,680</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
State Gas Tax Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 622,074	\$ 622,074	\$ 631,736	\$ 9,662
Revenue from other agencies	2,262,337	2,262,337	2,132,512	(129,825)
Charges for services	-	119,576	124,294	4,718
Other revenues	123,427	123,427	123,439	12
Total revenues	3,007,838	3,127,414	3,011,981	(115,433)
<b>EXPENDITURES</b>				
Current:				
General government	-	4,329	3,333	996
Public works	2,853,258	3,040,764	2,264,276	776,488
Total expenditures	2,853,258	3,045,093	2,267,609	777,484
Net change in fund balance	154,580	82,321	744,372	662,051
Fund balance (deficit), beginning of year	(89,941)	(89,941)	(89,941)	-
Fund balance, end of year	\$ 64,639	\$ (7,620)	\$ 654,431	\$ 662,051

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Police Donations Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 242	\$ 242
Revenue from other agencies	-	4,000	4,000	-
Other revenues	-	1,250	1,250	-
Total revenues	-	5,250	5,492	242
<b>EXPENDITURES</b>				
Current:				
Public safety	-	5,702	5,702	-
Net change in fund balance	-	(452)	(210)	242
Fund balance, beginning of year	25,127	25,127	25,127	-
Fund balance, end of year	\$ 25,127	\$ 24,675	\$ 24,917	\$ 242

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Transportation Development Act Special Revenue Fund  
For the Year Ended June 30, 2018**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from other agencies	\$ 70,000	\$ 70,000	\$ 84,318	\$ 14,318
<b>EXPENDITURES</b>				
Current:				
Public works	70,000	116,330	116,330	-
Net change in fund balance	-	(46,330)	(32,012)	14,318
Fund balance (deficit), beginning of year	(39,613)	(39,613)	(39,613)	-
Fund balance (deficit), end of year	\$ (39,613)	\$ (85,943)	\$ (71,625)	\$ 14,318

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
AB939 Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 3,408	\$ 3,408
Charges for services	2,000	2,000	-	(2,000)
Other revenues	170,000	170,000	202,362	32,362
Total revenues	172,000	172,000	205,770	33,770
<b>EXPENDITURES</b>				
Current:				
Public works	175,326	189,023	159,102	29,921
Net change in fund balance	(3,326)	(17,023)	46,668	63,691
Fund balance, beginning of year	416,784	416,784	416,784	-
Fund balance, end of year	\$ 413,458	\$ 399,761	\$ 463,452	\$ 63,691

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Public Safety Augmentation Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 700,000	\$ -	\$ 758,640	\$ 758,640
Investment income	-	700,000	1,138	(698,862)
Total revenues	700,000	700,000	759,778	59,778
<b>EXPENDITURES</b>				
Current:				
Public safety	700,000	700,000	701,884	(1,884)
Net change in fund balance	-	-	57,894	57,894
Fund balance, beginning of year	131,357	131,357	131,357	-
Fund balance, end of year	\$ 131,357	\$ 131,357	\$ 189,251	\$ 57,894

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
COPS/SLESA Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 3,245	\$ 3,245
Revenue from other agencies	-	164,954	230,437	65,483
Other revenues	-	-	250	250
Total revenues	-	164,954	233,932	68,978
<b>EXPENDITURES</b>				
Current:				
Public safety	-	251,276	251,275	1
Net change in fund balance	-	(86,322)	(17,343)	68,979
Fund balance, beginning of year	350,899	350,899	350,899	-
Fund balance, end of year	\$ 350,899	\$ 264,577	\$ 333,556	\$ 68,979

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Charter PEG Special Revenue Fund  
For the Year Ended June 30, 2018**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 2,388	\$ 2,388
<b>EXPENDITURES</b>				
Current:				
General government	-	8,174	8,174	-
Net change in fund balance	-	(8,174)	(5,786)	2,388
Fund balance, beginning of year	276,447	276,447	276,447	-
Fund balance, end of year	\$ 276,447	\$ 268,273	\$ 270,661	\$ 2,388

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Art in Public Places Special Revenue Fund  
 For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 1,021	\$ 1,021
Other revenues	45,000	45,000	8,051	(36,949)
Total revenues	45,000	45,000	9,072	(35,928)
<b>EXPENDITURES</b>				
Current:				
Community development	8,000	8,000	-	8,000
Net change in fund balance	37,000	37,000	9,072	(27,928)
Fund balance, beginning of year	95,888	95,888	95,888	-
Fund balance, end of year	\$ 132,888	\$ 132,888	\$ 104,960	\$ (27,928)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Measure R Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,248,150	\$ 1,248,150	\$ 1,250,103	\$ 1,953
Investment income	-	-	18,555	18,555
Other revenues	-	-	2,245	2,245
Total revenues	1,248,150	1,248,150	1,270,903	22,753
<b>EXPENDITURES</b>				
Current:				
Public works	5,815,000	297,139	285,250	11,889
Community services	221,808	226,411	228,899	(2,488)
Total expenditures	6,036,808	523,550	514,149	9,401
Excess (deficiency) of revenues over (under) expenditures	(4,788,658)	724,600	756,754	32,154
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	10,000,000	10,000,000	-	(10,000,000)
Transfer in	-	-	27,121	27,121
Total other financing sources	10,000,000	10,000,000	27,121	(9,972,879)
Net change in fund balance	5,211,342	10,724,600	783,875	(9,940,725)
Fund balance, beginning of year	1,498,306	1,498,306	1,498,306	-
Fund balance, end of year	\$ 6,709,648	\$ 12,222,906	\$ 2,282,181	\$ (9,940,725)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Inmate Welfare Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 95	95
Other revenues	6,750	6,750	3,141	(3,609)
Total revenues	6,750	6,750	3,236	(3,514)
<b>EXPENDITURES</b>				
Current:				
Public safety	6,750	6,750	6,750	-
Net change in fund balance	-	-	(3,514)	(3,514)
Fund balance, beginning of year	14,895	14,895	14,895	-
Fund balance, end of year	\$ 14,895	\$ 14,895	\$ 11,381	\$ (3,514)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
West Covina Community Services Foundation Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 1,043	\$ 1,043
Other revenues	-	34,854	68,502	33,648
Total revenues	-	34,854	69,545	34,691
<b>EXPENDITURES</b>				
Current:				
Public safety	-	7,058	7,058	-
Community services	-	52,669	52,669	-
Total expenditures	-	59,727	59,727	-
Net change in fund balance	-	(24,873)	9,818	34,691
Fund balance, beginning of year	129,829	129,829	129,829	-
Fund balance, end of year	\$ 129,829	\$ 104,956	\$ 139,647	\$ 34,691

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Community Development Block Grant Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 14	\$ 14
Revenue from other agencies	732,715	732,715	737,039	4,324
Other revenues	80,000	80,000	139,194	59,194
Total revenues	<u>812,715</u>	<u>812,715</u>	<u>876,247</u>	<u>63,532</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	70,000	20,000	20,827	(827)
Public works	30,000	103,044	103,044	-
Community development	255,804	280,284	245,145	35,139
Community services	210,000	341,288	41,298	299,990
Total expenditures	<u>565,804</u>	<u>744,616</u>	<u>410,314</u>	<u>334,302</u>
Net change in fund balance	246,911	68,099	465,933	397,834
Fund balance (deficit), beginning of year	<u>(475,236)</u>	<u>(475,236)</u>	<u>(475,236)</u>	-
Fund balance (deficit), end of year	<u>\$ (228,325)</u>	<u>\$ (407,137)</u>	<u>\$ (9,303)</u>	<u>\$ 397,834</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Maintenance District #1 Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 456,923	\$ 456,923	\$ 523,787	\$ 66,864
Investment income	3,262	3,262	17,349	14,087
Total revenues	460,185	460,185	541,136	80,951
<b>EXPENDITURES</b>				
Current:				
Public works	583,586	451,931	401,065	50,866
Net change in fund balance	(123,401)	8,254	140,071	131,817
Fund balance, beginning of year	1,964,974	1,964,974	1,964,974	-
Fund balance, end of year	\$ 1,841,573	\$ 1,973,228	\$ 2,105,045	\$ 131,817

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Maintenance District #2 Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 143,662	\$ 139,885	\$ 202,505	\$ 62,620
Investment income	-	-	5,597	5,597
Total revenues	143,662	139,885	208,102	68,217
<b>EXPENDITURES</b>				
Current:				
Public works	382,814	184,809	149,201	35,608
Total expenditures	382,814	184,809	149,201	35,608
Excess (deficiency) of revenues over (under) expenditures	(239,152)	(44,924)	58,901	103,825
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(9,000)	(9,000)	(9,000)	-
Net change in fund balance	(248,152)	(53,924)	49,901	103,825
Fund balance, beginning of year	646,846	646,846	646,846	-
Fund balance, end of year	\$ 398,694	\$ 592,922	\$ 696,747	\$ 103,825

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Coastal Sage Shrub Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 125,000	\$ 125,000	\$ 107,873	\$ (17,127)
Investment income	-	-	2,535	2,535
Other revenues	-	-	1,000	1,000
Total revenues	125,000	125,000	111,408	(13,592)
<b>EXPENDITURES</b>				
Current:				
Public safety	-	3,308	3,308	-
Public works	130,834	132,479	87,735	44,744
Total expenditures	130,834	135,787	91,043	44,744
Net change in fund balance	(5,834)	(10,787)	20,365	31,152
Fund balance, beginning of year	277,318	277,318	277,318	-
Fund balance, end of year	\$ 271,484	\$ 266,531	\$ 297,683	\$ 31,152

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Maintenance District #4 Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 1,037,950	\$ 1,037,950	\$ 1,041,808	\$ 3,858
Investment income	10,000	10,000	19,603	9,603
Total revenues	<u>1,047,950</u>	<u>1,047,950</u>	<u>1,061,411</u>	<u>13,461</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>1,633,776</u>	<u>1,288,868</u>	<u>1,122,304</u>	<u>166,564</u>
Deficiency of revenues under expenditures	(585,826)	(240,918)	(60,893)	180,025
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Net change in fund balance	(576,826)	(231,918)	(51,893)	180,025
Fund balance, beginning of year	<u>2,357,606</u>	<u>2,357,606</u>	<u>2,357,606</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,780,780</u>	<u>\$ 2,125,688</u>	<u>\$ 2,305,713</u>	<u>\$ 180,025</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Maintenance District #6 Special Revenue Fund  
For the Year Ended June 30, 2018**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 154,700	\$ 154,700	\$ 157,799	\$ 3,099
Investment income	508	508	2,381	1,873
Total revenues	<u>155,208</u>	<u>155,208</u>	<u>160,180</u>	<u>4,972</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>270,072</u>	<u>267,364</u>	<u>232,387</u>	<u>34,977</u>
Net change in fund balance	(114,864)	(112,156)	(72,207)	39,949
Fund balance, beginning of year	<u>305,211</u>	<u>305,211</u>	<u>305,211</u>	-
Fund balance, end of year	<u>\$ 190,347</u>	<u>\$ 193,055</u>	<u>\$ 233,004</u>	<u>\$ 39,949</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Maintenance District #7 Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 165,948	\$ 165,948	\$ 171,405	\$ 5,457
Investment income	2,000	2,000	2,867	867
Total revenues	<u>167,948</u>	<u>167,948</u>	<u>174,272</u>	<u>6,324</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>358,620</u>	<u>318,879</u>	<u>278,555</u>	<u>40,324</u>
Net change in fund balance	(190,672)	(150,931)	(104,283)	46,648
Fund balance, beginning of year	<u>363,744</u>	<u>363,744</u>	<u>363,744</u>	-
Fund balance, end of year	<u>\$ 173,072</u>	<u>\$ 212,813</u>	<u>\$ 259,461</u>	<u>\$ 46,648</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Citywide Maintenance District Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 1,663,639	\$ 1,663,639	\$ 1,638,880	\$ (24,759)
Investment income	336	336	8,718	8,382
Charges for services	-	-	1,891	1,891
Other revenue	-	-	350	350
	<u>1,663,975</u>	<u>1,663,975</u>	<u>1,649,839</u>	<u>(14,136)</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
Public works	<u>1,771,227</u>	<u>1,779,884</u>	<u>1,606,952</u>	<u>172,932</u>
Net change in fund balance	(107,252)	(115,909)	42,887	158,796
Fund balance, beginning of year	<u>1,077,643</u>	<u>1,077,643</u>	<u>1,077,643</u>	<u>-</u>
Fund balance, end of year	<u>\$ 970,391</u>	<u>\$ 961,734</u>	<u>\$ 1,120,530</u>	<u>\$ 158,796</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Sewer Maintenance Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 190,000	\$ 190,000	\$ 287,947	\$ 97,947
Special assessments	3,155,862	3,155,862	3,067,969	(87,893)
Investment income	2,500	2,500	26,130	23,630
Other revenue	-	-	4,250	4,250
Total revenues	<u>3,348,362</u>	<u>3,348,362</u>	<u>3,386,296</u>	<u>37,934</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>3,540,404</u>	<u>2,907,536</u>	<u>2,923,843</u>	<u>(16,307)</u>
Net change in fund balance	(192,042)	440,826	462,453	21,627
Fund balance, beginning of year	<u>3,120,719</u>	<u>3,120,719</u>	<u>3,120,719</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,928,677</u>	<u>\$ 3,561,545</u>	<u>\$ 3,583,172</u>	<u>\$ 21,627</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Auto Plaza Improvement District Special Revenue Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 115,666	\$ 115,666	\$ 115,615	\$ (51)
Investment income	-	-	1,088	1,088
Total revenues	115,666	115,666	116,703	1,037
<b>EXPENDITURES</b>				
Current:				
Community development	66,073	66,073	55,857	10,216
Net change in fund balance	49,593	49,593	60,846	11,253
Fund balance (deficit), beginning of year	(367,132)	(367,132)	(367,132)	-
Fund balance (deficit), end of year	\$ (317,539)	\$ (317,539)	\$ (306,286)	\$ 11,253

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## *City of West Covina*

### **Non-Major Governmental Funds – Debt Service Funds**

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**DEBT SERVICE FUNDS** – These funds are used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.

**City Debt Service** – This fund accounts for the payment of principal, interest, and related costs on the City's long-term debt issues.

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
City Debt Service Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 66,049	\$ 66,049
Revenue from other agencies	-	-	1,255,662	1,255,662
Charges for services	1,131,500	1,131,500	416,351	(715,149)
Total revenues	1,131,500	1,131,500	1,738,062	606,562
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,583,918	2,583,918	1,958,918	625,000
Interest and fiscal charges	1,703,642	1,703,642	1,501,956	201,686
Total expenditures	4,287,560	4,287,560	3,460,874	826,686
Deficiency of revenues under expenditures	(3,156,060)	(3,156,060)	(1,722,812)	1,433,248
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	-	500,000	-	(500,000)
Transfers in	4,077,740	4,077,740	2,130,561	(1,947,179)
Transfers out	-	(500,000)	(1,000,000)	(500,000)
Total other financing sources (uses)	4,077,740	4,077,740	1,130,561	(2,947,179)
Net change in fund balance	921,680	921,680	(592,251)	(1,513,931)
Fund balance, beginning of year	5,625,636	5,625,636	5,625,636	-
Fund balance, end of year	\$ 6,547,316	\$ 6,547,316	\$ 5,033,385	\$ (1,513,931)

**Non-Major Governmental Funds – Capital Projects Funds**

---

**CAPITAL PROJECTS FUNDS** are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived capital assets.

**City Capital Projects** – This fund accounts for all capital expenditures not being accounted for in the capital projects described below or in other fund types.

**Construction Tax** – This fund accounts for monies received from developers based on the construction of dwelling units and used primarily to construct public domain assets.

**Information Technology** – The funds paid into this fund are to be used for information technology capital outlay projects.

**Park Development** – This fund accounts for park fees received from residential developers to be used for new park construction.

**Development Impact Fees** – This fund accounts for fees received from residential developers to help fund the purchase/replacement of vehicles/equipment along with the repairs and improvements of city facilities.

*City of West Covina*

**Combining Balance Sheet  
Non-Major Capital Projects Funds  
June 30, 2018**

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	<u>City</u>	<u>Construction Tax</u>	<u>Information Technology</u>
<b>ASSETS</b>			
Cash and investments	\$ 190,768	\$ 107,468	\$ 827,848
Receivables, net:			
Interest	<u>59</u>	<u>33</u>	<u>-</u>
Total assets	<u>\$ 190,827</u>	<u>\$ 107,501</u>	<u>\$ 827,848</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 8,299	\$ 24,998	\$ 82,511
Other accrued liabilities	<u>3,306</u>	<u>16,930</u>	<u>18,200</u>
Total liabilities	<u>11,605</u>	<u>41,928</u>	<u>100,711</u>
Fund Balances:			
Assigned	<u>179,222</u>	<u>65,573</u>	<u>727,137</u>
Total fund balances	<u>179,222</u>	<u>65,573</u>	<u>727,137</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 190,827</u>	<u>\$ 107,501</u>	<u>\$ 827,848</u>

(continued)

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<u>Park Development</u>	<u>Development Impact Fees</u>	<u>Total Non-Major Capital Projects Funds</u>
\$ 905,910	\$ 128,142	\$ 2,160,136
<u>125</u>	<u>-</u>	<u>217</u>
<u>\$ 906,035</u>	<u>\$ 128,142</u>	<u>\$ 2,160,353</u>
\$ -	\$ -	\$ 115,808
<u>1,214</u>	<u>-</u>	<u>39,650</u>
<u>1,214</u>	<u>-</u>	<u>155,458</u>
<u>904,821</u>	<u>128,142</u>	<u>2,004,895</u>
<u>904,821</u>	<u>128,142</u>	<u>2,004,895</u>
<u>\$ 906,035</u>	<u>\$ 128,142</u>	<u>\$ 2,160,353</u>

*City of West Covina*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-Major Capital Projects Funds  
For the Year Ended June 30, 2018**

	City	Construction Tax	Information Technology
<b>REVENUES</b>			
Taxes	\$ -	\$ 75,824	\$ -
Investment income	4,925	2,890	-
Revenue from other agencies	50,000	-	11,535
Other revenues	-	-	-
Total revenues	<u>54,925</u>	<u>78,714</u>	<u>11,535</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	270,740	-	-
Public works	-	395,490	801,887
Community services	-	-	-
Total expenditures	<u>270,740</u>	<u>395,490</u>	<u>801,887</u>
Excess of revenues over (under) expenditures	<u>(215,815)</u>	<u>(316,776)</u>	<u>(790,352)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	706,792
Transfers out	<u>(518,821)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(518,821)</u>	<u>-</u>	<u>706,792</u>
Net change in fund balances	(734,636)	(316,776)	(83,560)
Fund balances, beginning of year	<u>913,858</u>	<u>382,349</u>	<u>810,697</u>
Fund balances, end of year	<u>\$ 179,222</u>	<u>\$ 65,573</u>	<u>\$ 727,137</u>

(continued)

<u>Park Development</u>	<u>Development Impact Fees</u>	<u>Total Non-Major Capital Projects Funds</u>
\$ -	\$ -	\$ 75,824
5,655	-	13,470
-	-	61,535
-	49,418	49,418
<u>5,655</u>	<u>49,418</u>	<u>200,247</u>
-	-	270,740
-	-	1,197,377
<u>235,871</u>	<u>-</u>	<u>235,871</u>
<u>235,871</u>	<u>-</u>	<u>1,703,988</u>
<u>(230,216)</u>	<u>49,418</u>	<u>(1,503,741)</u>
500,000	-	1,206,792
-	-	(518,821)
<u>500,000</u>	<u>-</u>	<u>687,971</u>
269,784	49,418	(815,770)
<u>635,037</u>	<u>78,724</u>	<u>2,820,665</u>
<u>\$ 904,821</u>	<u>\$ 128,142</u>	<u>\$ 2,004,895</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
City Capital Projects Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 4,925	\$ 4,925
Revenue from other agencies	-	414,000	50,000	(364,000)
Total revenues	-	414,000	54,925	(359,075)
<b>EXPENDITURES</b>				
Current:				
Public safety	130,000	270,740	270,740	-
Deficiency of revenues under expenditures	(130,000)	143,260	(215,815)	(359,075)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	567,148	-	(567,148)
Transfers out	(518,821)	(518,821)	(518,821)	-
Net change in fund balance	(648,821)	191,587	(734,636)	(926,223)
Fund balance, beginning of year	913,858	913,858	913,858	-
Fund balance, end of year	\$ 265,037	\$ 1,105,445	\$ 179,222	\$ (926,223)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Construction Tax Capital Projects Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 95,000	\$ 95,000	\$ 75,824	\$ (19,176)
Investment income	-	-	2,890	2,890
Total revenues	95,000	95,000	78,714	(16,286)
<b>EXPENDITURES</b>				
Current:				
Public works	48,000	395,030	395,490	(460)
Net change in fund balance	47,000	(300,030)	(316,776)	(16,746)
Fund balance, beginning of year	382,349	382,349	382,349	-
Fund balance, end of year	\$ 429,349	\$ 82,319	\$ 65,573	\$ (16,746)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Information Technology Capital Projects Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from other agencies	\$ -	\$ 3,606	\$ 11,535	\$ 7,929
<b>EXPENDITURES</b>				
Current:				
Public works	706,972	793,958	801,887	(7,929)
Deficiency of revenues under expenditures	(706,972)	(790,352)	(790,352)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	706,972	706,972	706,792	(180)
Net change in fund balance	-	(83,380)	(83,560)	(180)
Fund balance, beginning of year	810,697	810,697	810,697	-
Fund balance, end of year	\$ 810,697	\$ 727,317	\$ 727,137	\$ (180)

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Park Development Capital Projects Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 5,655	\$ 5,655
Other revenues	3,900,000	3,900,000	-	(3,900,000)
Total revenues	3,900,000	3,900,000	5,655	(3,894,345)
<b>EXPENDITURES</b>				
Current:				
Community services	921,680	1,157,551	235,871	921,680
Excess (deficiency) of revenues over (under) expenditures	2,978,320	2,742,449	(230,216)	921,680
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	500,000	500,000
Net change in fund balance	2,978,320	2,742,449	269,784	(2,472,665)
Fund balance, beginning of year	635,037	635,037	635,037	-
Fund balance, end of year	<u>\$ 3,613,357</u>	<u>\$ 3,377,486</u>	<u>\$ 904,821</u>	<u>\$ (2,472,665)</u>

*City of West Covina*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Development Impact Fees Capital Projects Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 49,418	\$ 49,418
<b>EXPENDITURES</b>				
Current:				
Public Safety	32,340	-	-	-
Net change in fund balance	(32,340)	-	49,418	49,418
Fund balance, beginning of year	78,724	78,724	78,724	-
Fund balance, end of year	\$ 46,384	\$ 78,724	\$ 128,142	\$ 49,418

## *City of West Covina*

### **Internal Service Funds**

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**INTERNAL SERVICE FUNDS** – These funds are used to account for vehicle and equipment maintenance and replacement, for the City's self-insurance programs, and for retirement health savings plans for qualified City employees. Departments of the City are charged for the services provided or benefits received from these funds.

**Fleet Management** – This fund provides maintenance on materials and supplies for City vehicles and other gasoline or diesel powered equipment.

**Self-Insurance** – This fund accounts for the use of funds that are charged to departments for the administration and payment of claims under the City's self-insured general liability and workers' compensation programs.

**Retiree Health Savings Plan** – This fund accounts for the set aside lump sum benefits for retiring employees.

**Vehicle Replacement** – This fund provides for replacement of City vehicles.

*City of West Covina*

**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2018**

	Fleet Management	Self-Insurance
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 229,351	\$ 11,154,334
Receivables, net:		
Interest	-	-
Other	-	494
Inventories	26,949	-
Total current assets	<u>256,300</u>	<u>11,154,828</u>
Noncurrent Assets		
Capital assets:		
Capital assets	2,087,836	-
Less accumulated depreciation	(1,938,590)	-
Total capital assets	<u>149,246</u>	<u>-</u>
Total noncurrent assets	<u>149,246</u>	<u>-</u>
 Total assets	 <u>405,546</u>	 <u>11,154,828</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	212,127	82,326
Other accrued liabilities	1,912	-
Claims and judgements - current portion	-	3,257,830
Compensated absences - current portion	5,420	-
Total current liabilities	<u>219,459</u>	<u>3,340,156</u>
Noncurrent Liabilities:		
Claims and judgements	-	7,025,844
Compensated absences	2,429	-
Total noncurrent liabilities	<u>2,429</u>	<u>7,025,844</u>
 Total liabilities	 <u>221,888</u>	 <u>10,366,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	149,246	-
Unrestricted	34,412	788,828
 Total net position	 <u>\$ 183,658</u>	 <u>\$ 788,828</u>

(continued)

<u>Retiree Health Savings Plan</u>	<u>Vehicle Replacement</u>	<u>Totals</u>
\$ 457,321	\$ 584,638	\$ 12,425,644
140	180	320
-	-	494
-	-	26,949
<u>457,461</u>	<u>584,818</u>	<u>12,453,407</u>
-	586,921	2,674,757
-	(442,721)	(2,381,311)
-	144,200	293,446
-	144,200	293,446
<u>457,461</u>	<u>729,018</u>	<u>12,746,853</u>
-	-	294,453
-	-	1,912
-	-	3,257,830
-	-	5,420
-	-	3,559,615
-	-	7,025,844
-	-	2,429
-	-	7,028,273
-	-	10,587,888
-	144,200	293,446
<u>457,461</u>	<u>584,818</u>	<u>1,865,519</u>
<u>\$ 457,461</u>	<u>\$ 729,018</u>	<u>\$ 2,158,965</u>

*City of West Covina*

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2018**

	Fleet Management	Self-Insurance
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 1,526,567	\$ 2,765,176
Other revenues	23,026	100
Total operating revenues	<u>1,549,593</u>	<u>2,765,276</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	194,004	-
Cost of sales, services and operations	1,156,201	400,616
Depreciation	15,730	-
Insurance and claims paid	-	2,611,824
Total operating expenses	<u>1,365,935</u>	<u>3,012,440</u>
Operating income (loss)	<u>183,658</u>	<u>(247,164)</u>
<b>NONOPERATING REVENUES:</b>		
Investment income	-	-
Total nonoperating revenues	<u>-</u>	<u>-</u>
Loss before transfers	<u>183,658</u>	<u>(247,164)</u>
Transfers in	<u>-</u>	<u>1,033,645</u>
Change in net position	183,658	786,481
Net position, beginning of year	<u>-</u>	<u>2,347</u>
Net position, end of year	<u>\$ 183,658</u>	<u>\$ 788,828</u>

(continued)

<u>Retiree Health Savings Plan</u>	<u>Vehicle Replacement</u>	<u>Totals</u>
\$ -	\$ -	\$ 4,291,743
-	3,758	26,884
<u>-</u>	<u>3,758</u>	<u>4,318,627</u>
56,500	-	250,504
-	-	1,556,817
-	18,949	34,679
-	-	2,611,824
<u>56,500</u>	<u>18,949</u>	<u>4,453,824</u>
<u>(56,500)</u>	<u>(15,191)</u>	<u>(135,197)</u>
<u>4,090</u>	<u>3,126</u>	<u>7,216</u>
<u>4,090</u>	<u>3,126</u>	<u>7,216</u>
<u>(52,410)</u>	<u>(12,065)</u>	<u>(127,981)</u>
<u>-</u>	<u>296,865</u>	<u>1,330,510</u>
<u>(52,410)</u>	<u>284,800</u>	<u>1,202,529</u>
<u>509,871</u>	<u>444,218</u>	<u>956,436</u>
<u>\$ 457,461</u>	<u>\$ 729,018</u>	<u>\$ 2,158,965</u>

*City of West Covina*

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2018**

	Fleet Management	Self-Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Received from user departments	\$ 1,549,593	\$ 2,799,943
Payments to suppliers for goods and services	(1,039,310)	(3,603,903)
Payments to employees for services	(200,952)	-
Net cash provided by (used for) operating activities	<u>309,331</u>	<u>(803,960)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Received from other funds	-	1,033,645
Paid to other funds	(79,980)	12,695
Net cash provided by (used for) noncapital financing activities	<u>(79,980)</u>	<u>1,046,340</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	-	-
Net increase (decrease) in cash and cash equivalents	229,351	242,380
Cash and cash equivalents, beginning of year	-	10,911,954
Cash and cash equivalents, ending of year	<u>\$ 229,351</u>	<u>\$ 11,154,334</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 183,658	\$ (247,164)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	15,730	-
(Increase) Decrease in operating assets:		
Accounts receivable	-	35,161
Other receivables	-	(494)
Inventories	(10,400)	-
Increase (Decrease) in operating liabilities:		
Accounts payable	135,680	(288,749)
Other accrued liabilities	(8,389)	-
Claims and judgments payable	-	(302,714)
Compensated absences payable	(6,948)	-
Net cash provided by (used for) operating activities	<u>\$ 309,331</u>	<u>\$ (803,960)</u>

(continued)

<u>Retiree Health Savings Plan</u>	<u>Vehicle Replacement</u>	<u>Totals</u>
\$ -	\$ 3,758	\$ 4,353,294
-	-	(4,643,213)
<u>(56,500)</u>	<u>-</u>	<u>(257,452)</u>
<u>(56,500)</u>	<u>3,758</u>	<u>(547,371)</u>
-	296,865	1,330,510
-	-	(67,285)
<u>-</u>	<u>296,865</u>	<u>1,263,225</u>
<u>4,060</u>	<u>3,005</u>	<u>7,065</u>
(52,440)	303,628	722,919
<u>509,761</u>	<u>281,010</u>	<u>11,702,725</u>
<u>\$ 457,321</u>	<u>\$ 584,638</u>	<u>\$ 12,425,644</u>
\$ (56,500)	\$ (15,191)	\$ (135,197)
-	18,949	34,679
-	-	35,161
-	-	(494)
-	-	(10,400)
-	-	(153,069)
-	-	(8,389)
-	-	(302,714)
<u>-</u>	<u>-</u>	<u>(6,948)</u>
<u>\$ (56,500)</u>	<u>\$ 3,758</u>	<u>\$ (547,371)</u>

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## *City of West Covina*

### **Pension Trust Funds**

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**PENSION TRUST FUNDS** are used to account for monies required to be held in trust for the members and beneficiaries of defined benefit pension plans.

**Retirement Enhancement Defined Benefit Pension Trust Fund** - This fund accounts for the assets and activities of the Public Agency Retirement System Enhancement Plan.

**Supplemental Retirement Defined Benefit Pension Trust Fund** - This fund accounts for the assets and activities of the Public Agency Supplemental Retirement Plan.

*City of West Covina*

**Combining Statement of Net Position  
Pension Trust Funds  
June 30, 2018**

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	Retirement Enhancement Defined Benefit Pension Fund	Supplemental Retirement Defined Benefit Pension Fund	Total Pension Trust Funds
<b>ASSETS</b>			
Cash and investments	<u>\$ 154,677</u>	<u>\$ 580,176</u>	<u>\$ 734,853</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 154,677</u>	<u>\$ 580,176</u>	<u>\$ 734,853</u>

*City of West Covina*

**Combining Statement of Changes in Net Position  
Pension Trust Funds  
For the Year Ended June 30, 2018**

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	Retirement Enhancement Defined Benefit Pension Fund	Supplemental Retirement Defined Benefit Pension Fund	Total Pension Trust Funds
<b>ADDITIONS</b>			
Employer contribution	\$ 60,056	\$ 74,100	\$ 134,156
Investment income	8,234	36,932	45,166
Total Additions	<u>68,290</u>	<u>111,032</u>	<u>179,322</u>
<b>DEDUCTIONS</b>			
Administrative costs	775	3,379	4,154
Benefit distributions	<u>56,554</u>	<u>139,057</u>	<u>195,611</u>
Total Deductions	<u>57,329</u>	<u>142,436</u>	<u>199,765</u>
Change in net position	10,961	(31,404)	(20,443)
Net Position, beginning of year	<u>143,716</u>	<u>611,580</u>	<u>755,296</u>
Net Position, end of year	<u>\$ 154,677</u>	<u>\$ 580,176</u>	<u>\$ 734,853</u>

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## *City of West Covina*

### **Agency Fund**

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**AGENCY FUNDS** are used to account for monies held by the City in a trustee capacity as an agent for individuals, private organizations and other governmental units.

**Special Deposits** – This fund accounts for developer funds placed on deposit with the City pending either a return to the depositor or disbursement by the City on behalf of the depositor to pay for studies and other developer expenses.

# City of West Covina

## Statement of Changes in Assets and Liabilities Agency Fund For the Year Ended June 30, 2018

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	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>ASSETS</b>				
Cash and investments	\$ 1,548,671	\$ 1,022,739	\$ 666,230	\$ 1,905,180
Receivables, net:				
Accounts	-	6,100	6,100	-
Other	410	1,844	758	1,496
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,549,081</u>	<u>\$ 1,030,683</u>	<u>\$ 673,088</u>	<u>\$ 1,906,676</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 24,355	\$ 556,711	\$ 561,977	\$ 19,089
Deposits	1,524,726	924,093	561,232	1,887,587
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 1,549,081</u>	<u>\$ 1,480,804</u>	<u>\$ 1,123,209</u>	<u>\$ 1,906,676</u>

**Statistical Section**

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This section of the City'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 government's overall financial health.

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends</b>	201
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
<b>Revenue Capacity</b>	215
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	222
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	230
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	233
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

*City of West Covina*

**Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$180,298,472	\$184,338,106	\$179,236,866	\$222,784,189
Restricted	25,937,799	18,316,134	25,286,909	53,331,999
Unrestricted	<u>22,723,726</u>	<u>10,219,814</u>	<u>1,884,827</u>	<u>(27,344,668)</u>
Total governmental activities net pension	<u>\$ 228,959,997</u>	<u>\$ 212,874,054</u>	<u>\$ 206,408,602</u>	<u>\$ 248,771,520</u>
Business-type activities:				
Net investment in capital assets	\$ 107,507	\$ 42,073	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	<u>(786,551)</u>	<u>(1,128,610)</u>	<u>(999,624)</u>	<u>(994,560)</u>
Total business-type activities net pension	<u>\$ (679,044)</u>	<u>\$ (1,086,537)</u>	<u>\$ (999,624)</u>	<u>\$ (994,560)</u>
Primary government:				
Net investment in capital assets	\$ 180,405,979	\$ 184,380,179	\$ 179,236,866	\$ 222,784,189
Restricted	25,937,799	18,316,134	25,286,909	53,331,999
Unrestricted	<u>21,937,175</u>	<u>9,091,204</u>	<u>(98,187)</u>	<u>(28,339,228)</u>
Total primary government net pension	<u>\$ 228,280,953</u>	<u>\$ 211,787,517</u>	<u>\$ 204,425,588</u>	<u>\$ 247,776,960</u>

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$164,621,539	\$161,771,546	\$ 144,215,248	\$ 148,989,212	\$ 153,784,463	\$ 153,940,332
46,016,224	47,468,277	48,793,821	56,902,504	50,717,656	51,130,936
<u>(297,086)</u>	<u>191,878</u>	<u>(129,152,694)</u>	<u>(138,162,202)</u>	<u>(144,659,629)</u>	<u>(201,951,785)</u>
<u>\$ 210,340,677</u>	<u>\$ 209,431,701</u>	<u>\$ 63,856,375</u>	<u>\$ 67,729,514</u>	<u>\$ 59,842,490</u>	<u>\$ 3,119,483</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>(426,769)</u>	<u>60,922</u>	<u>188,045</u>	<u>(135,676)</u>	<u>(252,336)</u>	<u>(275,010)</u>
<u>\$ (426,769)</u>	<u>\$ 60,922</u>	<u>\$ 188,045</u>	<u>\$ (135,676)</u>	<u>\$ (252,336)</u>	<u>\$ (275,010)</u>
\$ 164,621,539	\$ 161,771,546	\$ 144,215,248	\$ 148,989,212	\$ 153,784,463	\$ 153,940,332
46,016,224	47,468,277	48,793,821	56,902,504	50,717,656	51,130,936
<u>(723,855)</u>	<u>252,800</u>	<u>(128,964,649)</u>	<u>(138,297,878)</u>	<u>(144,911,965)</u>	<u>(202,226,795)</u>
<u>\$ 209,913,908</u>	<u>\$ 209,492,623</u>	<u>\$ 64,044,420</u>	<u>\$ 67,593,838</u>	<u>\$ 59,590,154</u>	<u>\$ 2,844,473</u>

# City of West Covina

## Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental activities:				
General government	\$ 2,849,501	\$ 3,337,547	\$ 2,922,898	\$ 4,953,340
Public safety	47,682,934	48,151,398	45,253,725	49,369,913
Public works	21,598,894	21,054,241	21,052,423	20,510,387
Community services	7,835,430	6,558,987	6,629,292	6,949,951
Community development	12,867,904	8,619,004	9,414,730	4,071,050
Interest on long-term debt	7,962,089	6,577,544	7,101,037	5,927,002
Total governmental activities expenses	<u>100,796,752</u>	<u>94,298,721</u>	<u>92,374,105</u>	<u>91,781,643</u>
Business-type activities:				
Computer enterprise	<u>2,633,564</u>	<u>2,507,498</u>	<u>2,086,135</u>	<u>1,701,367</u>
Total business-type activities expenses	<u>2,633,564</u>	<u>2,507,498</u>	<u>2,086,135</u>	<u>1,701,367</u>
Total primary government expenses	<u>103,430,316</u>	<u>96,806,219</u>	<u>94,460,240</u>	<u>93,483,010</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	757,678	1,019,690	681,877	599,066
Public safety	3,611,259	3,850,741	3,571,864	3,196,729
Public works	5,818,290	7,041,281	8,043,988	7,046,096
Community services	1,158,644	1,089,227	1,166,675	1,141,162
Community development	266,286	313,639	240,462	255,669
Operating grants and contributions	11,895,355	5,157,956	10,189,050	12,557,141
Capital grants and contributions	578,828	3,574,609	678,827	958,459
Total governmental activities program revenues	<u>24,086,340</u>	<u>22,047,143</u>	<u>24,572,743</u>	<u>25,754,322</u>
Business-type activities:				
Charges for services:				
Computer enterprise	<u>1,885,071</u>	<u>2,193,037</u>	<u>2,268,982</u>	<u>1,805,242</u>
Total business-type activities program revenues	<u>1,885,071</u>	<u>2,193,037</u>	<u>2,268,982</u>	<u>1,805,242</u>
Total primary government program revenues	<u>25,971,411</u>	<u>24,240,180</u>	<u>26,841,725</u>	<u>27,559,564</u>

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 5,519,153	\$ 7,472,254	\$ 5,676,067	\$ 4,963,302	\$ 5,775,173	\$ 7,523,129
47,323,516	45,443,958	49,813,447	48,410,511	56,169,907	67,734,047
20,372,375	21,109,952	20,586,770	20,259,279	21,243,019	21,161,586
6,878,176	6,437,040	7,035,872	7,368,492	7,926,410	8,926,070
1,127,924	658,082	766,886	753,721	2,190,319	1,618,181
1,652,750	1,677,062	1,353,156	1,572,645	1,575,724	1,515,826
<u>82,873,894</u>	<u>82,798,348</u>	<u>85,232,198</u>	<u>83,327,950</u>	<u>94,880,552</u>	<u>108,478,839</u>
1,435,855	1,284,419	1,427,789	1,638,573	1,575,066	1,305,426
<u>1,435,855</u>	<u>1,284,419</u>	<u>1,427,789</u>	<u>1,638,573</u>	<u>1,575,066</u>	<u>1,305,426</u>
<u>84,309,749</u>	<u>84,082,767</u>	<u>86,659,987</u>	<u>84,966,523</u>	<u>96,455,618</u>	<u>109,784,265</u>
548,333	486,478	885,123	400,051	546,626	814,465
3,018,478	3,037,891	2,825,831	3,170,579	3,201,495	3,610,467
7,781,333	8,878,122	8,278,038	8,271,744	7,714,148	8,967,472
1,195,612	1,180,562	1,275,278	1,365,482	1,491,858	2,110,943
348,112	621,352	502,621	425,013	416,014	264,959
10,344,778	11,021,410	12,405,742	13,317,378	10,955,031	10,285,701
597,405	4,458,250	2,224,864	1,004,826	445,980	151,966
<u>23,834,051</u>	<u>29,684,065</u>	<u>28,397,497</u>	<u>27,955,073</u>	<u>24,771,152</u>	<u>26,205,973</u>
2,105,421	1,873,636	1,655,134	1,413,114	1,274,318	1,199,162
<u>2,105,421</u>	<u>1,873,636</u>	<u>1,655,134</u>	<u>1,413,114</u>	<u>1,274,318</u>	<u>1,199,162</u>
<u>25,939,472</u>	<u>31,557,701</u>	<u>30,052,631</u>	<u>29,368,187</u>	<u>26,045,470</u>	<u>27,405,135</u>

# City of West Covina

## Changes in Net Position, (continued) Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Net revenues (expenses):				
Governmental activities	\$(76,710,412)	\$(72,251,578)	\$(67,801,362)	\$(66,027,321)
Business-type activities	(748,493)	(314,461)	182,847	103,875
net primary government revenues (expenses)	<u>(77,458,905)</u>	<u>(72,566,039)</u>	<u>(67,618,515)</u>	<u>(65,923,446)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	36,387,548	28,849,815	30,888,074	23,313,556
Sales tax	9,261,965	7,791,286	12,550,157	13,177,914
Franchise tax	3,512,830	3,093,538	3,159,080	3,224,053
Other taxes	5,108,429	5,392,829	5,449,323	7,835,918
Motor vehicle in lieu, unrestricted	383,831	331,289	517,098	55,880
Investment income	4,768,327	4,288,088	2,281,105	1,647,399
Other general revenues	3,200,753	2,077,837	4,412,125	5,193,850
Transfers	78,750	93,140	95,934	98,811
Extraordinary gain (loss)	-	-	-	55,825,872
Total governmental activities	<u>62,702,433</u>	<u>51,917,822</u>	<u>59,352,896</u>	<u>110,373,253</u>
Business-type activities:				
Investment income	12,814	108	-	-
Other revenues	-	-	-	-
Transfers	(78,750)	(93,140)	(95,934)	(98,811)
Total business-type activities	<u>(65,936)</u>	<u>(93,032)</u>	<u>(95,934)</u>	<u>(98,811)</u>
Total primary government	<u>62,636,497</u>	<u>51,824,790</u>	<u>59,256,962</u>	<u>110,274,442</u>
Changes in net position:				
Governmental activities	(14,007,979)	(20,333,756)	(8,448,466)	44,345,932
Business-type activities	<u>(814,429)</u>	<u>(407,493)</u>	<u>86,913</u>	<u>5,064</u>
Total primary government change in net position	<u><u>\$(14,822,408)</u></u>	<u><u>\$(20,741,249)</u></u>	<u><u>\$ (8,361,553)</u></u>	<u><u>\$ 44,350,996</u></u>

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
<u>\$(58,612,191)</u>	<u>\$(53,114,283)</u>	<u>\$(56,834,701)</u>	<u>\$(55,372,877)</u>	<u>\$(70,109,400)</u>	<u>\$(82,272,866)</u>
<u>669,566</u>	<u>589,217</u>	<u>227,345</u>	<u>(225,459)</u>	<u>(300,748)</u>	<u>(106,264)</u>
<u>(57,942,625)</u>	<u>(52,525,066)</u>	<u>(56,607,356)</u>	<u>(55,598,336)</u>	<u>(70,410,148)</u>	<u>(82,379,130)</u>
20,937,356	20,420,020	21,156,596	22,352,163	23,994,740	25,392,860
13,307,736	14,705,790	15,096,101	17,228,237	16,503,563	17,449,827
3,361,812	3,478,532	3,635,092	3,540,011	3,698,184	4,011,817
6,265,257	7,451,947	7,433,106	6,485,394	6,725,309	7,692,437
57,902	-	-	-	-	-
185,451	695,341	660,157	(566,064)	4,452,938	559,164
7,310,544	5,960,967	6,999,034	4,236,920	6,847,642	9,256,591
101,775	101,775	101,775	101,775	-	-
<u>(19,629,066)</u>	<u>-</u>	<u>-</u>	<u>9,789,266</u>	<u>-</u>	<u>-</u>
<u>31,898,767</u>	<u>52,814,372</u>	<u>55,081,861</u>	<u>63,167,702</u>	<u>62,222,376</u>	<u>64,362,696</u>
-	-	1,553	3,513	2,070	884
-	-	-	-	182,018	82,706
<u>(101,775)</u>	<u>(101,775)</u>	<u>(101,775)</u>	<u>(101,775)</u>	<u>-</u>	<u>-</u>
<u>(101,775)</u>	<u>(101,775)</u>	<u>(100,222)</u>	<u>(98,262)</u>	<u>184,088</u>	<u>83,590</u>
<u>31,796,992</u>	<u>52,712,597</u>	<u>54,981,639</u>	<u>63,069,440</u>	<u>62,406,464</u>	<u>64,446,286</u>
(26,713,424)	(299,911)	(1,752,840)	7,794,825	(7,887,024)	(17,910,170)
<u>568,040</u>	<u>487,442</u>	<u>127,123</u>	<u>(323,721)</u>	<u>(116,660)</u>	<u>(22,674)</u>
<u>\$(26,145,384)</u>	<u>\$ 187,531</u>	<u>\$ (1,625,717)</u>	<u>\$ 7,471,104</u>	<u>\$ (8,003,684)</u>	<u>\$ (17,932,844)</u>

# City of West Covina

## Changes in Net Position Governmental Activities Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<b>Expenses:</b>				
General government	\$ 2,849,501	\$ 3,337,547	\$ 2,922,898	\$ 4,953,340
Public safety	47,682,934	48,151,398	45,253,725	49,369,913
Public works	21,598,894	21,054,241	21,052,423	20,510,387
Community services	7,835,430	6,558,987	6,629,292	6,949,951
Community development	12,867,904	8,619,004	9,414,730	4,071,050
Interest on long-term debt	7,962,089	6,577,544	7,101,037	5,927,002
<b>Total expenses</b>	<b>100,796,752</b>	<b>94,298,721</b>	<b>92,374,105</b>	<b>91,781,643</b>
<b>Program revenues:</b>				
<b>Charges for services:</b>				
General government	757,678	1,019,690	681,877	599,066
Public safety	3,611,259	3,850,741	3,571,864	3,196,729
Public works	5,818,290	7,041,281	8,043,988	7,046,096
Community services	1,158,644	1,089,227	1,166,675	1,141,162
Community development	266,286	313,639	240,462	255,669
Operating grants and contributions	11,895,355	5,157,956	10,189,050	12,557,141
Capital grants and contributions	578,828	3,574,609	678,827	958,459
<b>Total program revenues</b>	<b>24,086,340</b>	<b>22,047,143</b>	<b>24,572,743</b>	<b>25,754,322</b>
<b>Net program revenues (expenses)</b>	<b>(76,710,412)</b>	<b>(72,251,578)</b>	<b>(67,801,362)</b>	<b>(66,027,321)</b>
<b>General revenues and other changes in net position:</b>				
<b>Taxes:</b>				
Property taxes	36,387,548	28,849,815	30,888,074	23,313,556
Sales tax	9,261,965	7,791,286	12,550,157	13,177,914
Franchise tax	3,512,830	3,093,538	3,159,080	3,224,053
Other taxes	5,108,429	5,392,829	5,449,323	7,835,918
Motor vehicle in lieu, unrestricted	383,831	331,289	517,098	55,880
Investment income	4,768,327	4,288,088	2,281,105	1,647,399
Other general revenues	3,200,753	2,077,837	4,412,125	5,193,850
Transfers	78,750	93,140	95,934	98,811
Extraordinary gain (loss)	-	-	-	55,825,872
<b>Total governmental revenues and other changes</b>	<b>62,702,433</b>	<b>51,917,822</b>	<b>59,352,896</b>	<b>110,373,253</b>
<b>Changes in net position</b>	<b>\$ (14,007,979)</b>	<b>\$ (20,333,756)</b>	<b>\$ (8,448,466)</b>	<b>\$ 44,345,932</b>

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 5,547,949	\$ 7,472,254	\$ 5,676,067	\$ 4,963,302	\$ 5,775,173	\$ 7,523,129
47,160,347	45,443,958	49,813,447	48,410,511	56,169,907	67,734,047
20,465,106	21,109,952	20,586,770	20,259,279	21,243,019	21,161,586
6,911,667	6,437,040	7,035,872	7,368,492	7,926,410	8,926,070
708,422	658,082	766,886	753,721	2,190,319	1,618,181
1,652,751	1,677,062	1,353,156	1,572,645	1,575,724	1,515,826
<u>82,446,242</u>	<u>82,798,348</u>	<u>85,232,198</u>	<u>83,327,950</u>	<u>94,880,552</u>	<u>108,478,839</u>
548,333	486,478	885,123	400,051	546,626	814,465
3,018,478	3,037,891	2,825,831	3,170,579	3,201,495	3,610,467
7,781,333	8,878,122	8,278,038	8,271,744	7,714,148	8,967,472
1,195,612	1,180,562	1,275,278	1,365,482	1,491,858	2,110,943
348,112	621,352	502,621	425,013	416,014	264,959
10,344,778	11,021,410	12,405,742	13,317,378	10,955,031	10,285,701
597,405	4,458,250	2,224,864	1,004,826	445,980	151,966
<u>23,834,051</u>	<u>29,684,065</u>	<u>28,397,497</u>	<u>27,955,073</u>	<u>24,771,152</u>	<u>26,205,973</u>
<u>(58,612,191)</u>	<u>(53,114,283)</u>	<u>(56,834,701)</u>	<u>(55,372,877)</u>	<u>(70,109,400)</u>	<u>(82,272,866)</u>
20,937,356	20,420,020	21,156,596	22,352,163	23,994,740	25,392,860
13,307,736	14,705,790	15,096,101	17,228,237	16,503,563	17,449,827
3,361,812	3,478,532	3,635,092	3,540,011	3,698,184	4,011,817
6,265,257	7,451,947	7,433,106	6,485,394	6,725,309	7,692,437
57,902	-	-	-	-	-
185,451	695,341	660,157	(566,064)	4,452,938	559,164
7,310,544	5,960,967	6,999,034	4,236,920	6,847,642	9,256,591
101,775	101,775	101,775	101,775	-	-
(19,629,066)	-	-	9,789,266	-	-
<u>31,898,767</u>	<u>52,814,372</u>	<u>55,081,861</u>	<u>63,167,702</u>	<u>62,222,376</u>	<u>64,362,696</u>
<u>\$ (26,713,424)</u>	<u>\$ (299,911)</u>	<u>\$ (1,752,840)</u>	<u>\$ 7,794,825</u>	<u>\$ (7,887,024)</u>	<u>\$ (17,910,170)</u>

*City of West Covina*

**Changes in Net Position  
Business-Type Activities  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Computer Enterprise	\$ 2,633,564	\$ 2,507,498	\$ 2,086,135	\$ 1,701,367
Total expenses	2,633,564	2,507,498	2,086,135	1,701,367
Program revenues:				
Charges for services:				
Computer Enterprise	1,885,071	2,193,037	2,268,982	1,805,242
Total program revenues	1,885,071	2,193,037	2,268,982	1,805,242
Net revenues (expenses)	(748,493)	(314,461)	182,847	103,875
General revenues and other changes in net position:				
Investment income	12,814	108	-	-
Transfers	(78,750)	(93,140)	(95,934)	(98,811)
Total general revenues and other changes	(65,936)	(93,032)	(95,934)	(98,811)
Changes in net position	\$ (814,429)	\$ (407,493)	\$ 86,913	\$ 5,064

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
<u>\$ 1,435,606</u>	<u>\$ 1,284,419</u>	<u>\$ 1,427,789</u>	<u>\$ 1,638,573</u>	<u>\$ 1,575,066</u>	<u>\$ 1,305,426</u>
<u>1,435,606</u>	<u>1,284,419</u>	<u>1,427,789</u>	<u>1,638,573</u>	<u>1,575,066</u>	<u>1,305,426</u>
<u>2,105,421</u>	<u>1,873,636</u>	<u>1,655,134</u>	<u>1,413,114</u>	<u>1,274,318</u>	<u>1,199,162</u>
<u>2,105,421</u>	<u>1,873,636</u>	<u>1,655,134</u>	<u>1,413,114</u>	<u>1,274,318</u>	<u>1,199,162</u>
<u>669,815</u>	<u>589,217</u>	<u>227,345</u>	<u>(225,459)</u>	<u>(300,748)</u>	<u>(106,264)</u>
<u>-</u>	<u>-</u>	<u>1,553</u>	<u>3,513</u>	<u>2,070</u>	<u>884</u>
<u>(101,775)</u>	<u>(101,775)</u>	<u>(101,775)</u>	<u>(101,775)</u>	<u>182,018</u>	<u>82,706</u>
<u>(101,775)</u>	<u>(101,775)</u>	<u>(100,222)</u>	<u>(98,262)</u>	<u>184,088</u>	<u>83,590</u>
<u>\$ 568,040</u>	<u>\$ 487,442</u>	<u>\$ 127,123</u>	<u>\$ (323,721)</u>	<u>\$ (116,660)</u>	<u>\$ (22,674)</u>

*City of West Covina*

**Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
General fund:				
Reserved	\$ 22,621,000	\$ 24,321,122	\$ -	\$ -
Unreserved	12,846,323	7,246,828	-	-
<b>Total general fund</b>	<b>\$ 35,467,323</b>	<b>\$ 31,567,950</b>	<b>\$ -</b>	<b>\$ -</b>
All other governmental funds:				
Reserved	\$ 28,675,986	\$ 24,916,095	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	9,297,969	10,351,716	-	-
Capital projects funds	(2,380,312)	(465,131)	-	-
Debt service funds	3,085,503	(131,153)	-	-
<b>Total all other governmental funds</b>	<b>\$ 38,679,146</b>	<b>\$ 34,671,527</b>	<b>\$ -</b>	<b>\$ -</b>
General Fund:				
Nonspendable	\$ -	\$ -	\$ 20,827,056	\$ 15,580,789
Assigned	-	-	-	-
Unassigned	-	-	8,786,221	13,187,181
<b>Total general fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,613,277</b>	<b>\$ 28,767,970</b>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ 8,210,093	\$ 6,200,423
Restricted	-	-	38,138,456	31,101,636
Assigned	-	-	1,964,946	1,378,401
Unassigned	-	-	(12,759,988)	(110,042)
<b>Total all other governmental funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,553,507</b>	<b>\$ 38,570,418</b>

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,621,695	\$ 6,595,326	\$ 6,483,924	\$ 7,129,779	\$ 6,982,268	\$ 9,952,978
-	-	-	-	-	320,200
4,108,967	5,687,385	20,531,695	15,032,610	14,119,078	11,979,653
\$ 10,730,662	\$ 12,282,711	\$ 27,015,619	\$ 22,162,389	\$ 21,101,346	\$ 22,252,831
\$ 6,814,431	\$ 157,500	\$ 151,923	\$ 5,277,203	\$ 4,980,450	\$ 110,833
32,133,653	56,225,097	59,918,077	51,467,448	45,082,696	49,600,866
893,566	3,891,565	4,930,693	5,065,065	2,820,665	2,004,895
(373,264)	(47,867)	(438,708)	(531,412)	(1,100,860)	(710,218)
\$ 39,468,386	\$ 60,226,295	\$ 64,561,985	\$ 61,278,304	\$ 51,782,951	\$ 51,006,376

# City of West Covina

## Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<b>Revenues:</b>				
Taxes	\$ 65,186,854	\$ 63,270,166	\$ 63,663,702	\$ 53,636,172
Special assessments	4,180,404	4,871,575	5,210,062	5,270,856
Licenses and permits	1,085,650	904,985	1,099,083	866,642
Fines and forfeitures	1,229,852	1,324,698	1,056,923	1,097,836
Investment income	5,601,091	5,589,739	4,124,960	3,419,665
Rental income	311,997	310,819	468,123	421,521
Intergovernmental	8,848,048	11,321,980	8,363,460	12,481,691
Charges for services	7,021,197	6,845,511	6,779,667	6,732,076
Repayment of notes and loans	794,365	449,045	721,348	332,698
Developer fees	-	-	-	-
Other	1,824,050	1,112,553	3,781,096	1,720,792
<b>Total revenues</b>	<b>96,083,508</b>	<b>96,001,071</b>	<b>95,268,424</b>	<b>85,979,949</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	4,687,485	4,646,621	4,180,878	4,950,311
Public safety	45,554,204	45,639,257	41,938,421	44,109,598
Public works	17,923,628	19,686,587	15,325,261	18,209,981
Community services	7,189,514	5,390,364	5,412,009	5,917,227
Community development	10,739,465	6,142,905	8,228,653	4,246,590
Pass-through payments	3,468,902	9,724,035	5,863,850	2,112,227
Capital Outlay	-	-	-	-
<b>Debt service:</b>				
Principal retirement	3,828,282	4,108,592	4,649,975	5,155,105
Interest and fiscal charges	9,055,221	8,410,803	8,520,890	6,307,988
Cost of issuance	-	-	-	-
Developer agreement payments	2,181,599	2,002,039	2,317,114	351,444
<b>Total expenditures</b>	<b>104,628,300</b>	<b>105,751,203</b>	<b>96,437,051</b>	<b>91,360,471</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,544,792)</b>	<b>(9,750,132)</b>	<b>(1,168,627)</b>	<b>(5,380,522)</b>
<b>Other financing sources (uses):</b>				
Transfers in	12,048,364	11,023,152	11,171,460	8,947,657
Transfers out	(11,969,614)	(9,180,012)	(11,075,526)	(8,848,846)
Acquisition under capital leases	-	-	-	-
Issuance of bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Extraordinary gain (loss)	-	-	-	7,453,315
<b>Total other financing sources (uses)</b>	<b>78,750</b>	<b>1,843,140</b>	<b>95,934</b>	<b>7,552,126</b>
<b>Net change in fund balances</b>	<b>\$ (8,466,042)</b>	<b>\$ (7,906,992)</b>	<b>\$ (1,072,693)</b>	<b>\$ 2,171,604</b>
<b>Debt service as a percentage of noncapital expenditures</b>				
	19.30%	25.60%	19.89%	16.20%

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 46,185,045	\$ 48,785,393	\$ 50,918,823	\$ 54,237,649	\$ 55,502,969	\$59,255,716
5,511,465	5,513,535	5,595,338	5,550,657	5,318,497	6,077,861
1,156,196	1,717,153	1,419,457	1,156,613	1,037,389	1,089,850
1,048,819	1,036,732	959,606	796,989	894,618	1,290,187
533,388	716,472	679,844	(570,132)	4,448,607	551,948
370,913	367,798	406,350	529,833	604,817	649,968
9,496,633	11,097,551	10,769,196	11,218,711	10,193,278	7,920,178
6,124,201	6,751,541	6,803,615	7,731,236	7,359,139	8,681,704
925,235	26,148	-	-	-	-
-	-	-	-	-	-
5,105,117	6,258,384	5,490,327	1,487,103	2,129,531	4,229,895
<u>76,457,012</u>	<u>82,270,707</u>	<u>83,042,556</u>	<u>82,138,659</u>	<u>87,488,845</u>	<u>89,747,307</u>
5,205,956	7,087,335	5,757,334	5,103,814	6,214,682	5,700,461
42,688,487	43,332,847	45,906,138	50,962,883	54,480,972	53,087,630
16,203,144	17,790,042	13,724,417	15,509,267	15,328,717	17,635,489
5,872,485	5,399,732	5,816,443	6,864,180	10,824,395	6,975,178
666,255	679,007	761,896	898,714	2,198,881	1,182,255
-	-	-	-	-	-
-	-	-	-	-	-
1,773,261	1,870,239	1,866,947	2,027,461	7,931,202	1,958,918
1,659,473	1,666,054	1,360,370	1,574,753	1,566,392	1,501,956
-	-	-	-	-	-
-	-	-	-	-	-
<u>74,069,061</u>	<u>77,825,256</u>	<u>75,193,545</u>	<u>82,941,072</u>	<u>98,545,241</u>	<u>88,041,887</u>
2,387,951	4,445,451	7,849,011	(802,413)	(11,056,396)	1,705,420
3,639,400	3,744,115	3,201,793	4,831,038	5,643,232	3,902,056
(3,537,625)	(3,642,340)	(3,100,018)	(10,812,296)	(5,643,232)	(5,232,566)
-	-	-	2,568,446	500,000	-
-	2,185,000	-	-	-	-
-	(2,248,061)	-	-	-	-
(19,629,066)	-	11,578,351	-	-	-
<u>(19,527,291)</u>	<u>38,714</u>	<u>11,680,126</u>	<u>(3,412,812)</u>	<u>500,000</u>	<u>(1,330,510)</u>
<u><u>\$(17,139,340)</u></u>	<u><u>\$ 4,484,165</u></u>	<u><u>\$ 19,529,137</u></u>	<u><u>\$ (4,215,225)</u></u>	<u><u>\$(10,556,396)</u></u>	<u><u>\$ 374,910</u></u>
5.21%	5.18%	4.92%	4.70%	10.29%	4.23%

*City of West Covina*

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	City				Taxable Assessed Value
	Secured	Non-Unitary	Unsecured	Less: Exemptions	
2009	\$ 6,549,882	\$ 462	\$ 15,315	\$ (78,464)	\$ 6,487,195
2010	6,281,230	-	15,205	(76,991)	6,219,444
2011	6,276,734	-	11,705	(86,340)	6,202,099
2012	6,381,873	-	12,762	(85,792)	6,308,843
2013	6,477,468	-	10,645	(93,277)	6,394,836
2014	6,670,267	-	15,080	(73,615)	6,611,732
2015	7,116,733	-	12,346	(94,084)	7,034,995
2016	7,458,200	-	14,738	(95,915)	7,377,023
2017	7,829,861	-	11,212	(100,253)	7,740,820
2018	8,229,924	-	9,185	(84,900)	8,154,209

NOTE:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone, Los Angeles Assessor 2008/2009 - 2017/2018 Combined Tax Rolls

(continued)

<u>Successor Agency (SA) of the former Community Development Commission (CDC)</u>				City and SA	Total
<u>Secured</u>	<u>Unsecured</u>	<u>Less:</u> <u>Exemptions</u>	<u>Taxable</u> <u>Assessed</u> <u>Value</u>	<u>Total Taxable</u> <u>Assessed</u> <u>Value</u>	<u>Direct Tax</u> <u>Rate</u>
\$ 2,283,051	\$ 150,880	\$ (143,108)	\$ 2,290,823	\$ 8,778,018	32.247%
2,339,976	163,198	(152,699)	2,350,475	8,569,919	33.284%
2,336,269	157,035	(142,764)	2,350,540	8,552,639	33.326%
2,408,026	152,958	(152,569)	2,408,415	8,717,258	33.518%
2,429,152	160,821	(152,386)	2,437,587	8,832,423	33.456%
2,498,131	161,438	(186,502)	2,473,067	9,084,799	14.083%
2,566,170	161,710	(184,907)	2,542,973	9,577,968	14.116%
2,795,635	162,488	(189,554)	2,768,569	10,145,592	14.138%
3,028,206	165,375	(170,529)	3,023,052	10,763,872	14.165%
3,103,316	163,326	(154,330)	3,112,312	11,266,521	14.109%

# City of West Covina

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (rate per \$100 of assessed value)

	Fiscal Year			
	2009	2010	2011	2012
<b>Basic Levy<sup>1</sup></b>	1.00000	1.00000	1.00000	1.00000
Baldwin Park Unified	0.15384	0.16101	0.16673	0.17506
Bassett Unified School District	0.08990	0.10877	0.12316	0.11628
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000
Covina Valley Unified School District	0.07863	0.08592	0.09003	0.08999
Hacienda-La Puente Unified	0.05681	0.05973	0.06462	0.06430
LA County Flood Control	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370
Mt. San Antonio College	0.02333	0.02571	0.02636	0.02642
Rowland Heights Unified	0.07029	0.06769	0.07538	0.09195
Walnut Valley Unified	0.11297	0.11674	0.11839	0.11735
West Covina Municipal Maint. Dist.	0.17830	0.18180	0.18180	0.18180
West Covina Unified	0.06041	0.05258	0.05920	0.05377
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.82876</b>	<b>1.86426</b>	<b>1.90937</b>	<b>1.92061</b>
<b>City Share of 1% Levy Per Prop 13<sup>3</sup></b>	<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>
<b>Redevelopment Rate<sup>4</sup></b>	<b>1.00430</b>	<b>1.00430</b>	<b>1.00370</b>	<b>1.00370</b>
<b>Total Tax Rate<sup>5</sup></b>	<b>0.32247</b>	<b>0.33284</b>	<b>0.33326</b>	<b>0.33518</b>

<sup>1</sup> In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

<sup>2</sup> Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

<sup>3</sup> City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

<sup>4</sup> Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years

<sup>5</sup> Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft taxes. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purpose of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: Los Angeles County Assessor 2008/09 - 2017/18 Tax Rate Table

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.16406	0.15842	0.16519	0.16288	0.10510	0.13039
0.12773	0.11632	0.11539	0.15771	0.16781	0.17443
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.09500	0.11472	0.11426	0.11062	0.12581	0.14205
0.06689	0.06653	0.06432	0.06394	0.06600	0.10531
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02896	0.02023	0.02129	0.02154	0.02400	0.02371
0.10053	0.12297	0.14313	0.12426	0.12444	0.11841
0.12554	0.11342	0.11510	0.09285	0.06601	0.07388
0.18180	0.18310	0.18310	0.18310	0.18310	0.18310
0.04965	0.03626	0.05412	0.04205	0.04914	0.09514
<b>1.94365</b>	<b>1.93547</b>	<b>1.97941</b>	<b>1.96245</b>	<b>1.91492</b>	<b>2.04992</b>
<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>	<b>0.13820</b>
<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>0.33456</b>	<b>0.14083</b>	<b>0.14116</b>	<b>0.14138</b>	<b>0.14165</b>	<b>0.14109</b>

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# City of West Covina

## Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Plaza West Covina LLC	\$271,881,917	1	2.41%	\$144,253,338	1	1.64%
BRE DDR BR Eastland California LLC	168,708,946	2	1.50%			0.00%
301 South Glendora Avenue Apts	102,504,008	3	0.91%	-		0.00%
PT Enterprises llc	60,740,782	4	0.54%	-		0.00%
Walnut Ridge Apartments LP	58,224,198	5	0.52%	-		0.00%
TPA of NASCH LLC	55,575,956	6	0.49%	-		0.00%
Glendora Avenue Properties LLC	53,540,399	7	0.48%	-		0.00%
Deutche Mellon National Asset	38,374,479	8	0.34%	-		0.00%
Barranca Tower LLC	37,913,400	9	0.34%	-		0.00%
CIP 2014 SG Covina Owner LLC	34,603,706	10	0.31%	-		0.00%
Eastland Shopping Center LLC	-		0.00%	100,308,921	2	1.14%
Gateway Crescent LLC	-		0.00%	55,750,000	3	0.64%
SP Torrey Pines LLC	-		0.00%	53,069,600	4	0.60%
PPC WR Apartments	-		0.00%	50,471,235	5	0.57%
Eastland Tower Partnership	-		0.00%	50,129,940	6	0.57%
Legacy Partners Verandas LP	-		0.00%	47,236,400	7	0.54%
Hassen Real Estate Partnership	-		0.00%	34,363,351	8	0.39%
PPC AVF III Sunset LLC	-		0.00%	30,577,140	9	0.35%
KOM BAM Sunset Plaza LLC	-		0.00%	30,012,850	10	0.34%
Totals	<u>\$882,067,791</u>		<u>7.84%</u>	<u>\$596,172,775</u>		<u>6.78%</u>

Source: HdL Coren & Cone; Los Angeles County Assessor 2007-08 and 2016-17 Combined Tax Rolls and the SBE Non Unitary Tax Roll

# City of West Covina

## Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	City		Collections in Subsequent Years	Total Collections to Date	
		Collected within the Fiscal Year of Levy			Amount	Percent of Levy
		Amount	Percent of Levy			
2009	\$ 9,207,210	\$ 8,509,721	92.42%	\$ 104,568	\$ 8,614,289	93.56%
2010	8,913,839	8,152,304	91.46%	111,790	8,264,094	92.71%
2011	8,782,946	8,287,440	94.36%	201,261	8,488,701	96.65%
2012	8,961,279	8,280,265	92.40%	(167,264)	8,113,001	90.53%
2013	9,094,235	8,853,013	97.35%	(75,056)	8,777,957	96.52%
2014	9,119,226	9,105,997	99.85%	(67,229)	9,038,768	99.12%
2015	9,702,185	9,491,592	97.83%	34,965	9,526,557	98.19%
2016	10,173,156	9,881,520	97.13%	88,647	9,970,167	98.00%
2017	10,671,800	10,440,321	97.83%	109,928	10,550,250	98.86%
2018	11,679,354	11,040,516	94.53%	267,238	11,307,754	96.82%

**Notes:**

The amounts presented include City property taxes and Community Development Commission tax increment. This schedule also includes amounts collected by the City and the Community Development Commission that were passed-through to other agencies.

Fiscal year 2012 collections for Community Development Commission are as of January 1, 2012. This is due to ABx1 26 (RDA Dissolution Bill ) that was effective February 1, 2012. Subsequent to January 1, 2012, there were no property taxes levied under the Community Development Commission.

Source: Los Angeles County Auditor Controller's Office - Accounting Division

(continued)

Fiscal Year Ended June 30	Community Development Commission					
	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	\$ 19,346,023	\$ 18,610,849	96.20%	\$ 833,301	\$ 19,444,150	100.51%
2010	20,058,658	19,121,096	95.33%	349,563	19,470,659	97.07%
2011	20,132,138	19,147,814	95.11%	394,313	19,542,127	97.07%
2012	20,612,835	8,727,674	42.34%	191,262	8,918,936	43.27%
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A	N/A	N/A

## City of West Covina

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Lease Revenue Bonds	Special Assessment Bonds (a)	Tax Allocation Bonds (1) (a)	Loans	Capital Lease Obligations	
2009	\$ 58,530,000	\$ 38,745,000	\$ 28,165,000	\$ 34,960,554	\$ 2,691,276	\$ 163,091,830
2010	57,515,000	37,355,000	27,020,000	38,733,523	2,261,401	162,884,924
2011	56,115,000	35,870,000	25,815,000	42,385,673	1,843,538	162,029,211
2012	50,825,000	-	-	1,800,221	1,409,134	54,034,355
2013	49,645,000	-	-	1,658,532	957,535	52,261,067
2014	48,385,000	-	-	1,512,768	773,282	50,671,051
2015	47,225,000	-	-	12,941,113	216,342	60,382,455
2016	46,000,000	-	-	12,208,103	2,715,337	60,923,440
2017	42,570,000	-	-	10,920,515	-	53,490,515
2018	41,190,000	-	-	10,341,597	-	51,531,597

**Notes:**

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

(1) The 1994 West Covina Public Financing Authority Water Revenue Bonds were defeased as of June 30, 2000 due to the sale of the City's water system.

(2) These ratios are calculated using personal income and population for the prior calendar year.

(a) As a result of the dissolution of the Community Development Commission on January 31, 2012 indebtedness was transferred to the Successor Agency.

Source: City of West Covina Finance Department

(continued)

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<u>Business-Type Activities</u>					
<u>Certificates of Participation</u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (2)</u>	<u>Debt Per Capita (2)</u>	
\$ -	\$ -	\$163,091,830	6.17%	1,458	
-	-	162,884,924	6.29%	1,451	
-	-	162,029,211	6.35%	1,435	
-	-	54,034,355	2.02%	506	
-	-	52,261,067	1.90%	487	
-	-	50,671,051	1.84%	472	
-	-	60,382,455	2.24%	560	
-	-	60,923,440	2.30%	565	
-	-	53,490,515	2.00%	496	
-	-	51,531,597	1.90%	478	

# City of West Covina

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years in thousands (000s)

Fiscal Year Ended June 30	Lease Revenue Bonds	Special Assessment Bonds(a)	Tax Allocation Bonds(a)	Total	Percent of Assessed Value(1)	Per Capita
2009	\$ 58,530	\$ 38,745	\$ 28,165	\$ 125,440	1.43%	523
2010	57,515	37,355	27,020	121,890	1.42%	512
2011	56,115	35,870	25,815	117,800	1.38%	497
2012	50,825	-	-	50,825	0.81%	476
2013	49,645	-	-	49,645	0.78%	463
2014	48,385	-	-	48,385	0.73%	451
2015	47,225	-	-	47,225	0.67%	438
2016	46,000	-	-	46,000	0.62%	426
2017	42,570	-	-	42,570	0.55%	395
2018	41,190	-	-	41,190	0.51%	381

Notes:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

(a) As a result of the dissolution of the Community Development Commission on January 31, 2012 indebtedness was transferred to the Successor Agency.

# City of West Covina

## Direct and Overlapping Debt June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt repaid with Property Taxes:</b>			
Metropolitan Water District	\$ 29,354,442	0.744	\$ 218,394
Mt. San Antonio CCD DS 2008 Series 2013A	200,306,691	12.935	25,909,562
Mt. San Antonio CCD DS 2008 Series 2013B	7,350,000	12.935	950,719
Mt. San Antonio CCD DS 2013 Refunding Series A	63,210,000	12.935	8,176,179
Mt. San Antonio CCD DS 2013 Refunding Series B	37,010,000	12.935	4,787,223
Mt. San Antonio CCD DS 2008 Series 2015C	16,750,000	12.935	2,166,603
Mt. San Antonio CCD DS 2015 Refunding Bonds	19,130,000	12.935	2,474,455
Baldwin Park USD 2002 Series 2004	6,455,897	0.294	18,995
Baldwin Park USD 2006 Series 2008	268,630	0.294	790
Baldwin Park USD 2006 Series 2013	23,709,735	0.294	69,760
Baldwin Park USD 2016 Refunding Bonds	68,060,000	0.294	200,251
Basset USD DS 2004 Series 2005 A	265,953	0.110	292
Basset USD DS 2006 Series B	10,775,729	0.110	11,834
Basset USD DS 2014 Refunding Series A	8,220,000	0.110	9,027
Basset USD DS 2014 Refunding Series B	6,415,000	0.110	7,045
Basset USD DS 2014 Series A	8,530,000	0.110	9,368
Basset USD DS 2016 Refunding Bonds	8,645,000	0.110	9,494
Basset USD DS 2014 Series B	20,100,000	0.110	22,074
Covina Valley USD DS 2001 Series B	11,762,939	31.912	3,753,748
Covina Valley USD DS 2006, 07 Series B	1,818,265	31.912	580,238
Covina Valley USD DS 2001 Refunding 2010 Series A	10,320,000	31.912	3,293,282
Covina Valley USD DS 2012 Series A	26,235,000	31.912	8,372,021
Covina Valley USD DS 2013 Refunding Bonds	37,840,000	31.912	12,075,368
Covina Valley USD DS 2012 Series B	36,145,000	31.912	11,534,466
Covina Valley USD DS 2012 Series C	16,970,000	31.912	5,415,407
Covina Valley USD DS 2012 Series D	46,100,000	31.912	14,810,197
Hacienda-La Puente USD DS 2000 Series A	797,400	1.341	10,693
Hacienda-La Puente USD DS 2000 Series 2003B	891,959	1.341	11,962
Hacienda-La Puente USD DS 2005 Refunding Bonds	22,950,000	1.341	307,769
Hacienda-La Puente USD DS 2007 Refunding	53,930,000	1.341	723,224
Hacienda-La Puente USD DS 2016 Series 2017A	70,000,000	1.341	938,729
Rowland Heights USD DS 2000 Series A	952,166	15.087	143,653
Rowland Heights USD DS 2005 Refunding Bonds	8,380,456	15.087	1,264,360
Rowland Heights USD DS 2006 Series B	25,722,549	15.087	3,880,762
Rowland Heights USD DS 2006 Series C (BABS)	12,000,000	15.087	1,810,441
Rowland Heights USD DS 2006 Series D QSCB	17,275,000	15.087	2,606,280
Rowland Heights USD DS 2006 Series E	26,280,000	15.087	3,964,865
Rowland Heights USD DS 2012 Series A	41,295,000	15.087	6,230,179
Rowland Heights USD DS 2013 Refunding Bonds	26,390,000	15.087	3,981,461
Rowland Heights USD DS 2012 Series B	65,999,972	15.087	9,957,419
Rowland Heights USD DS 2015 Refunding Bonds	43,430,000	15.087	6,552,286
Walnut Valley USD DS 2000 Series E	11,428,114	0.736	84,072
Walnut Valley USD DS 2007 Series A (Measure S)	4,836,592	0.736	35,581
Walnut Valley USD DS 2011 Refunding	23,787,265	0.736	174,992
Walnut Valley USD DS 2007 Series B (Measure S)	535,000	0.736	3,936
Walnut Valley USD DS 2012 Refunding Bonds	1,395,000	0.736	10,262
Walnut Valley USD DS 2007 Series C	130,000	0.736	956
Walnut Valley USD DS 2014 Refunding Bonds Series A	66,920,000	0.736	492,301
Walnut Valley USD DS 2014 Refunding Bonds Series B	40,010,000	0.736	294,336
Walnut Valley USD DS 2016 Refunding Bonds	43,765,000	0.736	321,960
West Covina USD 2002 Refunding Series A	10,655,000	95.503	10,175,797
West Covina USD DS 2012 Refunding Bonds	11,745,000	95.503	11,216,775
West Covina USD DS 2016 Series A	74,995,000	95.503	71,622,141
Sub Total Overlapping Debt			241,693,984
City of West Covina Direct Debt - Lease Revenue Bonds			41,190,000
Total Direct and Overlapping Debt			\$ 282,883,984

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Glendora. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for the debt, for each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles, County Assessor and Auditor Combined 2016-17 Lien Date Tax Rolls

# City of West Covina

## Legal Debt Margin Information Last Ten Fiscal Years in thousands (000s)

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 6,487,195	\$ 6,219,444	\$ 6,202,099	\$ 6,308,843
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,621,799	1,554,861	1,550,525	1,577,211
Debt limit percentage	15%	15%	15%	15%
Debt limit	243,270	233,229	232,579	236,582
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	\$ 243,270	\$ 233,229	\$ 232,579	\$ 236,582
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt margin of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: City of West Covina Finance Department  
Los Angeles County Tax Assessor's Office

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 6,394,836	\$ 6,611,732	\$ 7,034,995	\$ 7,377,023	\$ 7,740,820	\$ 8,154,209
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,598,709	1,652,933	1,758,749	1,844,256	1,935,205	2,038,552
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
239,806	247,940	263,812	276,638.36	290,280.75	305,782.84
-	-	-	-	-	-
<u>\$ 239,806</u>	<u>\$ 247,940</u>	<u>\$ 263,812</u>	<u>\$ 276,638</u>	<u>\$ 290,281</u>	<u>\$ 305,783</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# City of West Covina

## Pledged-Revenue Coverage Last Ten Fiscal Years in thousands (000s)

Fiscal Year Ended June 30	Lease Revenue Bonds and Certificates of Participation				Coverage
	Revenue	Debt Service			
		Principal	Interest		
2009	\$ 48,251	\$ 865	\$ 1,675	19.00	
2010	44,950	1,310	1,245	17.59	
2011	47,672	1,855	1,268	15.26	
2012	48,347	1,505	1,155	18.18	
2013	53,006	1,605	1,272	18.42	
2014	54,753	1,715	1,249	18.47	
2015	57,588	1,655	891	22.62	
2016	58,133	1,900	1,121	19.24	
2017	64,372	4,005	1,185	12.40	
2018	67,196	2,005	1,306	20.29	

Fiscal Year Ended June 30	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
2009	\$ 19,444	\$ 1,005	\$ 1,293	8.46	
2010	19,564	1,145	1,207	8.32	
2011	19,542	1,205	1,127	8.38	
2012	17,260	1,250	1,079	7.41	
2013	12,152	1,305	1,030	5.20	
2014	8,675	1,358	978	3.71	
2015	9,260	1,420	920	3.96	
2016	15,110	1,480	853	6.48	
2017	9,365	19,005	802	0.47	
2018	10,256	1,480	-	6.93	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

Source: City of West Covina Finance Department

(continued)

Fiscal Year Ended June 30	Assessment District Bond					
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2009	\$ 3,375	\$ 333	\$ 3,042	\$ 1,295	\$ 2,358	0.83
2010	3,828	72	3,756	1,390	2,281	1.02
2011	3,591	470	3,121	1,485	2,197	0.85
2012	4,444	70	4,374	1,580	2,105	1.19
2013	5,569	1,027	4,542	1,770	2,004	1.20
2014	5,740	767	4,973	2,055	1,890	1.26
2015	3,305	1,457	1,848	2,340	1,758	0.45
2016	6,911	1,429	5,482	2,940	2,124	1.08
2017	4,596	2,536	2,060	2,745	1,365	0.50
2018	4,596	2,536	2,060	3,000	1,429	0.47

## *City of West Covina*

### **Demographic and Economic Statistics Last Ten Calendar Years**

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<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Annual Unemployment Rate</u>
2008	111,842	\$ 2,642,491	\$ 23,627	6.5%
2009	112,230	2,591,391	23,090	10.2%
2010	112,890	2,552,782	22,613	11.2%
2011	106,713	2,670,706	25,027	10.9%
2012	107,248	2,751,555	25,656	8.2%
2013	107,828	2,698,504	25,026	6.7%
2014	107,879	2,653,176	24,594	10.1%
2015	107,873	2,680,000	24,844	8.2%
2016	107,813	2,705,736	25,096	6.4%
2017	108,245	2,737,892	25,293	5.2%

Sources: HdL Coren & Cone, California State Department of Finance, and California Employment

# City of West Covina

## Principal Employers Current Year and Nine Years Ago

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Queen of the Valley Campus	1,617	1	3.16%	1,744	1	3.46%
WC Unified School District	1,445	2	2.82%	1,223	2	2.43%
City of West Covina	426	3	0.83%	510	3	1.01%
California Respite Care	400	4	0.78%	265	5	0.53%
Macy's	261	5	0.51%	265	5	0.53%
Interspace/Concorde Battery Corporation	230	6	0.45%	198	8	0.39%
Walmart Store #5954	222	7	0.43%			
Target Store #T1028	214	8	0.42%	479	4	0.95%
Target Store #T-2147	175	9	0.34%			
JC Penney Corp Inc. #1505-7	173	10	0.34%	241	6	0.48%
S G V Newspaper Group				229	7	0.45%
B.J.'s Restaurant & Brewery				197	9	0.39%
Progressive Mgmt Systems				158	10	0.31%
Totals	<u>5,163</u>		<u>10.08%</u>	<u>5,509</u>		<u>10.93%</u>

Note: "Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Labor Market Info, EDD, State of California  
HdL Coren & Cone

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# City of West Covina

## Full-time and Part-time City Employees By Function Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	42	40	39	36	31	31	31	32	42	46
Public safety	306	295	281	264	253	244	268	268	282	259
Public works	83	78	76	72	64	69	71	71	75	56
Community services	55	47	44	44	41	42	41	41	87	64
Community development	24	23	19	16	7	2	2	2	1	1
Total	<u>510</u>	<u>483</u>	<u>459</u>	<u>432</u>	<u>396</u>	<u>389</u>	<u>413</u>	<u>414</u>	<u>487</u>	<u>426</u>

Source: City of West Covina Finance Department

# City of West Covina

## Operating Indicators by Function Last Ten Years

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Public Safety:				
Police:				
Total arrests	3,651	3,397	3,210	2,557
Calls for police service (1)	82,682	75,752	71,254	71,741
Graffiti sites cleaned	8,009	16,077	15,781	23,579
Fire:				
Emergency responses	7,194	6,949	7,454	7,545
Fire inspections	3,751	3,603	430	496
Public works:				
Building permits issued	2,891	2,334	2,477	2,435
Graffiti sites cleaned (2)	N/A	N/A	N/A	N/A
Community Services:				
Recreation class registrations	6,564	7,916	7,041	6,927

Note:

- (1) Calls received that generated an incident number but not necessarily a police response.
- (2) Due to department restructuring, the responsibility for graffiti abatement was absorbed by the Police Department starting fiscal year 2008-2009 and by Public Works starting fiscal year 2015-2016.

Source: City of West Covina Finance Department

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
2,755	2,537	2,544	2,624	2,818	3,080
65,554	69,874	71,098	72,368	74,898	84,850
19,910	20,014	16,156	N/A	N/A	N/A
7,871	7,990	8,555	9,494	9,353	9,383
837	749	717	778	816	805
3,882	2,925	3,617	5,038	1,547	1,399
N/A	N/A	N/A	13,964	6,694	2,391
6,027	6,283	6,487	7,129	7,500	17,902

# City of West Covina

## Capital Asset Statistics by Function/Program Last Ten Fiscal Years

---

Function	Fiscal Year			
	2009	2010	2011	2012
Public Safety:				
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	5
Public works:				
Streets (miles)	230.0	230.0	231.0	231.0
Streetlight poles	826	826	826	826
Streetlight fixtures	1,109	1,109	1,109	1,109
Traffic signals	116	116	116	117
Parks and recreation:				
Sports Complex	1	1	1	1
Parks	16	16	16	16
Community centers	4	4	4	4
Wastewater:				
Sanitary sewers (miles)	238.9	238.9	238.9	238.9
Storm sewers (miles)	42.0	42.0	42.0	42.0

Source: City of West Covina

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
5	5	5	5	5	5
231.0	231.0	231.0	240.3	240.3	240.3
826	826	826	826	674	674
1,109	1,109	1,109	1,109	420	420
117	117	114	114	97	97
1	1	1	1	1	1
16	16	16	16	16	16
4	4	4	4	4	4
238.9	238.9	238.9	238.9	227.0	227.0
42.0	42.0	42.0	42.0	26.0	26.0

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**MANAGERS / STAFF**

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Charles De Simoni, CPA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Jingjie Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT  
Veronica Hernandez, CPA  
Tara R. Thorp, CPA, MSA

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*Independent Auditor's Report*

To the Honorable Mayor and Members of the City Council  
City of West Covina  
West Covina, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Covina, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
March 5, 2019



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Phillip H. Waller, CPA (Partner Emeritus)  
Kirk A. Franks, CPA (Partner Emeritus)

#### **DIRECTORS**

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To the Honorable Mayor and Members of the City Council  
City of West Covina  
West Covina, California

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Covina, California, (the City) as of and for the year ended June 30, 2018, and have issued our report thereon dated March 5, 2019. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 21, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the City's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

*Management's estimate of fair market value of investments based on market values provided by outside sources. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.*

*Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.*

*The estimate of the net pension liability is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.*

*The estimate of the net OPEB obligation is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.*

## *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

*The disclosure of capital assets, net, in Note 7 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.*

*The disclosure of net pension liability in Note 13 and Note 14 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.*

*The disclosure of net OPEB obligation in Note 16 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.*

The financial statement disclosures are neutral, consistent, and clear.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to The City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 5, 2019.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards:

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, CA  
March 5, 2019



*Finance Department*

March 5, 2019

Rogers, Anderson, Malody & Scott, LLP  
735 E. Carnegie Drive, Suite 100  
San Bernardino, California 92408

This representation letter is provided in connection with your audit of the financial statements of The City of West Covina, California (the City), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 5, 2019:

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 21, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- 2) We acknowledge our responsibility for 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.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- 5) We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- 6) We have a process to track the status of audit findings and recommendations.

- 7) We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 8) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 9) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 10) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 11) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 12) All component units are included and related organizations are properly disclosed.
- 13) All funds and activities are properly classified.
- 14) All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- 15) All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- 16) Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- 17) All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 18) All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- 19) All interfund and intra-entity transactions and balances have been properly classified and reported.
- 20) Deposit and investment risks have been properly and fully disclosed.
- 21) Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 22) All required supplementary information is measured and presented within the prescribed guidelines.
- 23) With regard to investments and other instruments reported at fair value:
  - a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c) The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

- d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

**Information Provided**

- 24) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- 25) All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 26) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 27) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 28) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 29) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements and the schedule of expenditures of federal awards.
- 30) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
- 31) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- 32) The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 33) We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
- 34) We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- 35) We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

36) There are no:

- a) Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
- b) Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
- c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

37) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

38) We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

**Government—specific**

39) With respect to the City's supplementary information:

- a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
- b) We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c) The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
- d) We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- e) We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- f) We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the City of the supplementary information and the auditor's report thereon.

40) With respect to the required supplementary information accompanying the financial statements:

- a) We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- b) We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- c) The methods of measurement or presentation have not changed from those used in the prior period.
- d) We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information

41) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

42) We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

43) We do not plan to make frequent amendments to the City's pension or other postretirement benefit plans.

44) With respect to Employer-Paid Member Contributions:

a) We resolved to provide contributions on behalf of eligible employees, which, although designated as employee contributions, will be paid by the City in lieu of employee contributions. As of that date:

1) The participating employees have not been permitted to have a cash right or a deferred election right with respect to the designated employee contributions.

2) The participating employees have also not been permitted to opt out of the provisions of the resolution to receive the contributed amounts directly instead of having them paid by the City to the plan.

b) We have provided you a copy (copies) of all approved resolutions related to these actions in accordance with IRS Revenue Ruling 2006-43.

Signature:  \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

***CITY OF WEST COVINA, CALIFORNIA  
WEST COVINA HOUSING AUTHORITY FUND***

**(A COMPONENT UNIT OF  
THE CITY OF WEST COVINA)**

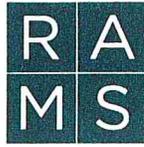
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2018**

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Table of Contents**  
**June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
West Covina Housing Authority  
West Covina, California

### PARTNERS

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Samuel Singery, CPA  
Jing Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT

### Report on the Financial Statements

We have audited the accompanying financial statements of the West Covina Housing Authority Fund (the Housing Authority), (a component unit of the City of West Covina, California (the City)), as of and for the year ended June 30, 2018, and the related notes to the 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 an opinion 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.



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Housing Authority and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such Information, although not a part of the basic financial statement, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of that basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have issued our report dated December 20, 2018, on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 20, 2018

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Balance Sheet**  
**June 30, 2018**

---

**Assets**

Cash and investments	\$ 5,862,949
Interest receivable	1,807
Notes and loans receivable, net	14,510,928
Advances to Successor Agency	4,250,768
Prepays	<u>110,833</u>

Total assets \$ 24,737,285

**Liabilities and fund balance**

Liabilities:

Accounts payable	\$ 4,059
Other accrued liabilities	<u>8,010</u>

Total liabilities 12,069

Fund balance:

Nonspendable:

Prepays 110,833

Restricted for:

Affordable housing 24,614,383

Total fund balance 24,725,216

Total liabilities and fund balance \$ 24,737,285

*The accompanying notes are an integral part of these financial statements.*

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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**Revenues**

Investment income	\$	396,928
Other revenues		<u>46,013</u>
Total revenues		<u>442,941</u>

**Expenditures**

Current:		
Public safety		160,083
Affordable housing		<u>418,038</u>
Total expenditures		<u>578,121</u>

Net change in fund balance (135,180)

Fund balance, beginning of year 24,860,396

Fund balance, end of year \$ 24,725,216

*The accompanying notes are an integral part of these financial statements.*

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Notes to the Financial Statements**  
**For the year ended June 30, 2018**

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**Note 1 – Organization and Summary of Significant Accounting Policies**

The City of West Covina (the City) was incorporated on February 23, 1923, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member City Council.

The following is a summary of the significant accounting policies of the City as they pertain to the West Covina Housing Authority Fund (the Housing Authority). Only the Housing Authority information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City.

*Basis of Accounting*

These fund financial statements are reported using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

*Use of Estimates in the Preparation of Financial Statements*

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

**Note 2 – Cash and Investments**

Cash at June 30, 2018 consisted of the following:

	<u>Amount</u>
Pooled cash and investments	<u>\$ 5,862,949</u>

The City follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City’s cash and investments as of June 30, 2018, please see the City’s Comprehensive Annual Financial Report.

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Notes to the Financial Statements**  
**For the year ended June 30, 2018**

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**Note 3 – Notes and Loans Receivable**

As of June 30, 2018, the following notes and loans receivable were outstanding:

Housing rehabilitation	\$ 364,438
First time home buyers	259,469
Housing preservation program	724,487
Home improvement program	870,131
Lark Ellen Towers	6,259,137
Executive Lodge Apartments Limited Partnership	6,144,192
West Covina Senior Villas, LLC	2,833,333
West Covina Senior Villas II, L.P.	8,513,885
Other loans	608,196
Allowance for doubtful accounts	<u>(12,066,340)</u>
Total	<u>\$ 14,510,928</u>

Several housing rehabilitation loans totaling \$364,438 have been made to qualified applicants using Community Development Block Grants received by the City and housing set-aside funds of the former Commission's redevelopment activities. These loans bear interest up to 5% and are repaid when title to the property changes. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority has loans to first-time home buyers totaling \$259,469. Loans are secured by second trust deeds and bear interest at 5%. Principal and interest are deferred for five years and are due monthly in years 6 through 30. There were 19 individual loans outstanding at June 30, 2018 ranging from \$6,866 to \$22,407. The City has included 5% of the balance in the allowance for doubtful accounts.

The Housing Authority also has housing preservation loans to qualified applicants using housing set-aside funds totaling \$724,487. Principal and interest are deferred for ten years; after the tenth year loans bear interest at 5%. Loans are repaid after the tenth year or when title to the property changes. There were 86 individual loans outstanding at June 30, 2018 ranging from \$205 to \$10,659. The City has included 5% of the balance in the allowance for doubtful accounts.

Several housing improvement loans totaling \$870,131 have been made to qualified applicants. The loans are secured by second trust deeds. The City has included 5% of the balance in the allowance for doubtful accounts.

In May 1997, the Commission loaned \$4,270,000 to Lark Ellen Towers. The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan accrues interest at 3% per annum and requires annual payments equal to the maximum of \$35,000 or 50% of net profits earned by the project. The outstanding principal and accrued interest at June 30, 2018 was \$6,259,137.

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Notes to the Financial Statements**  
**For the year ended June 30, 2018**

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**Note 3 – Notes and Loans Receivable, (continued)**

In April 1998, the Commission loaned \$5,622,300 to Executive Lodge Apartments Limited Partnership (Promenade Apartments project). The loan was transferred to the Housing Authority from the dissolved former Commission. The loan is secured by a deed of trust. The loan was amended and restated on April 1, 2017, with a principal of \$6,056,621 accruing interest at 2.82% compounded annually and requires annual payments equal to 50% of “Available Cash Flow”. The outstanding principal and accrued interest at June 30, 2018 was \$6,144,192.

In May 2002, the Commission loaned \$4,360,000 to West Covina Senior Villas, LLC. The loan is secured by a deed of trust. The loan does not accrue interest. The loan requires annual payments of \$141,667 through May 2032 that are forgiven by the City unless the borrower defaults on the agreement. The outstanding principal at June 30, 2018 was \$2,833,333. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

In May 2009, the Commission entered into an agreement with West Covina Senior Villas II, L.P. to provide \$8,600,000 for the acquisition of real property in the City and construction and maintenance of an approximately 65-unit apartment complex to be rented to low income and very low income senior citizens. The loan is secured by a deed of trust. The loan does not accrue interest and is forgiven so long as the borrower does not default on the loan. The outstanding principal at June 30, 2018 was \$8,513,885. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

Other notes consist of affordable housing loans of \$400,000. The notes do not accrue interest and are forgiven unless the borrower sells or refinances the property. Additionally, the balance included a note of \$242,892 for low income housing which accrues no interest and is forgivable if the owner maintains the low and moderate income housing status. The outstanding principal of these loans combined at June 30, 2018 was \$608,196. The loan is likely to be forgiven; therefore, the City has included the entire balance in the allowance for doubtful accounts.

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Notes to the Financial Statements**  
**For the year ended June 30, 2018**

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**Note 4 – Advances to the Successor Agency of the City of West Covina**

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City authorized several advances to be used for completing redevelopment projects throughout the community. As a result of the dissolution, the liabilities related to these advances were transferred to the Successor Agency. At June 30, 2018, the outstanding receivable side of these advances was as follows:

- (a) In May 2010, the Commission made an advance of \$6,529,308 from its housing assets to satisfy the Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as allowed by Assembly Bill ABX4-26. The advance bears no interest. In May 2011, the Commission made an advance of \$1,344,269 from its housing assets to satisfy SERAF obligation as allowed by Assembly Bill ABX4-26. On February 1, 2012, these advances receivables were transferred to the Housing Authority. The advance bears no interest and the outstanding balance at June 30, 2018 was \$2,653,668.
- (b) The General Fund of the City has made several advances to the Commission totaling \$8,100,000 for administrative and capital improvement construction costs. Eighty percent (80%) of the balance is reported in the City's General Fund and remaining twenty percent (20%) balance is reported in the Housing Authority. The outstanding balance at June 30, 2018 was \$1,597,100.

With regard to repayment of the SERAF advances, repayment was authorized to begin in the 2014-15 fiscal year and annual repayments are capped pursuant to a statutory formula.

Successor Agency and the Housing Authority management believes, in consultation with legal counsel, that the SERAF advances are enforceable obligations payable by the Successor Agency under the Dissolution Act's repayment restrictions. Therefore, the Housing Authority has not recorded an allowance for uncollectible advances. That said, the Dissolution Act is a complicated statutory scheme and the State and local agency implementation thereof has been the subject of substantial dispute and litigation. As such, repayment of the SERAF advances cannot be guaranteed.

**Note 5 – Fund Balance**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose.

*City of West Covina, California*  
**West Covina Housing Authority Fund**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2018**

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**Note 5 – Fund Balance, (continued)**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Director of Finance has the authority, granted by the Council, to assign City resources. When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City’s policy to consider committed amounts as being reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The Housing Authority’s governmental fund balance at June 30, 2018 is presented below:

	West Covina Housing Authority Fund
Nonspendable:	
Prepays	\$ 110,833
Restricted for:	
Affordable housing	24,614,383
Total fund balance	\$ 24,725,216

**REQUIRED SUPPLEMENTARY INFORMATION**

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Budgetary Comparison Schedule**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 396,928	\$ 396,928
Revenue from other agencies	-	50,000	-	(50,000)
Other revenues	-	-	46,013	46,013
Total revenues	-	50,000	442,941	392,941
<b>EXPENDITURES</b>				
Current:				
Public Safety	150,000	160,083	160,083	-
Affordable housing	519,294	513,985	418,038	95,947
Total expenditures	669,294	674,068	578,121	95,947
Net change in fund balance	(669,294)	(624,068)	(135,180)	488,888
Fund balance, beginning of year	24,860,396	24,860,396	24,860,396	-
Fund balance, end of year	\$ 24,191,102	\$ 24,236,328	\$ 24,725,216	\$ 488,888

*See accompanying note to required supplementary information.*

*City of West Covina, California*  
*West Covina Housing Authority Fund*  
**Note to Required Supplementary Information**  
**For the year ended June 30, 2018**

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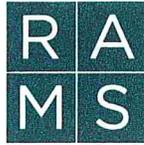
***Note 1 – Budgetary Data***

The annual budget adopted by the City Council provides for the general operation of the Housing Authority. The annual budget is adopted in summary by the City Council in June of each year. The resolution sets a combined appropriation of the fund for the operation of the Housing Authority.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year.



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### *Independent Auditor's Report*

#### **PARTNERS**

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

#### **MANAGERS / STAFF**

Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Gardenya Duran, CPA  
Brianna Schultz, CPA  
Lisa Dongxue Guo, CPA, MSA  
Samuel Singery, CPA  
Jing Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT

The Board of Directors  
West Covina Housing Authority  
West Covina, California

We have audited, in accordance with the 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, the financial statements of the West Covina Housing Authority Fund (the Housing Authority), (a component unit of the City of West Covina (the City), California), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated December 20, 2018. The financial statements present only the Housing Authority and do not purport to, and do not, present fairly the financial position of the City.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Certified Public Accountants

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

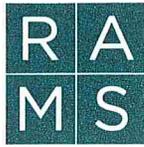
### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 20, 2018

**Housing Successor of the City of West Covina  
Addendum to the Annual Progress Report  
For Fiscal Year Ended June 30, 2018**



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
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Evelyn Morentin-Barcena, CPA  
Jin Gu, CPA, MT

**Independent Accountant’s Disclaimer Report Applied to the  
Preparation of the Addendum to the Annual Progress Report of the  
Housing Successor of the City of West Covina**

To Management of the  
Housing Successor of the City of West Covina  
West Covina, California

We have prepared the accompanying Addendum to the Annual Progress Report (“Addendum to the APR”) of the Housing Successor of the City of West Covina (“Housing Successor”) as of June 30, 2018, and for the year then ended in accordance with the reporting provisions of the California Health & Safety Code Section 34176 as amended by Senate Bill 341 (Chapter 796, Statutes of 2013, effective January 2014) (“SB 341”), and as amended by Senate Bill 107 (Chapter 325, Statutes of 2015, effective January 2016) HSC Section 34176.1(f).

The accompanying Addendum to the APR of the Housing Successor as of June 30, 2018, and for the year then ended was not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, conclusion, nor provide any assurance on it.

This Addendum to the APR is intended solely for the information and use of management of the Housing Successor of the City of West Covina, and is not intended to be and should not be used by anyone other than this specified party.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 20, 2018



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**Housing Successor of the City of West Covina  
Addendum to the Annual Progress Report  
For Fiscal Year Ended June 30, 2018**

- 1) **The amount the City, County, or City and County received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.**

*No amounts received in pursuant to subparagraph (A) of paragraph (3) of subdivision (b) or Section 34191.4.*

- 2) **The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) or paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for others items listed on the Recognized Obligation Payment Schedule from other amounts deposited.**

*The Housing Successor received \$442,940 as of June 30, 2018. None of these amounts were deposited for items listed on the Recognized Obligation Payment Schedule.*

- 3) **A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.**

*The balance in the Housing Successor as of June 30, 2018, was \$24,725,436 none of which was held for items listed on the Recognized Obligation Payment Schedule.*

- 4) **A description of expenditures from the fund by category, including, but not limited to, expenditures**

- a. **for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a),**

*The Housing Successor's expenditures related to this category as of June 30, 2018, were \$417,818 in administrative expenditures.*

- b. **for homeless prevention and rapid re-housing services for the development of housing described in paragraph (2) of subdivision (a), and**

*The Housing Successor had \$160,083 related to homeless prevention and rapid re-housing services as of June 30, 2018.*

- c. **for the development of housing pursuant to paragraph (3) of subdivision (a).**

*The Housing Successor had no expenditures related to the development of housing as of June 30, 2018.*

- 5) **As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.**

*The Housing Successor owned real property with a statutory value of zero, as of June 30, 2018.*

*The value of loans and notes receivable in the Housing Successor as of June 30, 2018 is \$14,511,148.*

*The sum of the statutory value of real property and the value of loans and notes receivable is \$14,511,148.*

- 6) **A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.**

*No transfers occurred pursuant to paragraph (2) of subdivision (c) in the previous fiscal year or earlier fiscal years.*

- 7) **A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.**

<b>Project Name</b>	<b>Status of Project</b>
Heritage Park Senior Apartment	Monitoring of Housing Compliance for 14 multifamily Units (14 units are restricted for Senior Housing).
Lark Ellen Village	Monitoring of Housing Compliance for 121 multifamily Units (88 units are restricted for Senior Housing).
Mauna Loa Apartments	Monitoring of Housing Compliance for 12 multifamily units.
The Promenade	Monitoring of Housing Compliance for 124 multifamily units.
Senior Villas I	Monitoring of Housing Compliance for 85 multifamily units (85 units are restricted for Senior Housing).
Senior Villas II	Monitoring of Housing Compliance for 64 multifamily units (64 units are restricted for Senior Housing).
Housing Preservation Loan Program	Administer program, process demand payoffs, research deed and title search, release of full reconveyance and liens and recordation.
Housing Improvement Loan Program	Administer program, process demand payoffs, research deed and title search, release of full reconveyance and liens and recordation.
First Time Homebuyers	Administer program, process release of full reconveyance, liens, and recordation. Process subordination agreement to allow for refinance.
Revised Housing Preservation Loan Program	Develop revised loan program pursuant to new legislation (SB341). Administer program, process new loan applications, process and record loan documents, approve loans, and manage payment of loan to contractors.

- 8) For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.**

*As of June 30, 2018, the Housing Successor did not hold any property acquired prior to February 1, 2012. No properties were acquired subsequent to February 1, 2012.*

- 9) A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.**

*As of June 30, 2018, there were no outstanding obligations pursuant to Section 33413 that remained to be transferred to the Housing Successor on February 1, 2012.*

<http://westcovina.org/departments/community-and-economic-development/successor-agency/redevelopment-implementation-plan>

- 10) The information required by subparagraph (B) of paragraph (3) of subdivision (a).**

*This item is not applicable to the Housing Successor until the Fiscal Year Ending June 30, 2019.*

- 11) The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.**

*As of June 30, 2018, the Housing Successor had 59.76% of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.*

- 12) The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus.**

*The Housing Successor Fund did not have any excess surplus as of June 30, 2018, or at any point during the fiscal year ended June 30, 2018.*

**13) An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3.**

**a. the number of those units.**

*N/A*

**b. In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.**

*N/A*

**c. Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.**

*N/A*

**d. Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.**

*N/A*

*CITY OF WEST COVINA  
AIR QUALITY IMPROVEMENT  
SPECIAL REVENUE FUND*

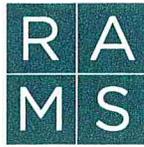
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2018**

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
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**June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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The Honorable Mayor and  
City Council of the City of West Covina  
West Covina, California

### PARTNERS

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### Report on the Financial Statements

We have audited the accompanying financial statements of the Air Quality Improvement Special Revenue Fund (the Fund) of the City of West Covina, California (the City), as of and for the year ended June 30, 2018, and the related notes to the 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 an opinion 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 Fund's 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 related to the Fund. 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.



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such Information, although not a part of the basic financial statement, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of that basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have issued our report dated December 20, 2018, on our consideration of the entity's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters related to the Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 20, 2018

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
**Balance Sheet**  
**June 30, 2018**

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**Assets**

Other receivables	\$ 35,495
Due from other agencies	<u>554,199</u>
Total assets	<u><u>\$ 589,694</u></u>

**Liabilities, deferred inflows of  
resources, and fund balance**

Liabilities:

Accounts payable	\$ 14,043
Other accrued liabilities	44,399
Due to other funds	<u>100,572</u>

Total liabilities 159,014

Deferred inflows of resources:

Unavailable revenue 554,199

Fund balance (deficit):

Unassigned (123,519)

Total fund balance (deficit) (123,519)

Total liabilities, deferred inflows of resources, and fund balance \$ 589,694

*The accompanying notes are an integral part of these financial statements.*

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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**Revenues**

Investment income	\$ 2,112
Revenue from other agencies	138,524
Other revenues	<u>1,700</u>
Total revenues	<u>142,336</u>

**Expenditures**

Public works	<u>936,746</u>
Deficiency of revenues under expenditures	<u>(794,410)</u>

**Other Financing Sources**

Transfers in	<u>9,761</u>
Net change in fund balance	(784,649)
Fund balance, beginning of year	<u>661,130</u>
Fund balance (deficit), end of year	<u><u>\$ (123,519)</u></u>

*The accompanying notes are an integral part of these financial statements.*

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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***Note 1 – General***

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar subvented to SCAQMD is allocated to the cities and counties in the South Coast District proportionately based upon population. The amounts attributable to the City of West Covina (the City), are maintained in the City's Air Quality Improvement Special Revenue Fund (the Fund).

***Note 2 – Summary of Significant Accounting Policies***

The following is a summary of the significant accounting policies of the City as they pertain to the Fund. Only the Fund information is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Assembly Bill 2766 (AB2766) are recorded in the Fund that is used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act.

*Basis of Accounting*

The Fund is accounted for using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.

*Use of Estimates in the Preparation of Financial Statements*

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

*Deferred Outflows and Inflows of Resources*

Deferred outflows of resources are transactions that result in the consumption of assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position. Deferred inflows of resources are transactions that result in the acquisition of assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

*City of West Covina*  
**Air Quality Improvement Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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**Note 2 – Summary of Significant Accounting Policies, (continued)**

*Deferred Outflows and Inflows of Resources, (continued)*

The Fund’s financial statements contain elements that meet the definition of deferred inflow of resources. The amount of deferred inflows of resources is reported in the Balance Sheet as follows:

	<u>Amount</u>
Unavailable revenue	<u>\$ 554,199</u>

**Note 3 – Cash and Investments**

Cash at June 30, 2018 consisted of the following:

	<u>Amount</u>
Pooled cash and investments	<u>\$ -</u>

The City follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City’s cash and investments as of June 30, 2018, please see the City’s Comprehensive Annual Financial Report.

**Note 4 – Interfund Receivables and Transfers**

**Interfund transactions – Due to/due from interfund borrowings**

Interfund receivable and payable balances at June 30, 2018 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund General Fund</u>
Air Quality Improvement Special Revenue Fund	<u>\$ 100,572</u>

The interfund payable represents temporary loans to cover negative cash balances.

*City of West Covina*  
***Air Quality Improvement Special Revenue Fund***  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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**Note 4 – Interfund Receivables and Transfers, (continued)**

**Interfund transactions - Transfers**

The following schedule summarizes the Fund's transfer activity:

	Transfer In
	Air Quality Improvement Special Revenue Fund
Transfers Out:	
General Fund	\$ 9,761

The transfer in represents transfer from General Fund to cover electricity expenditures.

**Note 5 – Fund Balance**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making fund; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the fund.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a General Fund.

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2018**

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**Note 5 – Fund Balance, (continued)**

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balance first. When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City’s policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

The Fund’s governmental fund balance at June 30, 2018 is presented below:

	Air Quality Improvement
Unassigned	<u>\$ (123,519)</u>
Total fund balance (deficit)	<u><u>\$ (123,519)</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

*City of West Covina*  
***Air Quality Improvement Special Revenue Fund***  
**Budgetary Comparison Schedule**  
**For the year ended June 30, 2018**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 2,112	\$ 2,112
Revenue from other agencies	141,000	141,000	138,524	(2,476)
Other revenues	-	-	1,700	1,700
<b>Total revenues</b>	<b>141,000</b>	<b>141,000</b>	<b>142,336</b>	<b>1,336</b>
<b>Expenditures</b>				
Public works	28,653	951,302	936,746	14,556
Excess (deficiency) of revenues over (under) expenditures	112,347	(810,302)	(794,410)	15,892
<b>Other Financing Sources</b>				
Transfers in	-	-	9,761	9,761
Net change in fund balance	112,347	(810,302)	(784,649)	25,653
Fund balance, beginning of year	661,130	661,130	661,130	-
Fund balance (deficit), end of year	<u>\$ 773,477</u>	<u>\$ (149,172)</u>	<u>\$ (123,519)</u>	<u>\$ 25,653</u>

See accompanying note to required supplementary information.

*City of West Covina*  
*Air Quality Improvement Special Revenue Fund*  
**Note to Required Supplementary Information**  
**For the year ended June 30, 2018**

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***Note 1 – Budgetary Data***

The annual budget adopted by the City Council provides for the general operation of the Fund. The annual budget is adopted in summary by the City Council in June of each year. The resolution sets a combined appropriation of the fund for the operation of the City.

The City Manager is authorized to transfer budgeted amounts between departments to ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year.

Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Operating appropriations lapse at the end of the fiscal year.



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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### *Independent Auditor's Report*

The Honorable Mayor and  
City Council of the City of West Covina  
West Covina, California

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We have audited, in accordance with the 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, the financial statements of the Air Quality Improvement Special Revenue Fund (the Fund) of the City of West Covina, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 20, 2018. The financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 20, 2018