



CITY OF WEST COVINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2012

Prepared By:

City of West Covina Finance Department

Thomas Bachman
Assistant City Manager/Finance Director

CITY OF WEST COVINA

TABLE OF CONTENTS

For the year ended June 30, 2012

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	v
City Officials	xv
Organization Chart	xvi
Certificate of Achievement for Excellence in Financial Reporting	xvii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Managements' Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	13
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	25
Community Development Block Grant Special Revenue Fund	26
West Covina Housing Authority Special Revenue Fund	27
Proprietary Funds:	
Statement of Net Assets	28
Statement of Revenues, Expenses and Changes in Fund Net Assets	29
Statement of Cash Flows	30
Fiduciary Funds:	
Statement of Fiduciary Net Assets	32
Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Fund	33
Notes to Basic Financial Statements	35

CITY OF WEST COVINA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION:	95
Schedules of Funding Progress:	
CalPERS Safety Pension Plan	97
CalPERS Miscellaneous Pension Plan	97
EPMC Replacement Supplemental Retirement Plan	97
Supplemental Retirement Plan for Executive Staff	98
Other Post-Employment Benefit Plan	98
SUPPLEMENTARY INFORMATION:	
Supplementary Schedules:	99
Other Governmental Funds:	101
Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	103
Other Special Revenue Funds:	104
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	110
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Drug Rebate Enforcement Fund	114
Business Improvement Tax Fund	115
Air Quality Improvement Fund	116
Proposition A Fund	117
Proposition C Fund	118
Traffic Safety Fund	119
State Gas Tax Fund	120
Police Special Programs Fund	121
Transportation Development Act Fund	122
AB939 Fund	123
Grants Fund	124
Tree Fund	125
Inmate Welfare Fund	126
Public Safety Fund	127
COPS Grant Fund	128

CITY OF WEST COVINA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION (CONTINUED):	
Supplementary Schedules (Continued):	
Other Special Revenue Funds (Continued):	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued):	
Special Assessments Fund	129
Charter Cable Fund	130
Arts in Public Places Fund	131
North Azusa Relinquishment Fund	132
Measure R Fund	133
Integrated Waste Management Fund	134
West Covina Community Services Foundation Fund	135
Major Debt Service Funds:	137
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
City Fund	138
Community Development Commission Fund	139
Other and Major Capital Projects Funds:	141
Combining Balance Sheet	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	143
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
City Fund - Major Fund	144
Community Development Commission Fund - Major Fund	145
Construction Tax Fund	146
Park Development Fund	147
Internal Service Funds:	149
Combining Statement of Net Assets	150
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	152
Combining Statement of Cash Flows	154
Agency Fund:	157
Statement of Changes in Assets and Liabilities	158

CITY OF WEST COVINA

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION:		
Description of Statistical Section Contents		159
Financial Trends:		
Net Assets by Component	1	160
Changes in Net Assets	2	162
Changes in Net Assets - Governmental Activities	3	166
Changes in Net Assets - Business-type Activities	4	168
Fund Balances of Governmental Funds	5	170
Changes in Fund Balances of Governmental Funds	6	172
Revenue Capacity:		
Assessed Value and Estimated Actual Value of Taxable Property	7	174
Direct and Overlapping Property Tax Rates	8	176
Principal Property Taxpayers	9	179
Property Tax Levies and Collections	10	180
Debt Capacity:		
Ratios of Outstanding Debt by Type	11	182
Ratio of General Bonded Debt Outstanding	12	184
Direct and Overlapping Debt	13	185
Legal Debt Margin Information	14	186
Pledged Revenue Coverage	15	188
Demographic and Economic Information:		
Demographic and Economic Statistics	16	190
Principal Employers	17	191
Operating Information:		
Full-Time and Part-Time City Employees by Function	18	193
Operating Indicators by Function	19	194
Capital Asset Statistics by Function	20	196



Finance Department

January 31, 2013

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

It is the policy of the City of West Covina to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that policy, we hereby issue the comprehensive annual financial statements of the City of West Covina (“the City”) for the fiscal year ended June 30, 2012.

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 White Nelson Diehl Evans, LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City’s internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

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 in 1923, the City covers 17 square miles and has a population of approximately 106,000. 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.

West Covina is a general law city and operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council, consisting of five council members 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 fifteen parks, four community centers and a county operated library. The City is financially accountable for a redevelopment agency and financing authority, both of which financial statements 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. As a result of state legislation, the redevelopment agency was dissolved during the fiscal year and the financial statements for redevelopment agency only include activities through January 31, 2012, the date on which the agency was dissolved. Assets and liabilities of the former redevelopment agency have been transferred to the Successor Agency to the Redevelopment Agency of the City of West Covina, whose activities are presented in the private purpose trust fund in the financial statements.

The City Council annually reviews and adopts an operating budget to provide for effective management and budgetary control of City assets and to assist in achieving the objectives set by the City Council. All departments of the City are required to submit requests for appropriation to the City Manager during March of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review prior to May 31. The council holds public hearings on the proposed budget and adopts a final budget in June. The budget appropriations are prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager is authorized to transfer budgeted amounts between 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.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund, this comparison is presented in the supplementary section of the accompanying financial statements.

Local economy

The City of West Covina is a largely residential city that has a large commercial section along the Interstate 10 corridor. This corridor is vital to the City's economic base because of the visibility and accessibility it provides to the City and the majority of the City's commercial activity occurs in this area of the City. That commercial activity includes two regional shopping centers, many smaller shopping centers, numerous restaurants, and eleven new auto dealerships. Outside of this area, the City is comprised mainly of residential areas and a large concentration of hospital and medical facilities. Because of this makeup, the City's two largest revenue sources are property tax and sales tax that together make up 64 percent of the General Fund revenues. Because of this large proportion, the health of the General Fund relies heavily on the performance of these two revenue sources. Both of these revenue sources were impacted by the recession, and are now in the midst of their rebounds, although at different paces.

Sales tax revenues, the City's second largest revenue, peaked in 2006-07 and then proceeded to decline by 22% over the next three years as the effects of the recession took hold. Sales tax started to rebound in 2010-11 and has shown moderate growth over the last two years, although the 2011-12 year-end total of \$12.5 million was still 12% below the 2006-07 peak amount of \$14.2 million. Much of this growth has come from the re-tenanting of many of the stores that were left vacant during the recession. The City has also benefited from the increase in the general consumer market and the resurgence of the auto industry. A major drag on the sales tax rebound has been the continued closure of five new car dealerships that are currently in bankruptcy proceedings. The continued moderate growth, the addition of new commercial and retail outlets including a Walmart opening in November 2012, and the potential reopening of the auto dealerships are all reasons to be optimistic about sales tax growth in the future.

Property tax revenues, the City's largest revenue source generating 38% of General Fund revenues, experienced a two-year decline beginning in 2009-10 and started to rebound in 2011-12. While the decline was much less severe than sales tax, it is also projected to grow more slowly than sales tax in the near future.

Property tax is made up of two main components, (1) property taxes based on real property located within the City, and (2) the supplemental in lieu of VLF property tax that grows each year based on the increase or decrease in the total city wide assessed valuation. Total assessed valuation in the City increased in 2012-13 by 1.3% after increasing by 1.9% in the prior year. Residential properties, which comprise approximately 90% of General Fund property tax revenues, increased by 1.8% as compared to a 1.5% increase in the prior year.

Property taxes are projected to continue this slow growth over the next few years as the housing market begins its recovery. There are still a large number of commercial assessment appeals pending with the County. While most of these commercial appeals are within redevelopment project areas, they could have an indirect effect on General Fund revenues to the extent that they lower total assessed valuation in the City, which affects the supplemental in lieu of VLF portion.

Moving forward, General Fund property tax revenue will get an immediate boost from the City's share of residual tax increment revenues from the former redevelopment agency that are distributed to the various taxing entities, including the City. This new ongoing revenue source for the General Fund represents approximately 14% of the residual amount and is estimated at \$1.15 million in 2012-13.

One other sign of the rebounding economy is the turnaround in transient occupancy taxes, which is the City's fastest growing revenue source. While not near the size of property or sales tax TOT has grown by 63% over the last two years after bottoming out in 2009-10. Spurred by the opening of a new hotel and the comeback of the hospitality market, this revenue source should exceed its pre-recession levels during the 2012-13 fiscal year.

Finally, despite the growth of the general economy, the City's ability to further assist the economy and job creation through economic development was severely hampered during the fiscal when the state took away the City's most important economic tool by eliminating redevelopment. The City will need to look to new measures in the future to assist businesses and spur economic development and is in the process of developing a new model.

Long-term financial planning

In addition to the loss of a vital economic development tool, the loss of redevelopment also took many resources from the City's financial structure that caused a loss of almost \$5 million in ongoing annual resources. That was due in large part because the City had previously loaned significant amounts of General Fund dollars to the redevelopment agency and was receiving approximately \$3.5 million annually in loan repayments. The law as written and interpreted by the State Department of Finance has determined that these loans are no longer valid at this time. This, along with other operating reimbursements from the redevelopment agency, has caused a huge disruption in the City's revenue stream. It has also put the majority of the General Fund reserve at risk of not being available immediately and possibility eliminated at some point in the future.

The General Fund has \$28.8 million in reserve as of June 30, 2012. Of the total reserve, \$16.1 million represents outstanding loans to the former redevelopment agency and is not available for spending. These loans have not yet been recognized as enforceable obligations by the State Department of Finance (“DOF”), although they may in the future. Even if they are deemed enforceable, the formula for repayment developed by AB 1484 would not allow for repayment of these loans for many years.

The remaining \$12.7 million in the General Fund reserve is also at risk because the State may be demanding a payment of \$12.2 million that was derived from valid loan repayments made by the redevelopment agency to the City prior between January 2011 and January 2012. Despite the fact that these payments were made prior to the dissolution of redevelopment and passage of the law that may deem these payments invalid, the state may take the position that these funds have to be paid over to the county for distribution to other taxing entities. While the City will vehemently fight any effort by the state to take this money, if this were to occur it would wipe out the majority of the General Fund cash reserves.

Facing the combination of loss of redevelopment revenues and continually rising employee costs, the City initially faced an \$8.9 million deficit, yet was still able to produce a balanced budget for the 2012-13 fiscal year. This was done after a long budget process that included such major items as a staffing reduction plan that eliminated 32 full time positions and concessions from the public safety employee groups. This has left the City with severely reduced staffing levels.

In 2007-08 the City had 445 full time employees, including 127 sworn police officers and 80 sworn firefighters. The proposed budget contains 338 full time employees, including 90 sworn police officers and 76 sworn firefighters. This equates to a 24% reduction in the City’s workforce. While efficiencies will certainly be achieved by the reduced number of employees, staffing levels will need to be more closely evaluated for appropriateness and ability to provide needed services.

The 2012-13 Adopted General Fund Budget includes \$51.54 million of estimated revenues and \$51.49 million of appropriations, resulting in a balanced budget with a small surplus of \$45,864. Revenues in 2012-13 are projected to decrease by 0.2 percent under the 2011-12 budget while expenditures are projected to decrease by 3.7 percent over the 2010-11 budget.

Moving forward the City will need to remain committed to balanced budgets due to the uncertainties over the availability of the reserves. Much of the rising costs of services are driven by employee pension and healthcare costs. While progress has been made in these two areas, the City will need to continue to reevaluate the compensation packages for employees in order to keep growth within reasonable parameters. The City will also need to look at long-term strategies to address deferred capital needs for facilities, equipment and vehicles.

Finally, the City will also need to look at rebuilding its reserves. To that end, the City did receive a \$2 million onetime payment in exchange for extending its trash contract and is due to receive \$1 million as its share of a judgment from a recent court victory for cities against the county for improperly charging property tax administrative fees.

Relevant financial policies

Pension Costs

Rising pension costs will continue to be a challenge for public agencies. The City's public safety employer contribution rate has risen from 25.2% of pay in 2008-09 to 35.2% in 2012-13 and is projected to increase to 42.4% in 2015-16. The non-sworn rate has risen from 9.0% to 13.7% in 2012-13 and is projected to increase to 17.3% in 2015.16. This rise in pension costs is due in large part to the collapse of the stock market during which CalPERS lost significant investment value that it has not recaptured. These rates are projected to continue to increase in the future due to PERS lowering its assumed earnings rate from 7.75% down to 7.25%, and are expected to remain at these elevated rates for the foreseeable future.

The City has however made significant strides in pension reform in the last two years. With the recent approval of the public safety MOUs, all City employees now pay their entire portion of the pension contribution that was previously paid by the City. This shifting of cost to the employees saves the City over \$3 million each year. The City also instituted a second tier for all new hires as well. Newly hired non-sworn employees will be enrolled in the 2% @ 60 pension formula, while newly hired safety employees will be enrolled in the 3% @ 55 plan with 3-year average final compensation. The state took pension reform one step further and among other measures introduced a third tier for new members into the retirement system in which the formulas will be 2% @ 62 for non-sworn employees and 2.7% @ 57 for sworn personnel. These pension reform measures will generate long-term savings, but the City will still have to grapple with the current high costs of pension for the foreseeable future.

Retiree Medical Costs

West Covina, as well as other cities throughout California, also faces an additional issue in funding retirement benefits. The City had a biennial actuarial valuation performed as of June 30, 2011, in compliance with GASB 45 that determined the City has a \$65 million unfunded liability for retiree medical benefits. Due to the fact that medical costs consistently rise faster than normal CPI, keeping up with these cost increases and changes brought on by the national healthcare act will be increasingly challenging. The City took the first step towards reigning in these costs by placing a cap on the amount paid to public safety retirees where there was previously no cap on this benefit. More work will need to be done in this area and the City will need to explore cost sharing with the employees of the bargaining units that receive this benefit. Finally, although these benefits are currently funded on a pay-as-you-go basis, the City should explore pre-funding this liability, which will ultimately reduce the long-term cost of the benefit.

Successor Agency Funding

The City elected to become the Successor Agency to the Redevelopment Agency of the City of West Covina. The Successor Agency is charged with winding down the affairs of the former redevelopment agency including paying remaining debt and other obligations, and disposing of assets held by the agency including many land assets. The Successor Agency receives an administrative allowance amount equal to 3% of the enforceable obligations as determined by the State Department of Finance ("DOF") to perform these functions. Based on recent experience with DOF, it appears this amount will be in the \$300,000 range annually.

Due to the necessary legal and administrative costs to perform the wind down process, this amount will be insufficient to fund the administrative functions. The excess cost will then become a burden on the General Fund. It is expected that the wind down costs, especially legal costs, will decrease over the next few years as the process becomes more routine and the burden on the General Fund will be reduced and ultimately eliminated.

Balanced Budget

While the City balanced the budget in the 2012-13 fiscal year and the economy is showing growth, rising personnel costs will continue to make balancing the budget challenging. Through the midst of the recession, the City used \$20.2 of its reserves over a six-year period that ended with an \$820,139 deficit in 2011-12. That was the smaller deficit in any of the six years and was only achieved due to a \$4 million transfer from the Debt Service Fund that was done to offset the effects of the loss of redevelopment. Given the uncertainty over the reserves however, the City must remain committed to balanced budgets

Cash Flow

The City's cash position at the end of the 2012-13 fiscal year is projected to be \$15 million. The increase from June 30, 2012 is due to the \$3 million in onetime payments the City is expected to receive in 2012-13. That amount, however, includes a \$4 million long-term high yielding investment that is part of the City's overall debt structure as the interest it generates is used to pay debt service on the Civic Center Bonds and its maturity is tied to the maturity on the direct purchase agreement of those bonds. If the City were forced to liquidate this investment, it would have negative consequences for the City's debt management plan. That \$15 million amount also includes the \$12.2 million in loan repayments from the redevelopment agency that was previously discussed.

The City annually runs a negative cash flow for the first five months of each fiscal year to the tune of approximately \$12 million. This is due to the fact that the City's largest revenue source, property tax, does not start flowing into the City until December. Additionally, due to actions by the state such as the Triple Flip and the exchange of VLF for property taxes, these two large revenue sources do not start flowing into the City until January of each fiscal year. In the past the City has been able to rely on internal borrowing from the Liability and Workers' Comp internal service funds to cover the negative cash flow, but due to lower reserves in those they can no longer cover the negative cash flow. Additionally, the City must provide cash flow financing for some of its maintenance districts such as the Citywide Maintenance District and the Sewer Maintenance District because those districts do not have sufficient reserve funds to cover their negative cash flow. The City issued \$7.6 million in short-term revenue anticipation notes (TRANS) during the current year in order to meet its cash flow needs. Any attempts by the state to take the \$12.2 million will have severe consequences on the General Funds ability to fund the negative cash flow or borrow for cash flow purposes.

Capital Requirements

As the City has struggled to produce balanced budgets in recent years, many of the City's capital needs have been deferred. General Fund spending on capital items has not occurred for several years and reserves that otherwise could have been used for onetime capital needs, have instead been used for operating purposes. This deferral has led to increased maintenance costs as well. While much of the focus will continue to be on balancing the budget, and the need now exists to rebuild reserves, provisions for funding capital needs must also be considered when developing a financial plan for the future. The capital financing plan would address replacement of the City's fleet of aging police vehicles, fire apparatus, public works vehicles, and city facilities.

Major Initiatives

Wind Down Process of Former Redevelopment Agency

Many of the aspects of the elimination of redevelopment have been unclear and recent legislation adopted June 2012 did little to help clarify the ultimate outcomes despite its attempts to do so by defining specific processes that needed to occur. Staff and legal counsel have spent a tremendous amount of time and resources trying to comply with the provisions of the law while at the same time protecting the City's interest in this wind down process. These many uncertainties still leave questions such as whether the City loans and agreements will be deemed valid in the future. If the answer is yes, what will the amounts be? If the answer is no, this will have a devastating effect on the General Fund reserve.

There are questions about the real property owned by the former redevelopment agency. Much of the property is parking lots and parking structures that support the Westfield shopping mall and the Lakes office and commercial center. The City has taken the position that these should be transferred to the City as they serve a clear public purpose of public parking. The department of finance, however, will make the final determination on whether these properties should be sold, which if sold could have a very detrimental effect on these commercial centers. The other major piece of property owned is the land surrounding the former BKK landfill, which contains many obligations and liabilities for the Successor Agency related to the various agreements the City and redevelopment agency entered into with state and federal agencies regarding closure of the landfill and environmental mitigation measures.

This wind down process will continue to be a very active process for the next couple of years until these significant issues get resolved. This may also require future legal action due to ambiguity of both the intent and content of the dissolution legislation.

Reevaluating Service Levels and Delivery

Over the last five years, City full time staffing levels have been reduced by 107 positions, from 445 positions down to 338. This includes a reduction of 37 sworn police officer positions as the numbers have dropped from 127 officers down to 90. This reduction would have been greater had the fire department not obtained a FEMA hiring grant. The City had previously eliminated 12 firefighter positions over a two-year period, but was able to hire back six positions as a result of the grant. This grant will expire in the fall of 2013 however, and the City needs to develop a plan to staff the department moving forward without this funding source.

As mentioned earlier, balancing the budget with current staffing levels will prove challenging given the rising personnel costs and the loss of resources. Moving forward, the City will need to evaluate the appropriate staffing levels of the public safety departments as well as other City services. If it is determined that increasing staffing levels is something that it wants to accomplish, then a new revenue source would need to be identified and pursued. The City has traditionally provided a good value to the citizens in terms of service levels with no locally dedicated tax source. In fact, West Covina is the only City in Los Angeles County with a population between 80,000 and 140,000 that provides both police and fire protection services, yet has no utility users tax or other locally dedicated tax. While this structure has been able to work in the past and the City's per capita spending has always been among the lowest in the state for cities of this size, it will not provide for the level of services previously seen in the City.

Economic Development

While the City has suffered significant reduction of redevelopment resources with which to assist economic development, the City is making it a priority to rebuild its economic development efforts in order to maintain and expand the economic base. Developers are continuing to invest in some of the major commercial developments and the majority of the previously vacant spaces have been re-tenanted. The primary focus of this new effort will be to continue to work with existing property owners to assist in filling the vacancies, as well as assisting local businesses and developers in their remodeling and expansion projects. These efforts by the City will include expediting the entitlement and inspections processes and well as assisting in the marketing of the available sites. Some of the projects still undergoing revitalization include the continued expansion and re-tenanting of the Westfield Mall, repositioning of the Eastland Shopping Center, and the complete redevelopment of the Country Club shopping center. The success of these projects is a critical component to the City's tax base and ability to fund public services, as they are the heart of the City's commercial center. The economic development efforts will continue to assist these projects as well as providing effort to pocket developments and small businesses.

Interstate 10 Freeway Widening

Cal Trans is in the process of widening the Interstate 10 freeway for the purposes of adding HOV lanes. The first phase of this project extends from the 605 Freeway through the neighboring city of Baldwin Park to the western boundary of the City and is currently nearing. The second phase is currently in the planning stages and will continue from the western boundary of the City to near the eastern boundary. This expansion, which is slated to begin in 2013, will take place in a section of the freeway that fronts the majority of the City's commercial centers and auto dealers. This expansion will include the taking of some business properties as well as a requirement for extension of sound walls adjacent to residential areas. Some of the land they will take is owned by the Successor Agency. The City is working with Cal Trans in an effort to minimize the impact on local businesses and protect the visibility and accessibility of this vital commercial corridor.

Awards and Acknowledgements

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Covina for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles and applicable legal requirements. We believe the current comprehensive annual financial report continues to meet GFOA standards.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. We would like to express our 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 black ink, appearing to read 'Tom Bachman', with a long horizontal line extending to the right.

Tom Bachman
Assistant City Manager/Finance Director

CITY OF WEST COVINA

City Officials

June 30, 2012

CITY COUNCIL

Mike Touhey, Mayor
Shelley Sanderson, Mayor Pro Tem
Steve Herfert
Rob Sotelo
Fred Sykes

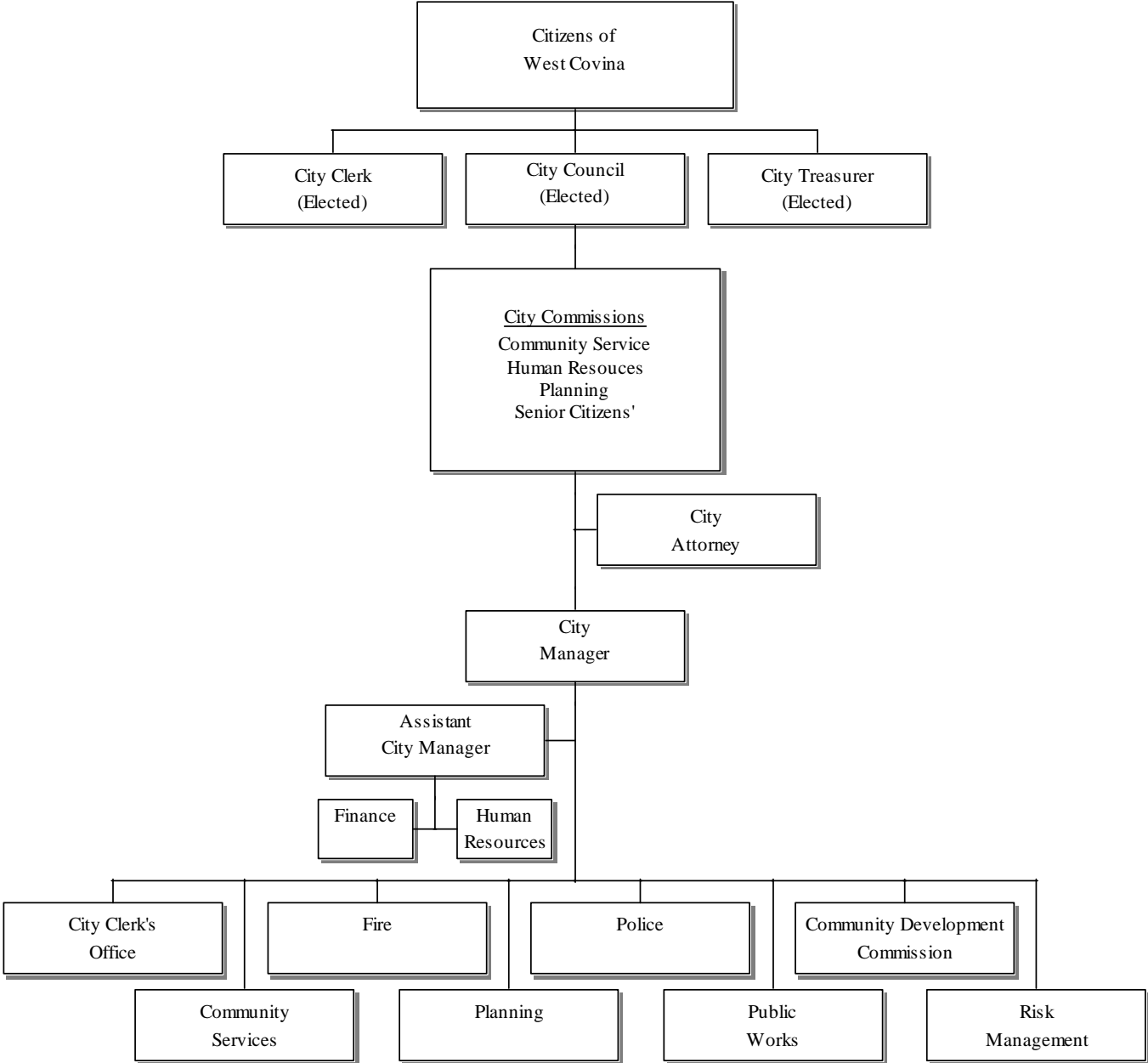
CITY MANAGER

Andrew G. Pasmant

EXECUTIVE MANAGEMENT

Thomas Bachman	Assistant City Manager/Finance Director
Chris Freeland	Deputy City Manager/Interim Community Services Director
Arnold M. Alvarez-Glasman	City Attorney
Sue Rush	City Clerk
Chris Chung	Community Development Commission Director
Theresa St. Peter	Interim Human Resources Director
Paul Segalla	Fire Chief
Frank Wills	Police Chief
Shannon Yauchzee	Public Works Director
Erin Hoppe	Risk Management Director

City of West Covina Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Covina
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Moivell

President

Jeffrey R. Enow

Executive Director

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of West Covina
West Covina, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of West Covina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Covina's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of West Covina for the year ended June 30, 2011, and in our report dated January 11, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of West Covina, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City of West Covina, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22 to the financial statements, the Community Development Commission of the City of West Covina, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2013 on our consideration of the City of West Covina'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 and should be considered in assessing the results of our audit.

The management's discussion and analysis, and the schedules of funding progress, listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis and the schedules of funding progress 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Covina's basic financial statements as a whole. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

White Nelson Dick Evans LLP

Irvine, California
January 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of West Covina provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. 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

Pursuant to Assembly Bill 1X 26, approved by the legislature, signed by the governor on June 28, 2011, and upheld by the California Supreme Court On December 29, 2011, the City of West Covina Redevelopment Agency was dissolved as February 1, 2012. The City of West Covina elected to become the Successor Agency to the former redevelopment agency, thereby agreeing to hold the assets of the former agency until they are distributed to other units of state and local government. Now that the agency has been dissolved, its assets and liabilities were transferred to the successor agency. This year's government-wide financial statements reflect an extraordinary gain of \$55,825,872 related to that transfer. The successor agency is now reported as a Private Purpose Trust Fund and is no longer considered part of the City. More information regarding the dissolution of the agency can be found on pages 80 through 84.

- As of June 30, 2012, the City's total net assets (excess of assets over liabilities) were \$247.8 million.
- The City's total net assets increased \$44.3 million. The increase was the result of the \$55.8 million extraordinary gain that more than offset deficits in certain funds, including a \$845,307 deficit in the General Fund, a \$14.0 million deficit in the Community Development Commission Capital Projects Fund, a \$144,004 deficit in the City Capital Projects Fund and a \$4.2 million deficit in the City Debt Service Fund caused by a one-time transfer in of \$4 million to the General Fund.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$67.3 million, an increase of \$2.2 million from the prior year.
- As of June 30, 2012, the unassigned fund balance for the General Fund was \$13.2 million, or 24% of total General Fund expenditures. This amount increased by \$5 million due largely to the one-time transfer of \$4 million from the City Debt Service Fund. \$12.2 million of this unassigned amount has been identified as loan payments by the former redevelopment agency to the City for the period of January 2011 through January 2012 and may be subject to the claw back provisions of AB 1484 the would allow the state and the county to withhold sales tax and property tax revenues if the amount of loan repayments is not transferred to other taxing entities. There is uncertainty over the legality of this provision of AB 1484 and the potential exists this amount may be withheld from the future City revenues.
- The City's total debt had a net decrease of \$105.6 million during the current fiscal year due mainly to \$103.8 million in liabilities of the former redevelopment agency transferring to the Successor Agency Private Purpose Trust Fund. Principal reductions of outstanding bonds totaled \$4.3 million. The City's net OPEB obligation increased by \$3.9 million. There were no new debt obligations during the fiscal year.

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 other 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 the government operates like businesses, such as the West Covina Service Group, the City's computer enterprise.
 - *Fiduciary funds* statements provide information about the fiduciary relationships – like the private purpose trust fund and 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.

See independent auditors' report.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

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 Assets 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 assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets 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 Assets 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 enterprise operation.

The government-wide financial statements include the City of West Covina Community Development Commission acting as the Housing Authority, the West Covina Public Financing Authority, 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.

As the redevelopment activities of the City of West Covina Community Development Commission were dissolved on January 31, 2012, the government-wide financial statements for fiscal year 2011-12 include activities for the agency for the seven months ended January 31, 2012 and reported the assets and liabilities transferred to the Successor Agency as extraordinary items. The activities of the Successor Agency from February through June 2012 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

See independent auditors' report.

generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets 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

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. At June 30, 2012, net assets for the City of West Covina were \$247,776,960.

A summary of the government-wide statement of net assets at June 30, 2012 follows:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 108,438,142	\$ 145,131,301	\$ (786,398)	\$ (736,316)	\$ 107,651,744	\$ 144,394,985
Capital assets	<u>222,784,189</u>	<u>249,273,406</u>	<u>-</u>	<u>-</u>	<u>222,784,189</u>	<u>249,273,406</u>
Total Assets	<u>331,222,331</u>	<u>394,404,707</u>	<u>(786,398)</u>	<u>(736,316)</u>	<u>330,435,933</u>	<u>393,668,391</u>
Long-term debt						
outstanding	78,122,620	183,696,889	145,730	212,284	78,268,350	183,909,173
Other liabilities	<u>4,328,191</u>	<u>6,282,230</u>	<u>62,432</u>	<u>51,024</u>	<u>4,390,623</u>	<u>6,333,254</u>
Total Liabilities	<u>82,450,811</u>	<u>189,979,119</u>	<u>208,162</u>	<u>263,308</u>	<u>82,658,973</u>	<u>190,242,427</u>
Net Assets:						
Invested in capital						
assets, net of debt	168,749,834	179,236,866	-	-	168,749,834	179,236,866
Restricted	53,333,115	25,286,909	-	-	53,333,115	25,286,909
Unrestricted	<u>26,688,571</u>	<u>(98,187)</u>	<u>(994,560)</u>	<u>(999,624)</u>	<u>25,694,011</u>	<u>(1,097,811)</u>
Total net assets	<u>\$ 248,771,520</u>	<u>\$ 204,425,588</u>	<u>\$ (994,560)</u>	<u>\$ (999,624)</u>	<u>\$ 247,776,960</u>	<u>\$ 203,425,964</u>

\$168,749,834 (68%) of the net assets reflects the City’s investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Since these assets are used to provide services to the citizens, they are not available for future spending. An additional \$53,333,115 (22%) of net assets represents resources that are subject to external restrictions on how they may be used. There is a resulting balance of \$25,694,011 (10%) of net assets that is unrestricted and may be used to meet the City’s ongoing service and credit obligations. The increase in the restricted balance of \$28,046,206 and the increase in the unrestricted balance portion of \$26,791,822 are both related to the transfer of assets and liabilities to the Successor Agency Private Purpose Trust Fund (which is not included in the government-wide statements) and the resulting extraordinary gain of \$55,825,872.

See independent auditors’ report.

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 12,238,722	\$ 13,704,866	\$ 1,805,242	\$ 2,268,982	\$ 14,043,964	\$ 15,973,848
Operating contributions and grants	11,186,441	10,189,050	-	-	11,186,441	10,189,050
Capital contributions and grants	958,459	678,827	-	-	958,459	678,827
General revenues:						
Property taxes	23,313,556	30,888,074	-	-	23,313,556	30,888,074
Sales taxes	14,548,614	12,550,157	-	-	14,548,614	12,550,157
Other taxes	11,059,971	8,608,403	-	-	11,059,971	8,608,403
Other general revenues and transfers	6,995,940	7,306,262	(98,811)	(95,934)	6,897,129	7,210,328
Total revenues	80,301,703	83,925,639	1,706,431	2,173,048	82,008,134	86,098,687
Extraordinary Gain	55,825,872	-	-	-	55,825,872	-
Expenses						
General government	4,953,340	2,922,898	-	-	4,953,340	2,922,898
Public safety	49,369,913	45,253,725	-	-	49,369,913	45,253,725
Public works	20,510,387	21,052,423	-	-	20,510,387	21,052,423
Community services	6,949,951	6,629,292	-	-	6,949,951	6,629,292
Community development	4,071,050	9,414,730	-	-	4,071,050	9,414,730
Interest expense	5,927,002	7,101,037	-	-	5,927,002	7,101,037
Computer service	-	-	1,701,367	2,086,135	1,701,367	2,086,135
Total expenses	91,781,643	92,374,105	1,701,367	2,086,135	93,483,010	94,460,240
Increase (decrease) in net assets	44,345,932	(8,448,466)	5,064	86,913	44,350,996	(8,361,553)
Beginning net assets, as restated	204,425,588	212,874,054	(999,624)	(1,086,537)	203,425,964	211,787,517
Ending net assets	\$ 248,771,520	\$ 204,425,588	\$ (994,560)	\$ (999,624)	\$ 247,776,960	\$ 203,425,964

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Total net assets for the City increased by \$44,350,996 during the fiscal year. Virtually all of that increase was in the Governmental activities as net assets increased by \$44,345,932 (22%) during the fiscal year while business-type activities net assets increased by \$5,064 (%). The net assets (financial position) of the City changed for the most part as a result of the transfer of assets and liabilities to the Successor Agency and the resulting \$55.8 million extraordinary gain on the City's financial statements. Other revenue and expense fluctuations for the governmental and business-type activities of the City are described as follows.

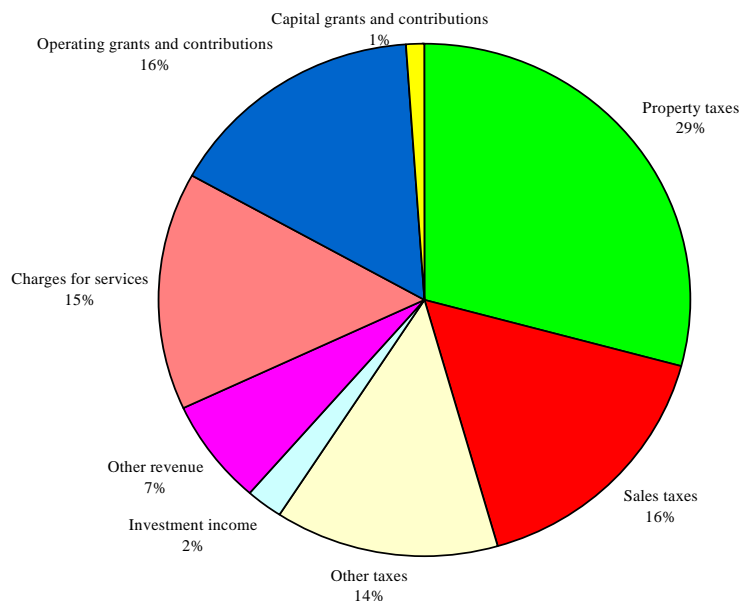
See independent auditors' report.

Governmental Activities

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

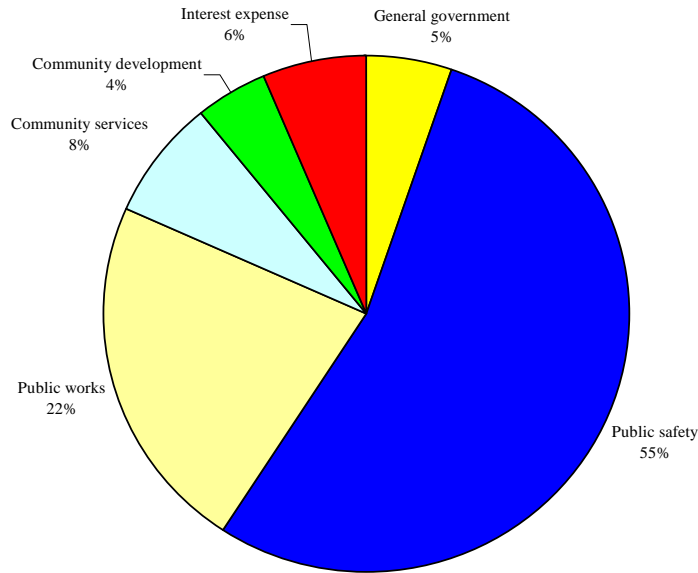
- Property tax revenue, net of pass-throughs, decreased by \$7.5 million (24.2%) during the fiscal year due the elimination of the redevelopment agency on January 31, 2012. City gross property taxes increased by \$276,296 (1.6%), due mainly to the City's share of the residual property tax increment from the former redevelopment agency that is shared with various taxing entities.
- Sales tax, the City's second largest revenue source, showed growth for the second consecutive year increasing by \$627,757 (5.0%). This followed a 10% increase in 2010/11, but still leaves this revenue source about 8% below its peak in 2006/07.
- Franchise taxes increased by \$64,973 (2.1%).
- Interest Income decreased by \$633,706 (27.8%) due mainly to the elimination of the redevelopment as of January 31, 2012 and the resulting loss of interest on City loans to the redevelopment agency for the last five months of the fiscal year.
- Overall Government Activities expenses decreased by \$592,462 (0.6%).
- General Government costs increased by \$2,030,442 (69.5%).
- Public Safety costs increased by \$4,116,188 (9.1%).
- Community Development costs decreased by \$5,343,680 (56.8%) due to elimination of the redevelopment agency.
- Net Interest expense decreased by \$1,174,035 (16.5%), also due mainly to the elimination of the redevelopment agency, as well as historically low interest on the City's variable rate bonds.

Revenues by Source – Governmental Activities



See independent auditors' report.

Expenses by Function – Governmental Activities



Business-Type Activities

The business-type activity is the Computer Services Group, which provides dispatch and records management software and services to other police departments. The business-type activities revenues decreased by \$463,740 (20.4%) from \$2,268,982 in 2010/11 to \$1,805,242 in 2011/12. Expenses and transfers out decreased by \$381,891 (17.5%) from \$2,182,069 in 2010/11 to \$1,800,178 in 2011/12. The result was an increase in net assets of \$5,064.

The reasons for significant changes in the revenues and expenses of the City's business-type activities from the prior year are as follows:

- Charges for services from clients decreased by \$463,740 due to onetime charges of \$457,930 to an individual client in the prior year.
- The City computer service enterprise operating expenses decreased by \$384,768 due to reduced staffing levels and a reduction of onetime purchases of equipment for clients compared to the prior year.

See independent auditors' report.

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 \$13,187,181, while total fund balance was \$28,767,970. 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 24% of total general fund expenditures, while total fund balance represents 53% of that same amount. The nonspendable portion of fund balance in the amount of \$15,580,789 mainly consists of amounts currently owed to the City by the former redevelopment agency. This nonspendable amount may be at risk in the future due to the uncertainty of the law and whether these loans will be considered valid enforceable obligations the State Department of Finance and in what amount due to provisions of the law that allow the loan balances to be calculated at a lower interest rate. Additionally, \$12.2 million of the unassigned is at risk as it has been identified as loan payments by the former redevelopment agency to the City and the potential exists this amount may be withheld from the future City revenues.

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, decreased by \$710,062 while total expenditures, exclusive of fund transfers out, increased by \$2,258,646.
- Total taxes were up \$1,023,381 (2.8%) from the prior year. Property taxes increased by \$276,296 (1.6%), due mainly to the City's share of the residual property tax increment from the former redevelopment agency that is shared with various taxing entities. Sales tax revenues increased by \$507,146 (4.2%), the second consecutive year it has increased after three years of decline. Sales tax, at \$12,481,987 in 2011/12, is still 12% below its high of \$14.2 million in 2006/07. Franchise taxes increased by \$64,973 (2.1%) while business license taxes decreased by \$220,828 (10.1%). Transient occupancy taxes (TOT) posted a strong increase of \$295,518 (39.1%) due to the opening of a new hotel and a rebounding hospitality market. TOT revenues, at \$1,052,091, are quickly approaching their previous high of \$1,057,734 in 2007/08.
- Investment income declined by \$1,215,719 (45.5%) due mainly to the elimination of redevelopment and the resulting loss of five months of interest income from City advances to the agency (\$785,095) and interest related to the sales tax reimbursement agreement with the former agency (\$364,872). The majority of interest earned in the General Fund previously came from loans and advances to the CDC and will suffer more decreases in future years.
- Revenues from other agencies increased by \$582,565. The increase is due to \$967,209 from a FEMA grant to hire twelve firefighters, but was offset by a loss of \$461,217 in vehicle license fees that were retained by the state.
- Transfers in increased by \$3,836,805 (230%) due to a onetime transfer of \$4,054,617 from the City's Debt Service to the General Fund.
- General government expenditures decreased by \$569,897 (13.7%).
- Public safety costs increased by \$1,752,211 (4.3%) due to increased staffing levels in the fire department funded by the FEMA grant and rising and a substantial increase in pension costs.

The **Community Development Block Grant Fund** finished the fiscal year with a deficit fund balance of \$63,912, up from a deficit fund balance of \$79,078 in the prior year. This fund receives its allocation federal funds on a reimbursable basis after expenditures are made and reported to HUD. Revenues during the year were \$1,907,764 and included \$1,744,011 of grant funds and \$163,753 of loan repayments. Expenditures for the year were \$1,892,598.

See independent auditors' report.

The **Housing Authority Fund** provides for low and moderate income activities that were previously provided by the redevelopment agency. The transfer of the assets and liabilities from the former redevelopment agency to the Housing Authority resulted in an extraordinary gain for the Authority of \$8,187,539. The Authority has outstanding loans receivable of \$27.6 million and is due \$5,974,655 from the Successor Agency for amounts borrowed by the former redevelopment agency to fund the SERAF payments.

The **City Debt Service Fund** finished the fiscal year with a total fund balance of \$14,123,124, down from \$18,353,658 in the prior year due to the onetime transfers of \$4,054,617 to the General Fund. The majority of that amount is designated for payment of debt service on the City's lease revenue bonds.

The **Community Development Commission Debt Service Fund** remains a major fund this year and reports the final seven months of the redevelopment agency debt service activity. The prior deficit fund balance of \$11,062,107 was eliminated by the seven-month's activities which resulted in an excess of revenues over expenditures and net transfers of \$591,242 and an extraordinary gain of \$10,470,865. The extraordinary gain was the result of transferring assets and liabilities to the Successor Agency, which closed out this fund. This fund will be eliminated in future years as all debt obligations of the former redevelopment agency have been transferred to the Successor Agency.

The **City Capital Projects Fund** finished the year with a fund balance of \$1,156,254, down slightly from \$1,300,258 in the prior year. The majority of the fund balance in this fund has been previously appropriated for future capital projects.

The **Community Development Commission Capital Projects Fund** also remains a major fund this year and reports the final seven months of the redevelopment agency administrative and capital projects activity. The prior fund balance of \$13,978,623 was eliminated by the seven-month's activities which resulted in a deficit of revenues under expenditures and net transfers of \$2,773,534 and an extraordinary loss of \$11,205,089. The extraordinary loss was the result of transferring assets and liabilities to the Successor Agency, which closed out this fund. This fund will be eliminated in future years, as all activities of the former redevelopment agency, with the exception of housing activities, have been eliminated.

GENERAL FUND BUDGET

There were only minor changes to the budget during the fiscal year. Those differences relate to \$165,549 of carryover of appropriations from the prior year and \$36,000 for the purchase of new computer equipment and software for the fire department.

Taxes in total fell short of their budget by \$53,685. Property taxes exceeded their budget by \$396,573, mainly in the areas of secured taxes. The excess was also attributable to \$257,099 in residual tax distributions from the former redevelopment agency. Sales tax revenues fell short of their budget by \$218,013 and business license taxes also fell short by \$237,843. Transient occupancy taxes exceeded their budget by \$202,091. Two revenue sources that fell short of their budget estimates due to the dissolution of the redevelopment agency were interest income which fell short by \$895,593 due to only earning seven months of interest and the sales tax reimbursement agreement which did not generate any of its \$1,136,000 budget estimate. On the expenditure side, certain departments (City Manager, City Clerk, and Planning) exceeded their budgets due to the loss of redevelopment funding for various positions. Both Public Works and Community Services were under budget due to vacant positions being frozen in anticipation of further staffing reductions. The Police Department was over budget \$95,647 (0.4%) due to overtime costs above budgeted levels that had been reduced during the budget process.

See independent auditors' report.

CAPITAL ASSETS

Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 38,974,512	\$ 54,572,073	\$ -	\$ -	\$ 38,974,512	\$ 54,572,073
Buildings and improvements	67,196,844	75,866,991	-	-	67,196,844	75,866,991
Equipment and vehicles	6,937,975	7,875,963	-	-	6,937,975	7,875,963
Infrastructure	86,739,270	91,398,136	-	-	86,739,270	91,398,136
Rights of way	14,376,498	14,376,498	-	-	14,376,498	14,376,498
Construction in progress	<u>8,559,090</u>	<u>5,183,745</u>	<u>-</u>	<u>-</u>	<u>8,559,090</u>	<u>5,183,745</u>
Total	<u>\$ 222,784,189</u>	<u>\$ 249,273,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,784,189</u>	<u>\$ 249,273,406</u>

The major additions to capital assets during the year ended June 30, 2012 are as follows:

- Construction in progress had a net increase of \$3,375,345. The \$8.5 million currently in progress includes the following:
 - Major Street Rehabilitation Projects (\$2.5 million)
 - Energy Efficiency Upgrade Projects (\$1.02 million)
 - Street Upgrade/Median/Landscape Projects (\$1.6 million)
 - Park Improvements (\$2.8 million)
- Completed fixed asset additions of \$2,698,186 included:
 - Major Street Rehabilitation Projects (\$2.3 million)
 - Upgrade ADA street barriers (\$183,695)

The reduction in capital assets is due to the transfer of \$22,449,125 of land, buildings and improvements consisting mostly of parking lots, and parking structures and equipment and vehicles to the Successor Agency.

Additional information on the City of West Covina's capital assets can be found in note 6 on pages 56 - 57 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the City had debt outstanding of \$78,268,350. Of this amount, \$50,825,000 represents outstanding bonds and \$27,443,350 represents other debt such as compensated absences payable, claims and judgments payable, capital lease obligations, and net OPEB obligations. All of the outstanding bonds are lease revenue bonds secured by leases from the General Fund. During the year, \$103,817,158 in outstanding debt was transferred to the Successor Agency. Of that amount, \$62,640,000 was tax allocation bonds, \$31,824,066 was development agreement payable, and \$9,353,092 was due to the County of Los Angeles. These debts are now obligations of the Successor Agency and will be paid by future tax revenues and other revenues of the Successor Agency.

See independent auditors' report.

	Outstanding Bonds Governmental Activities	
	2012	2011
Lease revenue bonds	\$ 50,825,000	\$ 56,115,000
Special assessment bond	-	35,870,000
Tax allocation bonds	-	-
Total	\$ 50,825,000	\$ 117,800,000

The City maintains an “A+/A-1” rating from Standard & Poor’s for its lease revenue bonds. Additional information on the City’s long-term debt can be found in the notes 7 - 13 on pages 58 – 67 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’s Office, at City of West Covina, 1444 West Garvey Ave., West Covina, California 91793.

See independent auditors’ report.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF WEST COVINA

STATEMENT OF NET ASSETS

June 30, 2012

(with comparative totals as of June 30, 2011)

	Governmental Activities	Business-type Activity	Totals	
			2012	2011
ASSETS:				
Cash and investments	\$ 44,388,801	\$ -	\$ 44,388,801	\$ 60,690,913
Cash and investments with fiscal agent	2,261,673	-	2,261,673	9,685,407
Receivables, net:				
Accounts	451,438	14,147	465,585	528,210
Taxes	5,194,127	-	5,194,127	5,105,904
Interest	18,675	-	18,675	64,482
Notes and loans	31,583,508	-	31,583,508	31,192,174
Other	38,569	-	38,569	-
Assessments	-	-	-	35,870,000
Due from Successor Agency	489,646	-	489,646	-
Advances to Successor Agency	22,120,069	-	22,120,069	-
Internal balances	800,545	(800,545)	-	-
Due from other agencies	806,321	-	806,321	856,422
Inventory	1,748	-	1,748	3,969
Prepays and other assets	283,022	-	283,022	330,464
Land held for resale	-	-	-	67,040
Capital assets:				
Nondepreciable	61,910,100	-	61,910,100	74,132,316
Depreciable, net	160,874,089	-	160,874,089	175,141,090
TOTAL ASSETS	<u>331,222,331</u>	<u>(786,398)</u>	<u>330,435,933</u>	<u>393,668,391</u>
LIABILITIES:				
Accounts payable	1,614,633	48,190	1,662,823	1,285,017
Accrued liabilities	2,167,072	14,242	2,181,314	1,810,799
Interest payable	153,208	-	153,208	1,205,425
Deposits	344,720	-	344,720	759,351
Due to Successor Agency	48,558	-	48,558	-
Due to other governments	-	-	-	1,272,662
Long-term liabilities:				
Due within one year	5,035,043	24,733	5,059,776	11,061,475
Due in more than one year	73,087,577	120,997	73,208,574	172,847,698
TOTAL LIABILITIES	<u>82,450,811</u>	<u>208,162</u>	<u>82,658,973</u>	<u>190,242,427</u>
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	168,749,834	-	168,749,834	179,236,866
Restricted for:				
Public safety	3,180,655	-	3,180,655	1,012,095
Public works	9,076,987	-	9,076,987	8,327,376
Community services	1,719,985	-	1,719,985	3,074,279
Community development	36,031,696	-	36,031,696	12,873,159
Debt service	3,323,792	-	3,323,792	-
Unrestricted	26,688,571	(994,560)	25,694,011	(1,097,811)
TOTAL NET ASSETS (DEFICIT)	<u>\$ 248,771,520</u>	<u>\$ (994,560)</u>	<u>\$ 247,776,960</u>	<u>\$ 203,425,964</u>

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,953,340	\$ 599,066	\$ -	\$ -
Public safety	49,369,913	3,196,729	4,526,151	17,443
Public works	20,510,387	7,046,096	1,604,142	941,016
Community services	6,949,951	1,141,162	6,426,848	-
Community development	4,071,050	255,669	-	-
Interest expense	5,927,002	-	-	-
Total governmental activities	91,781,643	12,238,722	12,557,141	958,459
Business-type activity:				
Computer service	1,701,367	1,805,242	-	-
Total business-type activity	1,701,367	1,805,242	-	-
Total	\$ 93,483,010	\$ 14,043,964	\$ 12,557,141	\$ 958,459

General revenues:

Taxes:

Property taxes

Sales tax

Franchise taxes

Transient occupancy tax

Other taxes

Motor vehicle in lieu, unrestricted

Investment income

Other revenues

Transfers

Total general revenues and transfers

Extraordinary gain

Change in net assets

Net assets - Beginning of Year

Net assets (deficit) - End of Year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		Totals	
Governmental Activities	Business-type Activity	2012	2011
\$ (4,354,274)	\$ -	\$ (4,354,274)	\$ (2,241,021)
(41,629,590)	-	(41,629,590)	(39,865,066)
(10,919,133)	-	(10,919,133)	(7,833,530)
618,059	-	618,059	(1,586,440)
(3,815,381)	-	(3,815,381)	(9,174,268)
(5,927,002)	-	(5,927,002)	(7,101,037)
<u>(66,027,321)</u>	<u>-</u>	<u>(66,027,321)</u>	<u>(67,801,362)</u>
-	103,875	103,875	182,847
-	103,875	103,875	182,847
<u>(66,027,321)</u>	<u>103,875</u>	<u>(65,923,446)</u>	<u>(67,618,515)</u>
23,313,556	-	23,313,556	30,888,074
13,177,914	-	13,177,914	12,550,157
3,224,053	-	3,224,053	3,159,080
1,052,091	-	1,052,091	756,573
6,783,827	-	6,783,827	4,692,750
55,880	-	55,880	517,098
1,647,399	-	1,647,399	2,281,105
5,193,850	-	5,193,850	4,412,125
98,811	(98,811)	-	-
<u>54,547,381</u>	<u>(98,811)</u>	<u>54,448,570</u>	<u>59,256,962</u>
<u>55,825,872</u>	<u>-</u>	<u>55,825,872</u>	<u>-</u>
44,345,932	5,064	44,350,996	(8,361,553)
<u>204,425,588</u>	<u>(999,624)</u>	<u>203,425,964</u>	<u>211,787,517</u>
<u>\$ 248,771,520</u>	<u>\$ (994,560)</u>	<u>\$ 247,776,960</u>	<u>\$ 203,425,964</u>

CITY OF WEST COVINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012
(with comparative totals as of June 30, 2011)

	General	Special Revenue Funds	
		Community Development Block Grant	Housing Authority
ASSETS			
Cash and investments	\$ 11,673,270	\$ -	\$ 2,314,200
Cash and investments with fiscal agent	-	-	-
Receivables:			
Accounts	229,050	-	-
Taxes	3,695,864	-	-
Interest	11,273	-	365
Assessments	-	-	-
Notes and loans	-	4,017,801	27,565,707
Other	-	-	-
Advances to Successor Agency	16,145,414	-	5,974,655
Due from other funds	-	-	-
Due from other agencies	23,775	405,501	-
Prepays and other assets	57,254	-	183,820
Advances to other funds	-	-	-
Land held for resale	-	-	-
Due from Successor Agency	489,646	-	-
TOTAL ASSETS	<u>\$ 32,325,546</u>	<u>\$ 4,423,302</u>	<u>\$ 36,038,747</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 450,719	\$ 177,627	\$ 5,481
Other accrued liabilities	2,031,357	13,140	1,570
Pass-through payable	-	-	-
Due to other funds	60,343	260,826	-
Due to Successor Agency	48,558	-	-
Deposits	344,720	-	-
Deferred revenue	621,879	4,035,621	27,565,707
Advances from other funds	-	-	-
TOTAL LIABILITIES	<u>3,557,576</u>	<u>4,487,214</u>	<u>27,572,758</u>
FUND BALANCES (DEFICIT):			
Nonspendable	15,580,789	-	6,158,475
Restricted	-	-	2,307,514
Assigned	-	-	-
Unassigned	13,187,181	(63,912)	-
TOTAL FUND BALANCES (DEFICIT)	<u>28,767,970</u>	<u>(63,912)</u>	<u>8,465,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,325,546</u>	<u>\$ 4,423,302</u>	<u>\$ 36,038,747</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Funds		Capital Projects Funds		Other Governmental Funds	Total Governmental Funds	
City	Community Development Commission	City	Community Development Commission		2012	2011
\$ 11,687,316	\$ -	\$ 1,170,411	\$ -	\$ 14,558,604	\$ 41,403,801	\$ 55,257,666
2,261,673	-	-	-	-	2,261,673	9,685,407
219,233	-	-	-	796	449,079	489,528
-	-	-	-	1,498,263	5,194,127	5,105,904
-	-	490	-	6,245	18,373	63,295
-	-	-	-	-	-	35,870,000
-	-	-	-	-	31,583,508	31,192,174
-	-	-	-	38,569	38,569	-
-	-	-	-	-	22,120,069	-
-	-	-	-	-	-	1,899,511
-	-	-	-	377,045	806,321	856,422
6,109	-	-	-	35,839	283,022	330,464
-	-	-	-	-	-	29,394,986
-	-	-	-	-	-	67,040
-	-	-	-	-	489,646	-
<u>\$ 14,174,331</u>	<u>\$ -</u>	<u>\$ 1,170,901</u>	<u>\$ -</u>	<u>\$ 16,515,361</u>	<u>\$ 104,648,188</u>	<u>\$ 170,212,397</u>
\$ 47,707	\$ -	\$ 2,672	-	\$ 858,353	\$ 1,542,559	\$ 1,149,176
3,500	-	11,975	-	95,863	2,157,405	1,790,589
-	-	-	-	-	-	1,272,662
-	-	-	-	423,013	744,182	2,594,345
-	-	-	-	-	48,558	-
-	-	-	-	-	344,720	759,351
-	-	-	-	249,169	32,472,376	68,084,504
-	-	-	-	-	-	29,394,986
<u>51,207</u>	<u>-</u>	<u>14,647</u>	<u>-</u>	<u>1,626,398</u>	<u>37,309,800</u>	<u>105,045,613</u>
6,109	-	-	-	35,839	21,781,212	29,037,149
14,117,015	-	-	-	14,677,107	31,101,636	38,138,456
-	-	1,156,254	-	222,147	1,378,401	1,964,946
-	-	-	-	(46,130)	13,077,139	(3,973,767)
<u>14,123,124</u>	<u>-</u>	<u>1,156,254</u>	<u>-</u>	<u>14,888,963</u>	<u>67,338,388</u>	<u>65,166,784</u>
<u>\$ 14,174,331</u>	<u>\$ -</u>	<u>\$ 1,170,901</u>	<u>\$ -</u>	<u>\$ 16,515,361</u>	<u>\$ 104,648,188</u>	<u>\$ 170,212,397</u>

(This page intentionally left blank.)

CITY OF WEST COVINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Fund balances for governmental funds		\$ 67,338,388
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets and accumulated depreciation, have not been included as financial resources in governmental fund activity:</p>		
Capital assets	\$ 368,138,930	
Accumulated depreciation	<u>(145,969,543)</u>	
		222,169,387
<p>Long-term debt and compensated absences that have not been included in the governmental fund activity:</p>		
Bonds payable	\$ (50,825,000)	
Compensated absences	(4,397,000)	
Other long-term liabilities	<u>(3,209,355)</u>	
		(58,431,355)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.		(153,208)
Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting.		32,472,376
Net pension obligations are not due and payable at year end; they are therefore not reported in the governmental fund financial statements.		(9,511,403)
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 for retirement health benefits to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Assets.		<u>(5,112,665)</u>
Net assets of governmental activities		<u><u>\$ 248,771,520</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	General	Special Revenue Funds	
		Community Development Block Grant	Housing Authority
REVENUES:			
Taxes	\$ 37,256,315	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	866,642	-	-
Fines and forfeitures	155,484	-	-
Investment income	1,459,110	-	461,805
Rental income	381,696	-	-
Revenue from other agencies	2,345,761	1,744,011	-
Charges for services	5,650,369	-	-
Repayment of notes and loans	-	163,753	-
Gain on sale of property	-	-	-
Other revenues	230,083	-	-
TOTAL REVENUES	<u>48,345,460</u>	<u>1,907,764</u>	<u>461,805</u>
EXPENDITURES:			
Current:			
General government	4,734,992	-	183,355
Public safety	42,585,679	21,891	-
Public works	4,348,857	632,799	-
Community services	1,884,011	1,237,908	-
Community development	465,656	-	-
Pass-through payments	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Other contractual payments	-	-	-
TOTAL EXPENDITURES	<u>54,019,195</u>	<u>1,892,598</u>	<u>183,355</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,673,735)</u>	<u>15,166</u>	<u>278,450</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	5,503,428	-	-
Transfers out	(675,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,828,428</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY GAIN (LOSS)	<u>-</u>	<u>-</u>	<u>8,187,539</u>
NET CHANGE IN FUND BALANCES	(845,307)	15,166	8,465,989
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>29,613,277</u>	<u>(79,078)</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 28,767,970</u>	<u>\$ (63,912)</u>	<u>\$ 8,465,989</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Funds		Capital Projects Funds			Other Governmental Funds	Total Governmental Funds	
City	Community Development Commission	City	Community Development Commission	2012		2011	
\$ -	\$ 10,808,664	\$ -	\$ -	\$ 5,571,193	\$ 53,636,172	\$ 63,663,702	
-	-	-	-	5,270,856	5,270,856	5,210,062	
-	-	-	-	-	866,642	1,099,083	
-	-	-	-	942,352	1,097,836	1,056,923	
1,179,894	182,204	6,578	54,620	75,454	3,419,665	4,124,960	
-	-	-	39,825	-	421,521	468,123	
-	-	-	-	8,391,919	12,481,691	8,363,460	
935,266	-	-	-	146,441	6,732,076	6,779,667	
-	-	-	168,945	-	332,698	721,348	
-	-	-	-	-	-	250,199	
566,845	-	-	411,213	512,651	1,720,792	3,530,897	
<u>2,682,005</u>	<u>10,990,868</u>	<u>6,578</u>	<u>674,603</u>	<u>20,910,866</u>	<u>85,979,949</u>	<u>95,268,424</u>	
-	-	-	-	31,964	4,950,311	4,180,878	
-	-	60,000	-	1,442,028	44,109,598	41,938,421	
-	-	48,712	-	13,179,613	18,209,981	15,325,261	
-	-	41,870	-	2,753,438	5,917,227	5,412,009	
-	-	-	3,628,921	152,013	4,246,590	8,228,653	
-	2,112,227	-	-	-	2,112,227	5,863,850	
2,325,105	2,250,000	-	580,000	-	5,155,105	4,649,975	
2,035,567	3,883,016	-	389,405	-	6,307,988	8,520,890	
-	351,444	-	-	-	351,444	2,317,114	
<u>4,360,672</u>	<u>8,596,687</u>	<u>150,582</u>	<u>4,598,326</u>	<u>17,559,056</u>	<u>91,360,471</u>	<u>96,437,051</u>	
(1,678,667)	2,394,181	(144,004)	(3,923,723)	3,351,810	(5,380,522)	(1,168,627)	
1,502,750	308,145	-	1,458,334	175,000	8,947,657	11,171,460	
(4,054,617)	(2,111,084)	-	(308,145)	(1,700,000)	(8,848,846)	(11,075,526)	
<u>(2,551,867)</u>	<u>(1,802,939)</u>	<u>-</u>	<u>1,150,189</u>	<u>(1,525,000)</u>	<u>98,811</u>	<u>95,934</u>	
-	10,470,865	-	(11,205,089)	-	7,453,315	-	
(4,230,534)	11,062,107	(144,004)	(13,978,623)	1,826,810	2,171,604	(1,072,693)	
<u>18,353,658</u>	<u>(11,062,107)</u>	<u>1,300,258</u>	<u>13,978,623</u>	<u>13,062,153</u>	<u>65,166,784</u>	<u>66,239,477</u>	
<u>\$ 14,123,124</u>	<u>\$ -</u>	<u>\$ 1,156,254</u>	<u>\$ -</u>	<u>\$ 14,888,963</u>	<u>\$ 67,338,388</u>	<u>\$ 65,166,784</u>	

CITY OF WEST COVINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Net change in fund balances - total governmental funds \$ 2,171,604

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 capital outlays exceeded depreciation in the current period:

Capital outlay	\$ 6,595,374	
Depreciation expense	<u>(10,479,315)</u>	(3,883,941)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 4,177,697

The Statement of Net Assets includes accrued interest on long-term debt. This is the net change in the current year. (242,307)

To record as an expense the net change in compensated absences in the Statement of Activities. 301,320

Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting. (1,322,127)

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:
Increase in net other post employment benefits obligation (3,935,912)

Internal service funds are 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 for retirement health benefits to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (1,292,959)

The West Covina Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 were transferred to the Successor Agency:

Transfer of capital assets to the Successor Agency	\$ (22,449,125)	
Transfer of long-term receivable to the Successor Agency	(34,290,000)	
Transfer of long-term debt to the Successor Agency	103,817,158	
Transfer of accrued interest payable to the Successor Agency	<u>1,294,524</u>	<u>48,372,557</u>

Change in net assets of governmental activities \$ 44,345,932

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Taxes	\$ 37,310,000	\$ 37,310,000	\$ 37,256,315	\$ (53,685)	\$ 36,232,934
Licenses and permits	1,223,800	1,195,800	866,642	(329,158)	1,099,083
Fines and forfeitures	136,000	136,000	155,484	19,484	157,041
Investment income	2,715,228	2,715,228	1,459,110	(1,256,118)	2,674,829
Rental income	325,000	325,000	381,696	56,696	380,882
Revenue from other agencies	2,903,092	2,938,092	2,345,761	(592,331)	1,763,196
Charges for services	5,907,746	5,926,746	5,650,369	(276,377)	5,718,422
Other revenues	974,000	948,000	230,083	(717,917)	1,029,135
TOTAL REVENUES	51,494,866	51,494,866	48,345,460	(3,149,406)	49,055,522
EXPENDITURES:					
Current:					
General government	4,484,386	4,619,059	4,734,992	(115,933)	4,165,095
Public safety	42,549,559	42,599,480	42,585,679	13,801	40,833,468
Public works	4,511,977	4,522,663	4,348,857	173,806	4,398,243
Community services	2,215,614	2,221,883	1,884,011	337,872	1,962,481
Community development	424,827	424,827	465,656	(40,829)	401,262
TOTAL EXPENDITURES	54,186,363	54,387,912	54,019,195	368,717	51,760,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,691,497)	(2,893,046)	(5,673,735)	(2,780,689)	(2,705,027)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,449,000	5,253,644	5,503,428	249,784	1,666,623
Transfers out	(695,000)	(811,050)	(675,000)	136,050	(916,269)
TOTAL OTHER FINANCING SOURCES (USES)	754,000	4,442,594	4,828,428	385,834	750,354
NET CHANGE IN FUND BALANCE	(1,937,497)	1,549,548	(845,307)	(2,394,855)	(1,954,673)
FUND BALANCE - BEGINNING OF YEAR	29,613,277	29,613,277	29,613,277	-	31,567,950
FUND BALANCE - END OF YEAR	\$ 27,675,780	\$ 31,162,825	\$ 28,767,970	\$ (2,394,855)	\$ 29,613,277

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Revenue from other agencies	\$ 1,164,379	\$ 1,164,379	\$ 1,744,011	\$ 579,632	\$ 707,583
Repayment of notes and loans	30,000	30,000	163,753	133,753	204,357
TOTAL REVENUES	<u>1,194,379</u>	<u>1,194,379</u>	<u>1,907,764</u>	<u>713,385</u>	<u>911,940</u>
EXPENDITURES:					
Current:					
Public safety	230,491	230,491	21,891	208,600	21,953
Public works	1,058,891	1,058,891	632,799	426,092	358,384
Community services	1,522,491	1,522,491	1,237,908	284,583	553,135
TOTAL EXPENDITURES	<u>2,811,873</u>	<u>2,811,873</u>	<u>1,892,598</u>	<u>919,275</u>	<u>933,472</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,617,494)	(1,617,494)	15,166	1,632,660	(21,532)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(79,078)</u>	<u>(79,078)</u>	<u>(79,078)</u>	<u>-</u>	<u>(57,546)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$(1,696,572)</u></u>	<u><u>\$(1,696,572)</u></u>	<u><u>\$ (63,912)</u></u>	<u><u>\$ 1,632,660</u></u>	<u><u>\$ (79,078)</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WEST COVINA HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 461,805	\$ 461,805
EXPENDITURES:				
Current:				
General government	-	-	183,355	(183,355)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	278,450	278,450
EXTRAORDINARY GAIN	-	-	8,187,539	8,187,539
NET CHANGE IN FUND BALANCES	-	-	8,465,989	8,465,989
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 8,465,989	\$ 8,465,989

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012
(with comparative totals as of June 30, 2011)

	Business-type Activity	Governmental Activities	Totals	
	Computer Service Enterprise Fund	Internal Service Funds	2012	2011
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ -	\$ 2,985,000	\$ 2,985,000	\$ 5,433,247
Receivables:				
Account	14,147	2,359	16,506	36,682
Interest	-	302	302	1,187
Due from other funds	-	1,959,464	1,959,464	1,461,150
Inventories	-	1,748	1,748	3,969
TOTAL CURRENT ASSETS	14,147	4,948,873	4,963,020	6,936,235
NONCURRENT ASSETS:				
Capital assets:				
Other capital assets	1,059,120	3,407,641	4,466,761	4,602,521
Less accumulated depreciation	(1,059,120)	(2,792,839)	(3,851,959)	(3,831,568)
Total capital assets (net of accumulated depreciation)	-	614,802	614,802	770,953
TOTAL NONCURRENT ASSETS	-	614,802	614,802	770,953
TOTAL ASSETS	14,147	5,563,675	5,577,822	7,707,188
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	48,190	72,074	120,264	135,841
Other accrued liabilities	14,242	9,667	23,909	20,210
Claims and judgments - current portion	-	2,536,866	2,536,866	3,771,370
Compensated absences - current portion	24,733	9,623	34,356	49,424
Due to other funds	800,545	414,737	1,215,282	766,316
TOTAL CURRENT LIABILITIES	887,710	3,042,967	3,930,677	4,743,161
NONCURRENT LIABILITIES:				
Claims and judgments	-	7,599,856	7,599,856	7,498,737
Compensated absences	120,997	33,517	154,514	286,620
TOTAL NONCURRENT LIABILITIES	120,997	7,633,373	7,754,370	7,785,357
TOTAL LIABILITIES	1,008,707	10,676,340	11,685,047	12,528,518
NET ASSETS				
Invested in capital assets	-	614,802	614,802	770,953
Unrestricted	(994,560)	(5,727,467)	(6,722,027)	(5,590,283)
TOTAL NET ASSETS (DEFICITS)	\$ (994,560)	\$ (5,112,665)	\$ (6,107,225)	\$ (4,819,330)

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	Business-type Activity	Governmental Activities	Totals	
	Computer Service Enterprise Fund	Internal Service Funds	2012	2011
OPERATING REVENUES:				
Charges for services	\$ 1,805,242	\$ 3,894,296	\$ 5,699,538	\$ 6,040,624
Other revenues	-	4,160	4,160	27,834
TOTAL OPERATING REVENUES	1,805,242	3,898,456	5,703,698	6,068,458
OPERATING EXPENSES:				
Personnel services	1,193,055	829,981	2,023,036	2,390,773
Cost of sales, services and operations	508,312	1,320,513	1,828,825	2,848,421
Depreciation	-	156,151	156,151	191,164
Insurance and claims paid	-	2,888,858	2,888,858	1,432,731
TOTAL OPERATING EXPENSES	1,701,367	5,195,503	6,896,870	6,863,089
OPERATING INCOME (LOSS)	103,875	(1,297,047)	(1,193,172)	(794,631)
NONOPERATING REVENUES:				
Investment income	-	4,088	4,088	6,199
TOTAL NONOPERATING REVENUES	-	4,088	4,088	6,199
INCOME (LOSS) BEFORE TRANSFERS	103,875	(1,292,959)	(1,189,084)	(788,432)
TRANSFERS IN	-	-	-	204,417
TRANSFERS OUT	(98,811)	-	(98,811)	(300,351)
CHANGE IN NET ASSETS	5,064	(1,292,959)	(1,287,895)	(884,366)
TOTAL NET ASSETS (DEFICITS) - BEGINNING OF YEAR	(999,624)	(3,819,706)	(4,819,330)	(3,934,964)
TOTAL NET ASSETS (DEFICITS) - END OF YEAR	\$ (994,560)	\$ (5,112,665)	\$ (6,107,225)	\$ (4,819,330)

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	Business-type Activity	Governmental Activities	Totals	
	Computer Service Enterprise Fund	Internal Service Funds	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Received from customers	\$ 1,821,095	\$ -	\$ 1,821,095	\$ 2,245,782
Received from user departments	-	3,904,779	3,904,779	3,803,136
Payments to suppliers for goods and services	(499,158)	(5,366,829)	(5,865,987)	(4,610,242)
Payments to employees for services	(1,257,355)	(907,593)	(2,164,948)	(2,462,832)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	64,582	(2,369,643)	(2,305,061)	(1,024,156)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Received from other funds	-	(498,314)	(498,314)	1,533,481
Paid to other funds	(64,582)	414,737	350,155	(389,268)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(64,582)	(83,577)	(148,159)	1,144,213
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	-	4,973	4,973	6,028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(2,448,247)	(2,448,247)	126,085
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	5,433,247	5,433,247	5,307,162
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 2,985,000	\$ 2,985,000	\$ 5,433,247

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2012
 (with comparative totals for the year ended June 30, 2011)

	Business-type Activity	Governmental Activities	Totals	
	Computer Service Enterprise Fund	Internal Service Funds	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 103,875	\$ (1,297,047)	\$ (1,193,172)	\$ (794,631)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	156,151	156,151	191,164
Changes in operating assets and liabilities:			-	
(Increase) decrease in accounts receivables	15,853	6,323	22,176	(19,540)
(Increase) decrease in inventories	-	2,221	2,221	(1,200)
Increase (decrease) in accounts payable	9,154	(26,294)	(17,140)	(13,469)
Increase (decrease) in other accrued liabilities	2,254	3,008	5,262	(44,871)
Increase (decrease) in claims and judgments payable	-	(1,133,385)	(1,133,385)	(315,899)
Increase (decrease) in compensated absences payable	(66,554)	(80,620)	(147,174)	(25,710)
TOTAL ADJUSTMENTS	(39,293)	(1,072,596)	(1,111,889)	(229,525)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 64,582	\$ (2,369,643)	\$ (2,305,061)	\$ (1,024,156)

There were no significant noncash financing or investing activities for the years ended June 30, 2012 an June 30, 2011.

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	Successor Agency Private Purpose Trust Fund	Special Deposits Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and investments	\$ 12,994,293	\$ 1,292,367
Cash and investments with fiscal agent	7,395,355	-
Receivables, net		
Taxes	794,031	13,086
Interest	4,940	-
Notes and loans	14,671,967	-
Allowance for doubtful accounts	(14,671,967)	-
Assessments	34,290,000	-
Due from the City of West Covina	48,558	-
Prepaid expenses	5,480	-
Land held for resale	67,040	-
Capital assets:		
Nondepreciable	15,597,561	-
Depreciable, net	6,695,704	-
	<u>77,892,962</u>	<u>\$ 1,305,453</u>
TOTAL ASSETS		
LIABILITIES:		
Accounts payable	1,058,657	\$ 125
Other accrued liabilities	4,336	-
Interest payable	1,009,809	-
Due to other governments	3,370,403	-
Deposits	-	1,305,328
Due to the City of West Covina	489,646	-
Advances from the City of West Covina	22,120,069	-
Long-term liabilities:		
Due within one year	5,017,511	-
Due in more than one year	101,090,906	-
	<u>134,161,337</u>	<u>\$ 1,305,453</u>
TOTAL LIABILITIES		
NET ASSETS (DEFICIT):		
Held in Trust	<u>\$ (56,268,375)</u>	

See independent auditors' report and notes to basic financial statements.

CITY OF WEST COVINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND

For the five month period February 1, 2012 to June 30, 2012

	Successor Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 8,179,448
Investment income	251,808
Rental income	12,500
Other revenues	25,000
	<hr/>
TOTAL ADDITIONS	8,468,756
	<hr/>
DEDUCTIONS:	
Community development	4,137,385
Depreciation	155,860
Interest and fiscal charges	4,618,014
	<hr/>
TOTAL DEDUCTIONS	8,911,259
	<hr/>
EXTRAORDINARY LOSS	(55,825,872)
	<hr/>
CHANGES IN NET ASSETS	(56,268,375)
	<hr/>
NET ASSETS - BEGINNING OF PERIOD, FEBRUARY 1, 2012	-
	<hr/>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (56,268,375)</u>

See independent auditors' report and notes to basic financial statements.

(This page intentionally left blank.)

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of West Covina, California (City) have been prepared in conformity 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 more significant of the City's accounting policies are described below.

a. Reporting Entity:

The City of West Covina was incorporated on February 23, 1923 under the general laws of the State of California. The accompanying financial statements present the City of West Covina 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 of West Covina are the City of West Covina Community Development Commission, the City of West Covina Housing Authority, the West Covina Public Financing Authority, the West Covina Parking Authority and the West Covina Community Services Foundation.

A brief description of each component unit follows:

The Community Development Commission of the City of West Covina (the Commission), formerly the Redevelopment Agency of the City of West Covina, was established on August 9, 1971. The primary purpose of the Commission is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities (redevelopment activities). By ordinance, the members of the City Council sit as the governing body of the Commission and appoint the Executive Director who has full accountability for the Commission's fiscal matters.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. Reporting Entity (Continued):

The Community Development Commission of the City of West Covina (the Commission) (Continued):

On January 17, 2012, the City Council concurrently formed the West Covina Housing Authority (the Housing Authority), elected to transfer all housing functions to the Housing Authority, declared the need for the Commission to function as the Housing Authority, and transferred all duties, powers and responsibilities of the Housing Authority to the Commission.

Effective February 1, 2012, the redevelopment activities of the Commission were required to cease as a result of California Assembly Bill 1x 26 (the Dissolution Act). The Commission's redevelopment activity financial transactions for the seven-month period from July 1, 2011 through January 31, 2012 (prior to dissolution) are reported in the debt service and capital projects fund types. Subsequently, the former non-housing redevelopment activity assets and liabilities were transferred to the City's fiduciary private-purpose trust fund since the City accepted the role of successor agency in order to wind-up the affairs of the Commission's redevelopment activities. The Commission retained the former housing redevelopment activity assets and liabilities in its capacity as the Housing Authority. The Housing Authority is reported as a special revenue fund type. See Note 22 for additional information on the dissolution of the redevelopment activities.

The West Covina Public Financing Authority (the Authority) was created by a joint exercise of joint powers agreement between the City of West Covina and the Community Development Commission of the City of West Covina 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 Community Development Commission which are used to meet the debt service requirements on debt issues. The Authority is blended into the debt service funds of the City.

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 of West Covina. 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. Reporting Entity (Continued):

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. These component units do not issue component unit financial statements.

b. Basis of Accounting and Measurement Focus:

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

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

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.

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. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Government-wide Financial Statements (Continued)

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 transaction are recognized in accordance with the requirements of GASB Statement No. 33.

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 instead 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.

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, liabilities, 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 and enterprise funds. Fiduciary statements even though excluded from the government-wide financial statements represents private purpose trust funds and agency funds.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

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* as net current assets. *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 nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) 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 net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds (Continued)

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that does not meet the "available" criteria of revenue recognition. Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred 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 where cash is received by the government. The availability period for these revenues is 60 days, with the exception of a seven month availability period for sales tax and motor vehicle in-lieu revenues.

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.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary 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 and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Proprietary and Fiduciary Funds (Continued)

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 nonexchange 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 an other 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 trust fund is 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 Community Development Commission of the City of West Covina. 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.

c. Fund Classifications:

The City reports the following major governmental funds:

General Fund - This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Community Development Block Grant (CDBG) Special Revenue Fund - This fund accounts for activities of the Community Development Block Grant received from the U.S. Department of Housing and Urban Development.

Housing Authority Special Revenue Fund - This fund is used to account for resources to be used for the administration of providing affordable housing in the City.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Major Governmental Funds (Continued):

City Debt Service Fund - This fund is used to account for the payment of principal, interest and related costs on the City's long-term debt issues.

Community Development Commission Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, Community Development Commission long-term debt principal, interest and related costs. The Commission was dissolved effective February 1, 2012.

City Capital Projects Fund - This fund accounts for all capital expenditures not being accounted for in other capital projects funds or other fund types.

Community Development Commission Capital Projects Fund - This capital projects fund is used to account for the financial resources to be used for property acquisition, improvement and rehabilitation within the project areas authorized under provisions of the California Redevelopment Law in the Community Development Commission. The Commission was dissolved effective February 1, 2012.

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.

Additionally, the City reports the following fund types:

Governmental Fund Types

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

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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Fund Types (Continued):

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

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

Agency Fund - This fund is used to account for special deposits received by the City.

d. Budgets and Budgetary Data:

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, special revenue, 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 assure 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 fund level. The budgeted figures used in the financial statements are the final amended amounts, which do not vary significantly from the original adopted budget.

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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental funds. Encumbrances totaled \$1,223,955 as of June 30, 2012. Encumbrances outstanding at year-end are re-appropriated in the following year.

f. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

g. Cash Equivalents:

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of West Covina.

h. 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.

i. Land Held for Resale:

Land held for resale represents land, structures, and their related improvements that were acquired for resale in accordance with the objective of the Redevelopment Project. Land held for resale is valued at the lower of cost or the sales price per contract with the developer.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. 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
Delinquent Dates:	First Installment - December 11 Second Installment - April 11

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 20	10% Advance
February 20	Collection No. 1
April 20	35% Advance
May 20	Collection No. 2
July 20	Collection No. 3

k. 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 estimated fair market 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 are public domain (infrastructure) consisting of certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, medians, sewer and storm drains.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Capital Assets (Continued):

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

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, 2012.

The following schedule summarizes capital asset 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 Activity:

Equipment and vehicles	5 - 25 years
------------------------	--------------

l. 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.

m. Compensated Absences:

GASB Codification C60.110, 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Compensated Absences (Continued):

Under GASB Codification C60.110, 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 typically has been used to liquidate the liability for compensated absences.

n. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

o. Prior Fiscal Year Data:

The information included in the accompanying financial statements for the prior fiscal year has been presented for comparison purposes only, and does not represent a complete presentation in accordance with generally accepted accounting principles.

p. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 30, 2013, the date the financial statements were available to be issued

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments held by the City at June 30, 2012 are reported in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 44,388,801
Cash and investments with fiscal agents	2,261,673

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Statement of Fiduciary Net Assets:

Cash and investments	14,286,660
Cash and investments with fiscal agents	<u>7,395,355</u>
Total cash and investments	<u>\$ 68,332,489</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 2,966,546
Deposits with financial institutions	9,650
Investments	<u>65,356,293</u>
Total cash and investments	<u>\$ 68,332,489</u>

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. The 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 concentration 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, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types <u>Authorized by State Law</u>	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	No	N/A	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Government Sponsored Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	40%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	100 days	20%	None
Reverse Repurchase Agreements	Yes	92 days	20%	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	No	N/A	N/A	N/A
Time Certificates of Deposit	Yes	5 years	25%	None
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees 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 authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>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 Acceptances	360 to 365 days	None	None
Commercial Paper	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

N/A - Not Applicable

Disclosures Relating to 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 the sensitivity its fair value will be to changes in market interest rates. In accordance with the City's Investment Policy, the City manages its exposure to interest rate risks 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	More Than 36 Months	
Local Agency Investment Fund	\$ 12,288,050	\$ -	\$ -	\$ -	\$ 12,288,050
Los Angeles County Investment Pool	27,648,680	-	-	-	27,648,680
U.S. Government Sponsored					
Agency Securities	-	-	-	15,762,535	15,762,535
Held by fiscal agent:					
Money market funds	566,292	-	-	-	566,292
U.S. Government Sponsored					
Agency Securities	799,888	3,288,178	-	-	4,088,066
Investment agreements	-	-	-	5,002,670	5,002,670
Total	<u>\$ 41,302,910</u>	<u>\$ 3,288,178</u>	<u>\$ -</u>	<u>\$ 20,765,205</u>	<u>\$ 65,356,293</u>

Disclosures Relating to 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 (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Total as of June 30, 2012	Not Rated		
			AAA	AA+	
Local Agency Investment Fund	N/A	\$ 12,288,050	\$ -	\$ -	\$ 12,288,050
Los Angeles County Investment Pool	N/A	27,648,680	-	-	27,648,680
U.S. Government Sponsored					
Agency Securities	N/A	15,762,535	-	15,762,535	-
Held by fiscal agent:					
Money market funds	A	566,292	566,292	-	-
U.S. Government Sponsored					
Agency Securities	N/A	4,088,066	-	4,088,066	-
Investment agreements	N/A	5,002,670	-	-	5,002,670
Total		<u>\$ 65,356,293</u>	<u>\$ 566,292</u>	<u>\$ 19,850,601</u>	<u>\$ 44,939,400</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

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 anyone issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FNMA	U.S. Government Sponsored Agency Securities	\$ 4,333,901
FHLMC	U.S. Government Sponsored Agency Securities	15,516,700
Westdeutsche Landesbank	Investment agreement	5,002,670

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 provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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. As of June 30, 2012, all the City's deposits are federally insured. 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

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

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 amounts based upon the City's pro-rata share of the fair value provided by LACIP for the entire LACIP portfolio. The balance available for withdrawal is based on the accounting records maintained by LACIP, which are recorded on an amortized cost basis.

3. DUE TO AND FROM OTHER FUNDS:

Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Payable</u>	<u>Receivable</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 60,343
Community Development Block Grant Special Revenue Fund	Internal Service Funds	260,826
Other Governmental Funds	Internal Service Funds	423,013
Computer Services Enterprise Fund	Internal Service Funds	800,545
Internal Service Funds	Internal Service Funds	<u>414,737</u>
Total interfund receivable and payable balances		<u>\$ 1,959,464</u>

These interfund balances are a result of short-term borrowings to cover deficit cash in the CDBG Fund, Transportation Development Act Fund, Integrated Waste Management Fund, Grants Fund (on an individual grant basis), Inmate Welfare and Computer Service Enterprise Fund.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

4. LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY:

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City had authorized several advances to be used for the operations of the Commission's redevelopment activities. As a result of the dissolution, the liability side of these advances was transferred to the City in its fiduciary capacity as the Successor Agency. See Note 22 for additional information. At June 30, 2012 the outstanding receivable side of these advances was as follows:

- (a) The General Fund had made the following advances to the Commission's CDC Debt Service Fund:

Administrative and construction costs	\$ 9,927,268
Capital project costs	1,850,810
Revolving credit	<u>4,637,336</u>
Total	<u>\$ 16,145,414</u>

The outstanding advances are comprised of principal of \$15,523,535 and accumulated interest of \$621,879 that has been included in deferred revenue in the fund financial statements. The advances accrue interest at 10.5% per annum. The collectability of the balance is subject to the approval of the Department of Finance. See Note 22 for additional information.

- (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 and must be repaid by June 30, 2015. 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 Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as required by Assembly Bill ABX4-26. The advance bears no interest and must be repaid by June 30, 2016. Effective February 1, 2012, the Commission's redevelopment activities were dissolved and the receivable side of these advances were retained by the Commission in its capacity as the Housing Authority. See Notes 1a and 22 for additional information. On June 5, 2012, the Successor Agency made principal payments of \$1,898,922 on the SERAF loan to the Housing Authority.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

4. LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY (CONTINUED):

(c) In July 2000, the General Fund extended a \$5,600,000 line of credit to the Community Development Commission. The Commission withdrew \$600,000 in fiscal year ended June 30, 2003 and the remaining \$5,000,000 in fiscal year ended June 30, 2004. The line of credit accrues interest at the LAIF interest rate plus 2% and has no stipulated repayment date. During the fiscal year ended June 30, 2011, \$600,000 and related interest was paid and the balance was paid in full during the year ended June 30, 2012. Since the line of credit was not initiated within the first two years of the Commission's existence and the pay-off of the balance plus accrued unpaid interest occurred after January 1, 2011, according to AB 1484, the pay-off transaction is subject to unwinding and possible transfer of the funds to affected local agencies pending a determination by the California State Department of Finance.

5. NOTES AND LOANS RECEIVABLE:

As of June 30, 2012, the following notes and loans receivable were outstanding:

Housing rehabilitation	\$ 4,683,788
First time home buyers	489,516
Housing preservation program	1,034,992
Lake Ellen Towers	5,728,153
Executive Lodge Apartments	6,224,876
West Covina Senior Villas, L.L.C.	3,116,666
West Covina Senior Villas II, L.P.	8,600,753
Other loans	2,105,718
Allowance for doubtful accounts	<u>(400,954)</u>
Total	<u>\$ 31,583,508</u>

Several housing rehabilitation loans totaling \$4,683,788 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 Commission has made loans to first-time home buyers totaling \$489,516. 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 28 individual loans outstanding at June 30, 2012 ranging from \$3,800 to \$22,800.

The Commission has also made housing preservation loans totaling \$1,034,992 to qualified applicants using housing set-aside funds. 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 116 individual loans outstanding at June 30, 2012 ranging from \$5,000 to \$10,050.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

5. NOTES AND LOANS RECEIVABLE (CONTINUED):

In May 1997, the Commission loaned \$4,270,000 to Lark Ellen Towers. 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, 2012 is \$5,728,153.

In April 1998, the Commission loaned \$5,622,300 to Executive Lodge Apartments Limited Partnership (Promenade Apartments project). The loan is secured by a deed of trust. The loan accrues interest at 3% per annum requires annual payments equal to 80% of net profits earned by the project. The outstanding principal and accrued interest at June 30, 2012 is \$6,224,876.

In May 2002, the Commission loaned \$4,250,000 to West Covina Senior Villas, LLC. The loan is secured by a deed of trust. The loan does not accrue interest. The note 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, 2012 is \$3,116,666.

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 of West Covina 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 so long as the borrower does not default on the loan. The note requires annual payments of \$86,869 through ninety-nine years of the note's commencement date. As of June 30, 2012 the Commission had provided \$8,600,000. The outstanding principal at June 30, 2012 is \$8,600,753.

All of the aforementioned loans made by the Commission related to former housing redevelopment activities. As a result of the dissolution of all redevelopment activities on February 1, 2012, these loans receivable were retained by the Commission in its capacity as the Housing Authority. See Notes 1a and 22 for additional information.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

6. CAPITAL ASSETS:

Governmental Activities

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

	Balance at <u>July 1, 2011</u>	Additions	Deletions	Transfers (a)	Balance at <u>June 30, 2012</u>
Capital assets, not being depreciated:					
Land	\$ 54,572,073	\$ -	\$ -	\$ (15,597,561)	\$ 38,974,512
Rights of way	14,376,498	-		-	14,376,498
Construction in progress	<u>5,183,745</u>	<u>6,057,271</u>	<u>(2,681,926)</u>	-	<u>8,559,090</u>
Total capital assets, not being depreciated	<u>74,132,316</u>	<u>6,057,271</u>	<u>(2,681,926)</u>	<u>(15,597,561)</u>	<u>61,910,100</u>
Capital assets, being depreciated:					
Buildings and improvements	104,619,539	143,967	-	(18,403,609)	86,359,897
Equipment and vehicles	22,312,892	563,799	(542,648)	(95,975)	22,238,068
Infrastructure - pavement	178,087,825	2,328,568	-	-	180,416,393
Infrastructure - other	<u>20,438,418</u>	<u>183,695</u>	-	-	<u>20,622,113</u>
Total capital assets, being depreciated	<u>325,458,674</u>	<u>3,220,029</u>	<u>(542,648)</u>	<u>(18,499,584)</u>	<u>309,636,471</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,752,548)	(1,973,711)	-	11,563,206	(19,163,053)
Equipment and vehicles	(14,436,929)	(1,474,366)	526,388	84,814	(15,300,093)
Infrastructure - pavement	(92,027,202)	(6,829,569)	-	-	(98,856,771)
Infrastructure - other	<u>(15,100,905)</u>	<u>(341,560)</u>	-	-	<u>(15,442,465)</u>
Total accumulated depreciation	<u>(150,317,584)</u>	<u>(10,619,206)</u>	<u>526,388</u>	<u>11,648,020</u>	<u>(148,762,382)</u>
Total capital assets, being depreciated, net	<u>175,141,090</u>	<u>(7,399,177)</u>	<u>(16,260)</u>	<u>(6,851,564)</u>	<u>160,874,089</u>
Total governmental activities capital assets, net	<u>\$ 249,273,406</u>	<u>\$ (1,341,906)</u>	<u>\$ (2,698,186)</u>	<u>\$ (22,449,125)</u>	<u>\$ 222,784,189</u>

(a) Capital assets with a net book value of \$22,449,125 were transferred to the successor agency as a result of the dissolution of the Commission's redevelopment activities.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

6. CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Depreciation expense was charged in the following functions in the Statement of Activities for the year ended June 30, 2012 as follows:

General government	\$ 53,170
Public safety	1,116,619
Public works	7,831,966
Community services	1,399,245
Community development	<u>218,206</u>
	<u>\$ 10,619,206</u>

Business-type Activity

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

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Capital assets, being depreciated:				
Equipment and machinery	\$ 1,059,120	\$ -	\$ -	\$ 1,059,020
Less accumulated depreciation for:				
Equipment and machinery	<u>(1,059,020)</u>	<u>-</u>	<u>-</u>	<u>(1,059,020)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense charged to the computer service program for the year ended June 30, 2012.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES:

Governmental Activities

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2012 are as follows:

	Balance			Transfers	Balance	Due	Due in
	June 30, 2011	Additions	Deletions	(a)	June 30, 2012	Within	More Than
						One Year	One Year
Lease Revenue Bonds:							
1988 Lease Revenue Bonds	\$ 4,175,000	\$ -	\$ (390,000)	\$ (3,785,000)	\$ -	\$ -	\$ -
2002 Lease Revenue Bonds	17,060,000	-	(470,000)	-	16,590,000	480,000	16,110,000
2003 Lease Revenue Bonds	2,675,000	-	(155,000)	-	2,520,000	160,000	2,360,000
2004 Lease Revenue Bonds	11,800,000	-	(300,000)	-	11,500,000	310,000	11,190,000
2005 Lease Revenue Bonds	2,480,000	-	(65,000)	-	2,415,000	65,000	2,350,000
2006 Lease Revenue Bonds	<u>17,925,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>17,800,000</u>	<u>165,000</u>	<u>17,635,000</u>
Total Lease Revenue Bonds	<u>56,115,000</u>	<u>-</u>	<u>(1,505,000)</u>	<u>(3,785,000)</u>	<u>50,825,000</u>	<u>1,180,000</u>	<u>49,645,000</u>
1996 Special Tax Bonds	<u>35,870,000</u>	<u>-</u>	<u>(1,580,000)</u>	<u>(34,290,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax Allocation Bonds:							
1999 Tax Allocation Bonds	3,675,000	-	(130,000)	(3,545,000)	-	-	-
2002 Tax Allocation Bonds	<u>9,510,000</u>	<u>-</u>	<u>(540,000)</u>	<u>(8,970,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Tax Allocation Bonds	<u>13,185,000</u>	<u>-</u>	<u>(670,000)</u>	<u>(12,515,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Housing Set-Aside Bonds:							
1998 Housing Set-Aside Bonds	4,395,000	-	(195,000)	(4,200,000)	-	-	-
2001 Housing Set-Aside Bonds	<u>8,235,000</u>	<u>-</u>	<u>(385,000)</u>	<u>(7,850,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Housing Set-Aside Bonds	<u>12,630,000</u>	<u>-</u>	<u>(580,000)</u>	<u>(12,050,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Compensated absences	4,822,080	146,276	(528,216)	-	4,440,140	724,914	3,715,226
Claims and judgments payable	11,270,107	976,138	(2,109,523)	-	10,136,722	2,536,866	7,599,856
Capital lease obligations	1,843,538	-	(434,404)	-	1,409,134	451,599	957,535
Notes payable	2,185,922	-	(385,701)	-	1,800,221	141,664	1,658,557
Developer agreement payable	29,899,268	1,924,798	-	(31,824,066)	-	-	-
Net OPEB obligation (Note 19)	5,575,491	5,472,000	(1,536,088)	-	9,511,403	-	9,511,403
Due to County of Los Angeles	<u>10,300,483</u>	<u>366,936</u>	<u>(1,314,327)</u>	<u>(9,353,092)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities							
Governmental activities	<u>\$ 183,696,889</u>	<u>\$ 8,886,148</u>	<u>\$ (10,643,259)</u>	<u>\$ (103,817,158)</u>	<u>\$ 78,122,620</u>	<u>\$ 5,035,043</u>	<u>\$ 73,087,577</u>

(a) Long-term liabilities were transferred to the successor agency as a result of the dissolution of the Commission's redevelopment activities. See Notes 22 and 23 for additional information.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity

Changes in long-term liabilities for the business-type activity for the year ended June 30, 2012 are as follows:

	Balance			Due		
	June 30, 2011	Additions	Deletions	June 30, 2012	Within One Year	Due in More Than One Year
Compensated absences	\$ 212,284	\$ -	\$ (66,554)	\$ 145,730	\$ 24,733	\$ 120,997

8. 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 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. Principal on the Series B bonds is due annually on September 1, in amounts ranging from \$480,000 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. At June 30, 2012, the outstanding balance is \$16,590,000.

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. Because the bonds were directly purchased, the bond indenture does not require a credit facility to support the debt service payments until the bank's tender date of May 31, 2016. Until the tender date, the bonds bear interest at 70% of LIBOR plus the Applicable Spread (currently 80 basis points).

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. LEASE REVENUE BONDS (CONTINUED):

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

The annual debt service requirements on the 2002 Lease Revenue Refunding Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 480,000	\$ 160,425	\$ 640,425
2014	495,000	155,784	650,784
2015	510,000	150,997	660,997
2016	525,000	146,065	671,065
2017	545,000	140,989	685,989
2018 - 2022	2,970,000	622,845	3,592,845
2023 - 2027	3,440,000	470,446	3,910,446
2028 - 2032	3,985,000	293,871	4,278,871
2033 - 2036	3,640,000	89,302	3,729,302
Totals	<u>\$ 16,590,000</u>	<u>\$ 2,230,724</u>	<u>\$ 18,820,724</u>

2003 Lease Revenue Bonds, Series A (Community Center Project)

On February 19, 2003, the City issued \$3,625,000 of Lease Revenue Bonds to provide financing for the construction of a community center. The bonds mature annually through August 1, 2023 in amounts ranging from \$155,000 to \$270,000, with interest rates ranging from 1.60% to a maximum of 5.375% over the term of the bonds. Interest is payable semiannually on February 1 and August 1 of each year.

The bonds are payable from lease payments as rental for certain public facilities. The reserve requirement at June 30, 2012 of \$285,685 was fully funded. At June 30, 2012, the outstanding balance is \$2,520,000.

The annual debt service requirements on the 2003 Lease Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 160,000	\$ 123,195	\$ 283,195
2014	170,000	115,685	285,685
2015	175,000	107,663	282,663
2016	185,000	99,110	284,110
2017	190,000	90,015	280,015
2018 - 2022	1,110,000	291,367	1,401,367
2023 - 2025	530,000	28,659	558,659
Totals	<u>\$ 2,520,000</u>	<u>\$ 855,694</u>	<u>\$ 3,375,694</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. 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 \$175,000 to \$460,000. The Series B bonds mature annually through May 1, 2034 in amounts ranging from \$135,000 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 bonds are payable from lease payments as rental for certain public facilities. At June 30, 2012, the outstanding balance is \$11,500,000.

The annual debt service requirements on the 2004 Lease Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 310,000	\$ 23,000	\$ 333,000
2014	325,000	22,380	347,380
2015	345,000	21,730	366,730
2016	355,000	21,040	376,040
2017	375,000	20,330	395,330
2018 - 2022	2,150,000	89,660	2,239,660
2023 - 2027	2,690,000	66,150	2,756,150
2028 - 2032	3,370,000	36,670	3,406,670
2033 - 2036	<u>1,580,000</u>	<u>4,780</u>	<u>1,584,780</u>
Totals	<u>\$ 11,500,000</u>	<u>\$ 305,740</u>	<u>\$ 11,805,740</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. LEASE REVENUE BONDS (CONTINUED):

2005 Lease Revenue Bonds, Series C (Public Facilities Project)

In September 2005, the City issued \$2,735,000 of Variable Rate Lease Refunding Bonds, Series C to provide funds to refinance the City's 2002 Series A Taxable Variable Rate Lease Revenue Refunding Bonds and finance the construction of various public facility projects. The bonds mature annually on September 1 in amounts ranging from \$65,000 to \$155,000 through September 1, 2034. 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 March 1 and September 1 of each year. The bonds are payable from lease payments as rental for certain public facilities. At June 30, 2012, the outstanding balance is \$2,415,000.

In connection with this issuance of the 2005 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 2005 Lease Revenue Bonds were directly purchased by Wells Fargo Bank, National Association. Because the bonds were directly purchased, the bond indenture does not require a credit facility to support the debt service payments until the bank's tender date of May 31, 2016. Until the tender date, the bonds bear interest at 70% of LIBOR plus the Applicable Spread (currently 80 basis points).

The annual debt service requirements on the 2005 Lease Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 65,000	\$ 23,353	\$ 88,353
2014	70,000	22,725	92,725
2015	70,000	22,048	92,048
2016	75,000	21,371	96,371
2017	80,000	20,645	100,645
2018 - 2022	440,000	91,188	531,188
2023 - 2027	525,000	68,222	593,222
2028 - 2032	645,000	40,807	685,807
2033 - 2035	<u>445,000</u>	<u>8,751</u>	<u>453,751</u>
Totals	<u>\$ 2,415,000</u>	<u>\$ 319,110</u>	<u>\$ 2,734,110</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. 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 \$65,000 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 \$100,000 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 of \$1,526,516 was fully funded at June 30, 2012. At June 30, 2012, the outstanding balance is \$17,800,000.

The annual debt service requirements on the 2006 Lease Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 165,000	\$ 952,757	\$ 1,117,757
2014	195,000	944,707	1,139,707
2015	235,000	935,216	1,170,216
2016	270,000	923,804	1,193,804
2017	310,000	910,664	1,220,664
2018 - 2022	2,325,000	4,260,197	6,585,197
2023 - 2027	3,675,000	3,486,631	7,161,631
2028 - 2032	4,780,000	2,375,999	7,155,999
2033 - 2036	<u>5,845,000</u>	<u>852,391</u>	<u>6,697,391</u>
Totals	<u>\$ 17,800,000</u>	<u>\$ 15,642,366</u>	<u>\$ 33,442,366</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

9. COMPENSATED ABSENCES:

The liability of \$4,440,140 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 \$145,730 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.

10. 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.

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	\$ 12,021,129	November 18, 2014

11. 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 of West Covina participates in a joint powers insurance authority insurance pooling arrangement with other public agencies for general liability coverage in excess of the City's self-insured retention of \$1,000,000 per occurrence. The pool shares losses from \$1 million to \$2 million among its members and purchases commercial insurance/reinsurance for losses from \$2 million to \$27 million, per occurrence.

The City of West Covina purchases statutory limits through a joint powers authority insurance pooling arrangement with other public agencies for worker's compensation coverage in excess of the City's self-insured retention of \$1 million per occurrence.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

11. CLAIMS AND JUDGMENTS (CONTINUED):

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. As of June 30, 2012, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to \$10,136,722.

Changes in the claims and judgments payable amounts in fiscal years 2011 and 2012 for the Self-Insurance Fund are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2010 - 2011	\$ 11,586,006	\$ 19,156	\$ (335,055)	\$ 11,270,107
2011 - 2012	11,270,107	1,001,676	(2,135,061)	10,136,722

12. CAPITAL LEASE OBLIGATIONS:

The following represents governmental activity obligation under capital leases:

Public Safety Emergency Radio System

In June 2008, the City entered into a lease agreement for the acquisition of a public safety emergency radio system. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The police radio acquired under this lease agreement is recorded at their acquisition cost of \$3,050,000.

The City obtained financing in the amount of \$3,050,000 with an interest rate of 3.92% and semiannual payments of \$251,227 through the end of the lease (June 2015). The outstanding balance at June 30, 2012 is \$1,409,134.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

12. CAPITAL LEASE OBLIGATIONS (CONTINUED):

Public Safety Emergency Radio System (Continued)

The calculation of the present value of the future lease payments for obligations under capital leases as of June 30, 2012 is as follows:

Year Ending <u>June 30,</u>	
2013	\$ 502,455
2014	502,454
2015	<u>502,455</u>
Subtotal	1,507,364
Less: amount representing interest	<u>(98,230)</u>
Present value of future lease payments	<u>\$ 1,409,134</u>

13. NOTES PAYABLE:

Butler Note

On January 24, 2002, the West Covina Public Financing Authority entered into a note for \$248,000 to finance the purchase of certain real property. The interest rate is adjusted on each thirty-six month anniversary of the effective date, and shall be that rate which is 0.5% in excess of the one year United States Treasury Note in existence on the date of such adjustment. The note is payable from the revenues of the General Fund. During the year ended June 30, 2012, the note was paid in full.

Valencia Note

On May 1, 2003, the City entered into a note agreement for \$1,215,000 to finance the purchase of certain real property. The initial interest rate of 5.31% is adjusted on the eighteenth month anniversary of the effective date, and shall be at that rate which is 0.5% in excess of the two year United States Treasury Bill in existence on the date of such adjustment. Principal and interest payments are due monthly through 2023. The note is payable from the revenues of the General Fund. The outstanding balance at June 30, 2012 is \$763,088.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

13. NOTES PAYABLE (CONTINUED):

Valencia Note (Continued)

The annual debt service requirements on the Valencia note as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 66,917	\$ 6,391	\$ 73,308
2014	67,504	5,806	73,310
2015	68,095	5,215	73,310
2016	68,692	4,618	73,310
2017	69,293	4,015	73,308
2018 - 2022	355,680	10,860	366,540
2023	<u>66,907</u>	<u>292</u>	<u>67,199</u>
Totals	<u>\$ 763,088</u>	<u>\$ 37,197</u>	<u>\$ 800,285</u>

California Energy Commission Loan

On September 5, 2006, the City entered into a note agreement for \$1,278,000 to finance for energy efficient purposes the acquisition of equipment and other capital projects. The note accrues interest at 4.5%. Principal and interest payments of \$60,295 are due semiannually through June 22, 2023. The note is payable from the revenues of the General Fund. At June 30, 2012, the outstanding balance is \$1,037,133.

The annual debt service requirements on the California Energy Commission loan as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 74,747	\$ 45,843	\$ 120,590
2014	78,148	42,442	120,590
2015	81,705	38,885	120,590
2016	85,329	35,261	120,590
2017	89,306	31,284	120,590
2018 - 2022	511,263	91,687	602,950
2023	<u>116,635</u>	<u>3,955</u>	<u>120,590</u>
Totals	<u>\$ 1,037,133</u>	<u>\$ 289,357</u>	<u>\$ 1,326,490</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

14. SHORT-TERM DEBT:

On July 1, 2011, the City issued \$9,490,000 of Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 2.0% for the purpose of funding interim cash flow requirements in the General Fund. The TRAN plus accrued interest was paid in full on May 31, 2012.

On August 28, 2012, the City issued \$7,600,000 of Tax and Revenue Anticipation Notes (TRAN) at an interest rate of .55% per annum for the purpose of funding interim cash flow requirements in the General Fund. The TRAN plus accrued interest is due June 26, 2013.

15. FUND BALANCE CLASSIFICATION:

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

Nonspendable 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 government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director 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. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

15. FUND BALANCE CLASSIFICATION (CONTINUED):

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.

	Special Revenue Funds						Total Governmental Funds
	Community Development Block Grant	Housing Authority	City Debt Service	City Capital Projects	Other Governmental Funds		
	General						
Nonspendable:							
Prepays and							
other assets	\$ 57,254	\$ -	\$ 183,820	\$ 6,109	\$ -	\$ 35,839	\$ 283,022
Advances to							
Successor Agency	15,523,535	-	5,974,655	-	-	-	21,498,190
Restricted:							
Debt service	-	-	-	14,117,015	-	-	14,117,015
Special revenue fund purposes	-	-	2,307,514	-	-	14,677,107	16,984,621
Assigned:							
Capital projects	-	-	-	-	1,156,254	222,147	1,378,401
Unassigned	13,187,181	(63,912)	-	-	-	(46,130)	13,077,139
Total	<u>\$ 28,767,970</u>	<u>\$ (63,912)</u>	<u>\$ 8,465,989</u>	<u>\$ 14,123,124</u>	<u>\$ 1,156,254</u>	<u>\$ 14,888,963</u>	<u>\$ 67,338,388</u>

16. ACCUMULATED FUND DEFICITS:

The following funds reported deficits in fund balances as of June 30, 2012:

	Deficit Balance
Major Fund:	
Community Development Block Grants	\$ 63,912
Other Governmental Funds - Special Revenue Funds:	
Transportation Development Act	30,839
Inmate Welfare	15,291
Enterprise Fund:	
Computer Services	994,560
Internal Service Funds:	
Self-Insurance	5,112,665

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

16. ACCUMULATED FUND DEFICITS (CONTINUED):

Management's explanations for the resolution of significant accumulated fund deficits are summarized as follows:

Computer Services Enterprise Fund

The deficit in fund balance of \$994,560 is a result of increased costs related to the development of new software for client cities. It is anticipated that the deficit fund balance will be eliminated in future years through a combination of increases in license fees and reductions in operating expenses.

Self-Insurance Internal Service Fund

The deficit in fund balance of \$5,112,665 is the result of payment of damages in various claims and litigation matters against the City and the increased legal costs in defending those matters. It is anticipated that this deficit fund balance will be funded with increased charges to the operating funds of the City in future years.

17. DEFINED BENEFIT PENSION PLANS:

a. California Public Employee Retirement System (PERS):

The City of West Covina contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute the employee contribution of either 7% or 8% of their annual covered salary for miscellaneous employees, and 9% for safety employees. The City made the contributions required of safety employees on their behalf and for their account, while the miscellaneous employees made their own contributions. Benefit provisions and all other requirements are established by state statute and City contracts with employee bargaining groups.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. California Public Employee Retirement System (PERS) (Continued):

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 33.657% of payroll for the safety plan and 14.207% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>Safety</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2009	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	30 years as of the valuation date	30 years as of the valuation date
Asset Valuation Method	15 year smoothed market	15 year smoothed market
Actuarial Assumptions:		
Investment Rate of Return	7.25% (net of administrative expenses)	7.25% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on age, service and type of employment	3.25% to 14.45% depending on age, service and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with and assumed annual inflation component of 3.0% and an annual production growth of 0.25%

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. California Public Employee Retirement System (PERS) (Continued):

The excess of total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Changes in the liability due to subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30-year period. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The unfunded actuarial liabilities for both the safety and miscellaneous plans are amortized over a period ending June 30, 2041.

The funded status of the plan based on the June 30, 2011 actuarial valuation (dollar amounts in thousands) is as follows:

	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Liability % of Covered Payroll
Safety	\$ 281,287	\$ 219,238	\$ 62,049	77.94 %	\$ 17,641	351.73 %
Miscellaneous	120,856	107,982	12,874	89.35 %	12,859	100.12 %

The schedule of funding progress, presented as required supplementary information on page 97 presents multi-year trend information about whether the 'actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Three-Year Trend Information - Safety Annual Pension Cost
(Employer Contribution)*

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/10	\$ 5,253,816	100%	\$ -
6/30/11	5,054,059	100%	-
6/30/12	6,365,171	100%	-

*Three-Year Trend Information - Miscellaneous Annual Pension Cost
(Employer Contribution)*

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/10	\$ 1,219,614	100%	\$ -
6/30/11	1,223,303	100%	-
6/30/12	1,570,847	100%	-

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS):

Effective November 1, 2007, the City established two retirement plans with the Public Agency Retirement System (PARS) to supplement the current CalPERS retirement benefits. PARS is a single-employer defined benefit plan. It meets the requirements of a pension trust under California Government Code. Phase II Systems is the PARS Trust Administrator. The plans do not issue separate financial reports. PARS issues a separate comprehensive annual financial report. Copies of PARS' comprehensive annual financial report may be obtained from PARS' office at 1350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

EPMC Replacement Supplemental Retirement Plan

Participants in this plan include all full-time employees and council members, except members of the Police Officers Association. 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.

The City makes all contributions to these plans. Participants do not make any contributions. For the fiscal year ended June 30, 2012, the City's required contributions were \$104,895 and actual contributions were \$133,148. The required contribution was based on the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The unfunded actuarial liability is based on a 20-year open amortization with amortization payments increasing 3.25% annually. The actuarial assumptions include: investment rate of return of 7%, projected salary increases of 3.25% to 12.65% (depending on years of service), and assumed inflation rate of 3%. The ongoing stipends will contain a 2% annual cost of living adjustment consistent with CalPERS pensions. This plan is closed to new hires.

*Three-Year Trend Information - EPMC Annual Pension Cost
(Employer Contribution)*

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 187,218	100%	\$ -
6/30/11	174,492	100%	-
6/30/12	133,148	100%	-

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) (Continued):

Supplemental Retirement Plan for Executive Staff and City Council

This 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 \$807 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.

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. For the fiscal year ended June 30, 2012, the City's required and actual contributions were \$45,787. The required contribution was based on the pay as you go method. The City performs biennial actuarial valuations using the entry age normal actuarial cost method. The unfunded actuarial liability is based on a 20-year open amortization (10-years for Tier 3) with amortization payments remaining level. The actuarial assumptions include: investment rate of return of 7%, assumed inflation rate of 3%, projected salary increases of 3.25% to 12.65% (depending on years of service and 2% annual cost of living adjustments for Tier 3).

The Schedule of Funding Progress, presented as required supplementary information, shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This plan is closed to new hires.

*Three-Year Trend Information – Executive Annual Pension Cost
(Employer Contribution)*

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/10	\$ 167,382	100%	\$ -
6/30/11	52,718	100%	-
6/30/12	45,787	100%	-

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

18. 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 nonbenefited, 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, nonbenefited, nonpersable employees of the City must participate in the plan. During 2011-12, 190 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 nonbenefited, nonpersable part-time employees.

During the year, total required and actual contributions amounted to \$109,529 and covered payroll for the year ended June 30, 2012 totaled \$1,460,387. No contributions were made by the City and employees contributed \$109,529 (7.5% of current covered payroll). Total plan assets at June 30, 2012 were \$764,751. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and, therefore, are not included in the financial statements.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

19. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

a. 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 - Kaiser Employee + 1 Other Southern California Counties Rate (\$956 and \$1,026 per month in 2011 and 2012, respectively).
- Fire - Kaiser Employee + 1 Los Angeles Area Region Rate (\$868 and \$931 per month in 2011 and 2012, respectively).
- Miscellaneous - At the PEMHCA minimum amount (\$108 and \$112 per month in calendar years 2011 and 2012 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

b. City's Funding Policy:

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, 2012, the City contributed \$1,536,088 to the plan, including \$1,536,088 for current premiums (100% of total premiums).

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

19. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

c. Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 5,471,000
Interest on net OPEB obligation	237,000
Adjustment to annual required contribution	<u>(236,000)</u>
Annual OPEB cost (expense)	5,472,000
Actual contributions made (including premiums paid)	<u>(1,536,088)</u>
Increase in net OPEB obligation	3,935,912
Net OPEB Obligation - beginning of year	<u>5,575,491</u>
 Net OPEB Obligation - end of year	 <u><u>\$ 9,511,403</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 3,317,000	33.6%	\$ 3,592,477
6/30/11	3,317,000	40.2%	5,575,491
6/30/12	5,472,000	28.07%	9,511,403

d. Funded Status and Funding Progress:

As of June 30, 2011, the second actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$64,795, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$64,795. The funded ratio (actuarial value of assets as a percentage of actuarial accrued liability) was 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$29,420 and the ratio of the UAAL to the covered payroll was 220.24%.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

19. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

d. Funded Status and Funding Progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements on page 96 represents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions:

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 5.0 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, inflation rate of 3% and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 1% per year to an ultimate rate of 5 percent after the sixth year. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. It is assumed the City's payroll will increase 3% per year.

20. 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

20. COMMITMENTS AND CONTINGENCIES (CONTINUED):

(a) (Continued):

On July 25, 2005, the Board of Directors of the West Covina Community Development Commission (a blended component unit of the City of West Covina) 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 its blended component unit 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.

(b) 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.

(c) Advances to Successor Agency - 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 2013-2014 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 Fund (Housing Authority).

The accumulated interest included in the outstanding balance of the advances to Successor Agency recorded in General Fund is still based on the interest rate stipulated in the agreement between the City and Agency, which is significantly higher than LAIF rates. Management of the City has not recorded an allowance for uncollectible advances or for repayment of excess interest earned on the advances, as all the advances are expected to be repaid. The excess interest, once calculated, may eliminate the entire balance of the advances and will significantly impact the general fund's fund balance.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

21. TRANSFERS IN/TRANSFERS OUT:

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	
General Fund	City Debt Service Fund	\$ 4,054,617	(a)
	Other Governmental Funds	1,350,000	(b)
	Computer Services		
	Enterprise Fund	98,811	
City Debt Service Fund	General Fund	675,000	
	CDC Debt Service Fund	652,750	
	Other Governmental Funds	175,000	
CDC Debt Service Fund	CDC Capital Projects Fund	308,145	
CDC Capital Projects Fund	CDC Debt Service Fund	1,458,334	(c)
Other Governmental Funds	Other Governmental Funds	<u>175,000</u>	
Total		<u>\$ 8,947,657</u>	

- (a) The General Fund transferred \$4,054,617 to the City Debt Service Fund to provide for debt service payments.
- (b) The Traffic Safety Special Revenue Fund and the Public Safety Augmentation Special Revenue Fund transferred \$800,000 and \$550,000, respectively, to the General Fund to reimburse the General Fund for traffic and public safety related activities.
- (c) The CDC Debt Service Fund also transferred \$1,458,334 to the CDC Capital Projects Fund. The transfer was made to provide funding for repayment of advances made by the General Fund to the CDC Capital Projects Fund.

22. RECENT 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. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

22. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

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.

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 and, concurrently, declared the Commission to function as the Housing Authority.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

22. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. 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. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) of the City in its fiduciary capacity as the Successor Agency.

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (effectively the same date as January 31, 2012) were reported as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

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

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

Total extraordinary gain reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ (7,453,315)
Capital assets reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	22,449,125
Long-term assessments receivable reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	34,290,000
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(1,294,524)
Long-term debt reported in the government-wide financial statements - decrease to the net assets of the Successor Agency Trust Fund	<u>(103,817,158)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$(55,825,872)</u></u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

22. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

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 Successor Agency made a net payment in the amount of \$497,980 to the County Auditor-Controller to return tax increment received in December 2011 and January 2012 in excess of amounts required to pay for enforceable obligations for the period January 1, 2012 to June 30, 2012. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$6,550,747 from the County Auditor-Controller on June 1, 2012 for the ROPS for the period July 1, 2012 to December 31, 2012. The amount contained an overpayment of \$925,856 that was withheld by the County from the Successor Agency's ROPS payment on January 2, 2013.

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.

The Low and Moderate Income Housing Fund of the Commission transferred loans in the amount of \$35,980,557 and prepaid costs in the amount of \$185,694 to West Covina Housing Authority as the Housing Successor Agency on February 1, 2012 as authorized by Health and Safety Code Section 34176(a)(2).

The Commission made principal and interest payments totaling \$12,205,531 on various loans from the City of West Covina for the period January 1, 2011 to June 30, 2012. These payments may have to be paid back by the City if the DOF determines that the repayments on these various loans were on loans not made within the first two years of the formation of the former redevelopment agency. If the DOF determines that the City has to repay the Successor Agency and the City refuses to pay it back, the City will lose future sales and property tax allocations.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

22. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Successor Agency made principal and interest payments totaling \$1,898,922 on SERAF loan to the Housing Authority for the period February 1, 2012 to June 30, 2012.

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 2013-2014 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 Fund (Housing Authority). Management of the City has not recorded an allowance for uncollectible advances as all the advances are expected to be repaid.

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.

Management believes, in consultation with legal counsel, that the 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.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. 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:

NOTES RECEIVABLE:

In 2010 the Commission received an award for damages, attorneys' fees and costs under a foreclosure judgment in the superior court in the amount of \$7,586,603. This amount is the result of a positive verdict in litigation against Hassan Imports Partnership and various related entities, stemming from breach of contract of various agreements and covenants with the Commission. The Commission is pursuing collection of these judgments in federal bankruptcy court. The developer has also filed an appeal of the judgment. The outstanding balance at June 30, 2012, with interest, is \$10,229,768. The City also obtained a judgment in a related matter. That outstanding balance of that judgment at June 30, 2012, with interest, is \$1,401,506.

Subsequent to the above litigation, Hassan Imports Partnership also breached two additional sales tax guaranty agreements related to the Chevrolet and Dodge dealerships. The outstanding amounts due under these loans is \$1,997,861.

The Commission had previously provided a loan to Clippinger Dodge that bears interest at 7% and is collateralized by a promissory note and sales tax guarantees. The outstanding principal and accrued interest at June 30, 2012 is \$1,042,832.

All of these receivables are offset by an allowance for doubtful accounts on the financial statements of the private-purpose trust fund.

ASSESSMENT RECEIVABLE:

As of June 30, 2012, the following assessments receivable were outstanding:

1996 Special Tax Bonds	<u>\$ 34,290,000</u>
------------------------	----------------------

In connection with the Commission's issuance of its \$51,220,000 1996 Special Tax Bonds, \$34,290,000 in assessments receivable has been recorded. The assessment is an annual special tax levied on the community facilities district in amount sufficient to ensure payment of the debt service on the bonds. This special tax supplements sales and property tax increment revenues that also support the debt service on the bonds. These assessment and corresponding deferred revenue will be reduced as the principal on the bonds mature.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LAND HELD FOR RESALE:

Land held for resale is comprised of the following at June 30, 2012:

BKK Project \$ 67,040

CAPITAL ASSETS:

Capital asset activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Balance at <u>July 1, 2011</u>	Transfers (a) <u>Feb. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>
Capital assets, not being depreciated:					
Land	\$ -	\$ 15,597,561	\$ -	\$ -	\$ 15,597,561
Capital assets, being depreciated:					
Buildings and improvements	-	18,403,609	-	-	18,403,609
Equipment and vehicles	-	95,975	-	-	95,975
Total capital assets, being depreciated	-	18,499,584	-	-	18,499,584
Less accumulated depreciation for:					
Buildings and improvements	-	(11,563,206)	(153,363)	-	(11,716,569)
Equipment and vehicles	-	(84,814)	(2,497)	-	(87,311)
Total accumulated depreciation	-	(11,648,020)	(155,860)	-	(11,803,880)
 Total capital assets, being depreciated, net	 -	 6,851,564	 (155,860)	 -	 6,695,704
 Total capital assets, net	 <u>\$ -</u>	 <u>\$ 22,449,125</u>	 <u>\$ (155,860)</u>	 <u>\$ -</u>	 <u>\$ 22,293,265</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES:

Long-term liability activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Transfers (a)			Balance June 30, 2012	Due Within One Year	Due in More Than One Year
	Balance Feb. 1, 2012	Additions	Deletions			
1988 Lease Revenue Bonds	\$ 3,785,000	\$ -	\$ -	\$ 3,785,000	\$ 425,000	\$ 3,360,000
1996 Special Tax Bonds	34,290,000	-	-	34,290,000	1,770,000	32,520,000
Tax Allocation Bonds:						
1999 Tax Allocation Bonds	3,545,000	-	-	3,545,000	135,000	3,410,000
2002 Tax Allocation Bonds	8,970,000	-	-	8,970,000	560,000	8,410,000
Total Tax Allocation Bonds	12,515,000	-	-	12,515,000	695,000	11,820,000
Housing Set-Aside Bonds:						
1998 Housing Set-Aside Bonds	4,200,000	-	-	4,200,000	210,000	3,990,000
2001 Housing Set-Aside Bonds	7,850,000	-	-	7,850,000	400,000	7,450,000
Total Housing Set-Aside Bonds	12,050,000	-	-	12,050,000	610,000	11,440,000
Developer agreement payable	31,824,066	2,029,163	-	33,853,229	960,049	32,893,180
Due to County of Los Angeles	9,353,092	262,096	-	9,615,188	557,462	9,057,726
Total long-term liabilities	\$ 103,817,158	\$ 2,291,259	\$ -	\$ 106,108,417	\$ 5,017,511	\$ 101,090,906

(a) The transfers relate to the dissolution of the Commission's former redevelopment activities. See Note 22 for additional information.

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

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 of \$671,206 was fully funded at June 30, 2012. At June 30, 2012, the outstanding balance is \$3,785,000.

The annual debt service requirements on the 1988 Lease Revenue Refunding Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 425,000	\$ 6,813	\$ 431,813
2014	460,000	6,048	466,048
2015	495,000	5,220	500,220
2016	535,000	4,329	539,329
2017	575,000	3,366	578,366
2018 - 2020	<u>1,295,000</u>	<u>3,537</u>	<u>1,298,537</u>
Totals	<u>\$ 3,785,000</u>	<u>\$ 29,313</u>	<u>\$ 3,814,313</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

1996 Special Tax 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, 2002. 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. The reserve requirement of \$4,946,469 was fully funded at June 30, 2012. The outstanding principal balance of the bonds at June 30, 2012 is \$34,290,000.

The annual debt service requirements on the 1996 Special Tax Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,770,000	\$ 2,004,300	\$ 3,774,300
2014	2,055,000	1,889,550	3,944,550
2015	2,340,000	1,757,700	4,097,700
2016	2,515,000	1,612,050	4,127,050
2017	2,790,000	1,452,900	4,242,900
2018 - 2022	17,830,000	4,329,900	22,159,900
2023 - 2026	<u>4,990,000</u>	<u>149,700</u>	<u>5,139,700</u>
Totals	<u>\$ 34,290,000</u>	<u>\$ 13,196,100</u>	<u>\$ 47,486,100</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

1999 Tax Allocation Bonds

On November 1, 1999, the Community Development Commission issued \$3,945,000 of Taxable Variable Rate Tax Allocation bonds. The proceeds of the bonds were used to fund a loan to the Commission, which was used by the Commission to finance certain redevelopment capital projects within the West Covina Merged Project Area. The bonds are payable from and secured by certain tax revenues payable to the Commission. The interest on the 1999 Bonds is payable monthly at an adjustable interest rate with a maximum of 12%. Principal is due annually through November 1, 2029, in amounts ranging from \$135,000 to \$270,000.

The Commission has a letter of credit to pay the principal and interest due on the bonds to the extent that other funds are not available. The outstanding principal balance of the bonds at June 30, 2012 is \$3,545,000.

The annual debt service requirements on the 1999 Tax Allocation Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 135,000	\$ 9,217	\$ 144,217
2014	140,000	8,866	148,866
2015	150,000	8,502	158,502
2016	155,000	8,112	163,112
2017	165,000	7,709	172,709
2018 - 2022	895,000	31,967	926,967
2023 -2027	1,120,000	19,214	1,139,214
2028 - 2030	<u>785,000</u>	<u>4,121</u>	<u>789,121</u>
Totals	<u>\$ 3,545,000</u>	<u>\$ 97,708</u>	<u>\$ 3,642,708</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

2002 Tax Allocation Refunding Bonds

On June 4, 2002 the Community Development Commission issued \$12,200,000 of Tax Allocation Refunding Bonds. The proceeds of the Bonds were used to prepay the outstanding 1993 Tax Allocation Bonds. The 2002 Bonds are payable from tax revenues of the Commission. The interest on the bonds is payable semiannually on September 1 and March 1 of each year at interest rates ranging from 1.75% to 5.10%. The principal of the bonds is due annually through September 1, 2025, in amounts ranging from \$560,000 to \$800,000. At June 30, 2012 the required reserve of \$981,046 was fully funded. The principal balance of outstanding bonds at June 30, 2012 is \$8,970,000.

The annual debt service requirements on the 2002 Tax Allocation Refunding Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 560,000	\$ 424,273	\$ 984,273
2014	580,000	401,110	981,110
2015	605,000	376,292	981,292
2016	630,000	349,891	979,891
2017	660,000	319,515	979,515
2018 - 2022	3,515,000	1,053,279	4,568,279
2023 - 2026	<u>2,420,000</u>	<u>254,490</u>	<u>2,674,490</u>
Totals	<u>\$ 8,970,000</u>	<u>\$ 3,178,850</u>	<u>\$ 12,148,850</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

1998 Housing Set-Aside Tax Allocation Bonds

In 1998, the Community Development Commission issued \$4,945,000 of Series A Tax Allocation Bonds and \$1,200,000 of Taxable Series B Tax Allocation Bonds to provide funds for the acquisition and rehabilitation of a multi-family housing project. The bonds mature annually through September 1, 2025 in amounts ranging from \$210,000 to \$325,000, with interest rates varying from 4.5% to 7.0%. Interest is payable semiannually on March 1, and September 1, of each year. The bonds are payable solely from and secured by a pledge of that portion of the tax increment revenues receivable by the Commission with respect to the merged redevelopment project area and are required to be deposited into the Commission's Low and Moderate Income Housing Fund. At June 30, 2012 the required reserve of \$438,908 was fully funded. The principal balance of outstanding bonds at June 30, 2012 is \$4,200,000.

The annual debt service requirements on the 1998 Housing Set-Aside Tax Allocation Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 210,000	\$ 228,908	\$ 438,908
2014	215,000	217,683	432,683
2015	230,000	205,715	435,715
2016	240,000	192,875	432,875
2017	255,000	179,248	434,248
2018 - 2022	1,505,000	658,987	2,163,987
2023 -2026	<u>1,545,000</u>	<u>181,411</u>	<u>1,726,411</u>
Totals	<u>\$ 4,200,000</u>	<u>\$ 1,864,827</u>	<u>\$ 6,064,827</u>

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

2001 Housing Set-Aside Tax Allocation Bonds

On December 1, 2001 the Community Development Commission issued \$11,275,000 of Housing Set-Aside Tax Allocation Bonds. The proceeds of the bonds were used to fund a grant for the acquisition and development of a senior housing apartment complex and finance the implementation of the Commission's low and moderate income housing programs. The bonds are payable from and secured by certain tax increment revenues. The interest on the bonds is payable on March 1 and September 1 of each year with interest rates ranging from 2.25% to 5.00%. The principal of the bonds is due annually through September 1, 2031 in amounts ranging from \$25,000 to \$600,000. The bonds are subject to optional and mandatory redemption provisions. At June 30, 2012 the required reserve of \$676,641 was fully funded. The principal balance of outstanding bonds at June 30, 2012 is \$7,850,000.

The annual debt service requirements on the 2001 Housing Set-Aside Tax Allocation Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 400,000	\$ 367,935	\$ 767,935
2014	420,000	350,195	770,195
2015	435,000	331,167	766,167
2016	455,000	310,915	765,915
2017	475,000	289,287	764,287
2018 - 2022	2,750,000	1,073,937	3,823,937
2023 - 2027	980,000	571,250	1,551,250
2028 - 2032	1,935,000	222,875	2,157,875
Totals	<u>\$ 7,850,000</u>	<u>\$ 3,517,561</u>	<u>\$ 11,367,561</u>

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 \$49,087,108. The Commission has made payments to the developer totaling \$15,233,879.

Outstanding
Balance at
June 30, 2012

\$ 33,853,229

See independent auditors' report.

CITY OF WEST COVINA

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED):

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 from tax increment revenues and is based on a calculation of excess tax increment revenues from the sub-project area. The amount of repayment due for the 2012 fiscal year is \$1,186,494. As the repayment period has begun, the outstanding balance now accrues interest at 7%. The balance at June 30, 2012 is \$9,615,188.

LETTERS OF CREDIT:

The Commission has letters of credit securing the payment of principal and interest on certain 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.

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:			
1988 Lease Revenue Bonds	Bank of New York	\$ 3,840,998	December 3, 2013
1999 Tax Allocation Bonds	US Bank	3,604,439	October 13, 2013

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF WEST COVINA

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2012
(dollar amounts in thousands)

CalPERS SAFETY PENSION PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
06/30/09	\$ 255,522	\$ 204,352	\$ 51,170	79.97%	\$ 20,372	251.18%
06/30/10	265,268	211,332	53,936	79.67%	19,282	279.72%
06/30/11	281,287	219,238	62,049	77.94%	17,641	351.73%

CalPERS MISCELLANEOUS PENSION PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
06/30/09	\$ 111,022	\$ 99,657	\$ 11,365	89.76%	\$ 13,834	82.15%
06/30/10	114,029	103,556	10,473	90.82%	13,494	77.61%
06/30/11	120,856	107,982	12,874	89.35%	12,859	100.12%

EPMC REPLACEMENT SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
10/01/07	\$ 1,359	\$ -	\$ 1,359	0.00%	\$ 31,853	4.27%
07/01/09	1,028	27	1,001	2.63%	23,766	4.21%
06/30/11	884	77	807	8.71%	20,364	3.96%

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULES OF FUNDING PROGRESS
(CONTINUED)

For the year ended June 30, 2012
(dollar amounts in thousands)

SUPPLEMENTAL RETIREMENT PLAN FOR EXECUTIVE STAFF

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
11/01/07	\$ 853	\$ -	\$ 853	0.00%	\$ 1,972	43.26%
7/1/2009	3,084	280	2,804	9.08%	1,666	168.31%
06/30/11	3,096	535	2,561	17.28%	1,268	201.97%

OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
07/01/09	\$ -	\$ 45,391	\$ 45,391	0.00%	\$ 30,254	150.03%
06/30/11	-	64,795	64,795	0.00%	29,420	220.24%

See independent auditors' report.

SUPPLEMENTARY SCHEDULES

(This page intentionally left blank.)

CITY OF WEST COVINA

OTHER GOVERNMENTAL FUNDS

June 30, 2012

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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 OF WEST COVINA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 14,349,944	\$ 208,660	\$ 14,558,604
Receivables, net:			
Accounts	796	-	796
Taxes	1,498,263	-	1,498,263
Interest	6,192	53	6,245
Other	-	38,569	38,569
Due from other agencies	377,045	-	377,045
Prepays and other assets	35,839	-	35,839
	<u> </u>	<u> </u>	<u> </u>
 TOTAL ASSETS	 <u>\$ 16,268,079</u>	 <u>\$ 247,282</u>	 <u>\$ 16,515,361</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 841,123	\$ 17,230	\$ 858,353
Other accrued liabilities	95,863	-	95,863
Due to other funds	415,108	7,905	423,013
Deferred revenue	249,169	-	249,169
	<u> </u>	<u> </u>	<u> </u>
 TOTAL LIABILITIES	 <u>1,601,263</u>	 <u>25,135</u>	 <u>1,626,398</u>
 FUND BALANCES:			
Nonspendable	35,839	-	35,839
Restricted	14,677,107	-	14,677,107
Assigned	-	222,147	222,147
Unassigned	(46,130)	-	(46,130)
	<u> </u>	<u> </u>	<u> </u>
 TOTAL FUND BALANCES	 <u>14,666,816</u>	 <u>222,147</u>	 <u>14,888,963</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 16,268,079</u>	 <u>\$ 247,282</u>	 <u>\$ 16,515,361</u>

See independent auditors' report.

CITY OF WEST COVINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
REVENUES:			
Taxes	\$ 5,529,698	\$ 41,495	\$ 5,571,193
Special assessments	5,270,856	-	5,270,856
Fines and forfeitures	942,352	-	942,352
Investment income	73,987	1,467	75,454
Revenue from other agencies	8,391,919	-	8,391,919
Charges for services	146,441	-	146,441
Other revenues	424,669	87,982	512,651
	<u>20,779,922</u>	<u>130,944</u>	<u>20,910,866</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	31,564	400	31,964
Public safety	1,438,833	3,195	1,442,028
Public works	12,991,417	188,196	13,179,613
Community services	2,671,744	81,694	2,753,438
Community development	152,013	-	152,013
	<u>17,285,571</u>	<u>273,485</u>	<u>17,559,056</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,494,351</u>	<u>(142,541)</u>	<u>3,351,810</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	175,000	-	175,000
Transfers out	<u>(1,400,000)</u>	<u>(300,000)</u>	<u>(1,700,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,225,000)</u>	<u>(300,000)</u>	<u>(1,525,000)</u>
NET CHANGE IN FUND BALANCES	2,269,351	(442,541)	1,826,810
FUND BALANCES - BEGINNING OF YEAR	<u>12,397,465</u>	<u>664,688</u>	<u>13,062,153</u>
FUND BALANCES - END OF YEAR	<u>\$ 14,666,816</u>	<u>\$ 222,147</u>	<u>\$ 14,888,963</u>

See independent auditors' report.

CITY OF WEST COVINA
OTHER SPECIAL REVENUE FUNDS

June 30, 2012

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Drug Rebate Enforcement - The fund accounts for the City's portion of revenue received from drug asset seizures. The revenue is used to enhance the police programs.

Business Improvement Tax - This fund accounts for business improvement taxes which are restricted to economic development activities.

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.

Traffic Safety - This fund accounts for the vehicle code fines expended for traffic safety enforcement.

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 Special Programs - 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.

Grants - 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

OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2012

Tree - This fund accounts for developer contributions restricted for the replacement of trees and new urban forestation projects.

Inmate Welfare - This fund accounts for revenues from items sold to inmates. The revenues are used to enhance inmate welfare.

Public Safety - This fund accounts for sales tax revenue legally restricted for public safety. Revenue is used to augment police operations.

COPS Grant - This fund accounts for revenue from the State restricted for supplementing police operations.

Special Assessments - This fund accounts for monies received from services deemed to benefit the properties and businesses against which the special benefit assessments are levied. The assessments are levied once a year and sent to the Los Angeles County Tax Collector for collection, or billed directly to business owners. The City presently provides sewer, open space, landscape maintenance, park maintenance, street lighting and business improvement services.

Charter Cable - 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.

North Azusa Relinquishment - This fund accounts for monies received from the State as a result of the relinquishment of the City of a certain portion of North Azusa Avenue.

Measure R - This fund accounts for sales tax revenues collected in Los Angeles County to provide transportation related projects and programs.

Integrated Waste Management - This fund accounts for landfill local enforcement agency activities and waste management programs, other than AB939.

West Covina (WC) Community Services Foundation - This fund accounts for activity of the West Covina Community Services Foundation, a 501(c)(3) nonprofit organization.

CITY OF WEST COVINA
 COMBINING BALANCE SHEET
 OTHER SPECIAL REVENUE FUNDS

June 30, 2012

	Drug Rebate Enforcement	Business Improvement Tax	Air Quality Improvement	Proposition A
ASSETS				
Cash and investments	\$ 2,717,053	\$ 29,627	\$ 176,562	\$ 485,334
Receivables, net				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	1,165	12	70	108
Due from other agencies	9,417	-	32,947	-
Prepays and other assets	-	-	-	-
	<u>\$ 2,727,635</u>	<u>\$ 29,639</u>	<u>\$ 209,579</u>	<u>\$ 485,442</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 56,140	\$ -	\$ 22	\$ -
Other accrued liabilities	17,760	-	285	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<u>73,900</u>	<u>-</u>	<u>307</u>	<u>-</u>
TOTAL LIABILITIES				
FUND BALANCES (DEFICITS):				
Nonspendable	-	-	-	-
Restricted	2,653,735	29,639	209,272	485,442
Unassigned	-	-	-	-
	<u>2,653,735</u>	<u>29,639</u>	<u>209,272</u>	<u>485,442</u>
TOTAL FUND BALANCES (DEFICITS)				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 2,727,635</u>	<u>\$ 29,639</u>	<u>\$ 209,579</u>	<u>\$ 485,442</u>

See independent auditors' report.

Proposition C	Traffic Safety	State Gas Tax	Police Special Programs	Transportation Development Act	AB939	Grants	Tree
\$ 1,022,191	\$ 223,024	\$ 1,822,726	\$ 42,589	\$ -	\$ 283,408	\$ 999,364	\$ 1,107
-	-	150	-	-	-	-	-
-	56,080	574,101	-	99,650	42,020	-	-
420	95	819	17	-	122	393	-
-	-	-	-	-	-	334,681	-
-	-	2,990	-	-	-	884	-
<u>\$ 1,022,611</u>	<u>\$ 279,199</u>	<u>\$ 2,400,786</u>	<u>\$ 42,606</u>	<u>\$ 99,650</u>	<u>\$ 325,550</u>	<u>\$ 1,335,322</u>	<u>\$ 1,107</u>
\$ 95,395	\$ 8,264	\$ 62,905	\$ 173	\$ -	\$ 4,550	\$ 348,971	\$ -
4,793	2,176	12,020	76	-	1,830	33,064	-
-	-	-	-	130,489	-	269,429	-
-	-	-	-	-	-	249,169	-
<u>100,188</u>	<u>10,440</u>	<u>74,925</u>	<u>249</u>	<u>130,489</u>	<u>6,380</u>	<u>900,633</u>	<u>-</u>
-	-	2,990	-	-	-	884	-
922,423	268,759	2,322,871	42,357	-	319,170	433,805	1,107
-	-	-	-	(30,839)	-	-	-
<u>922,423</u>	<u>268,759</u>	<u>2,325,861</u>	<u>42,357</u>	<u>(30,839)</u>	<u>319,170</u>	<u>434,689</u>	<u>1,107</u>
<u>\$ 1,022,611</u>	<u>\$ 279,199</u>	<u>\$ 2,400,786</u>	<u>\$ 42,606</u>	<u>\$ 99,650</u>	<u>\$ 325,550</u>	<u>\$ 1,335,322</u>	<u>\$ 1,107</u>

(Continued)

CITY OF WEST COVINA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2012

	Inmate Welfare	Public Safety	COPS Grant	Special Assessments
ASSETS				
Cash and investments	\$ -	\$ 27,849	\$ 248,348	\$ 4,758,962
Receivables, net				
Accounts	-	-	646	-
Taxes	-	108,159	99,800	394,846
Interest	-	8	104	2,137
Due from other agencies	-	-	-	-
Prepays and other assets	-	-	-	1,315
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 136,016</u>	<u>\$ 348,898</u>	<u>\$ 5,157,260</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 101	\$ -	\$ 351	\$ 159,181
Other accrued liabilities		-	-	21,912
Due to other funds	15,190	-	-	-
Deferred revenue		-	-	-
	<u>15,291</u>	<u>-</u>	<u>351</u>	<u>181,093</u>
TOTAL LIABILITIES	<u>15,291</u>	<u>-</u>	<u>351</u>	<u>181,093</u>
FUND BALANCES (DEFICITS):				
Nonspendable	-	-	-	1,315
Restricted	-	136,016	348,547	4,974,852
Unassigned	(15,291)	-	-	-
	<u>(15,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICITS)	<u>(15,291)</u>	<u>136,016</u>	<u>348,547</u>	<u>4,976,167</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 136,016</u>	<u>\$ 348,898</u>	<u>\$ 5,157,260</u>

See independent auditors' report.

<u>Charter Cable</u>	<u>Art in Public Places</u>	<u>North Azusa Relinquishment</u>	<u>Measure R</u>	<u>Integrated Waste Management</u>	<u>West Covina Community Services Foundation</u>	<u>Total Other Special Revenue Funds</u>
\$ 382,087	\$ 62,984	\$ 410,405	\$ 536,066	\$ 18,679	\$ 101,579	\$ 14,349,944
-	-	-	-	-	-	796
-	-	-	100,108	17,541	5,958	1,498,263
166	35	172	311	-	38	6,192
-	-	-	-	-	-	377,045
-	30,650	-	-	-	-	35,839
<u>\$ 382,253</u>	<u>\$ 93,669</u>	<u>\$ 410,577</u>	<u>\$ 636,485</u>	<u>\$ 36,220</u>	<u>\$ 107,575</u>	<u>\$ 16,268,079</u>
\$ -	\$ -	\$ -	\$ 102,710	\$ 1,974	\$ 386	\$ 841,123
-	-	-	1,395	552	-	95,863
-	-	-	-	-	-	415,108
-	-	-	-	-	-	249,169
-	-	-	104,105	2,526	386	1,601,263
-	30,650	-	-	-	-	35,839
382,253	63,019	410,577	532,380	33,694	107,189	14,677,107
-	-	-	-	-	-	(46,130)
<u>382,253</u>	<u>93,669</u>	<u>410,577</u>	<u>532,380</u>	<u>33,694</u>	<u>107,189</u>	<u>14,666,816</u>
<u>\$ 382,253</u>	<u>\$ 93,669</u>	<u>\$ 410,577</u>	<u>\$ 636,485</u>	<u>\$ 36,220</u>	<u>\$ 107,575</u>	<u>\$ 16,268,079</u>

CITY OF WEST COVINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2012

	Drug Rebate Enforcement	Business Improvement Tax	Air Quality Improvement	Proposition A
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 1,649,657
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	10,735	167	618	265
Revenue from other agencies	3,147,126	-	133,468	157,759
Charges for services	-	-	-	-
Other revenues	-	-	-	-
	<u>3,157,861</u>	<u>167</u>	<u>134,086</u>	<u>1,807,681</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	1,202,296	-	-	-
Public works	-	-	21,281	-
Community services	-	2,318	-	1,530,000
Community development	-	-	-	-
	<u>1,202,296</u>	<u>2,318</u>	<u>21,281</u>	<u>1,530,000</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,955,565</u>	<u>(2,151)</u>	<u>112,805</u>	<u>277,681</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	1,955,565	(2,151)	112,805	277,681
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>698,170</u>	<u>31,790</u>	<u>96,467</u>	<u>207,761</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 2,653,735</u>	<u>\$ 29,639</u>	<u>\$ 209,272</u>	<u>\$ 485,442</u>

See independent auditors' report.

Proposition C	Traffic Safety	State Gas Tax	Police Special Programs	Transportation Development Act	AB939	Grants	Tree
\$ 1,370,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	942,352	-	-	-	-	-	-
9,529	1,189	10,881	226	-	1,591	5,163	6
-	-	3,118,121	7,000	99,650	-	1,496,761	-
-	-	1,798	-	-	4,285	70,196	-
-	-	102	2,240	-	168,432	157,384	-
<u>1,380,229</u>	<u>943,541</u>	<u>3,130,902</u>	<u>9,466</u>	<u>99,650</u>	<u>174,308</u>	<u>1,729,504</u>	<u>6</u>
-	-	-	-	-	-	-	-
-	-	-	6,473	-	-	141,368	-
1,811,726	165,290	2,770,325	-	98,396	215,219	1,005,228	-
870,380	-	-	-	-	-	238,493	-
103,407	-	-	-	-	-	-	-
<u>2,785,513</u>	<u>165,290</u>	<u>2,770,325</u>	<u>6,473</u>	<u>98,396</u>	<u>215,219</u>	<u>1,385,089</u>	<u>-</u>
(1,405,284)	778,251	360,577	2,993	1,254	(40,911)	344,415	6
-	-	50,000	-	-	-	125,000	-
-	(800,000)	-	-	-	-	-	-
<u>-</u>	<u>(800,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
(1,405,284)	(21,749)	410,577	2,993	1,254	(40,911)	469,415	6
<u>2,327,707</u>	<u>290,508</u>	<u>1,915,284</u>	<u>39,364</u>	<u>(32,093)</u>	<u>360,081</u>	<u>(34,726)</u>	<u>1,101</u>
<u>\$ 922,423</u>	<u>\$ 268,759</u>	<u>\$ 2,325,861</u>	<u>\$ 42,357</u>	<u>\$ (30,839)</u>	<u>\$ 319,170</u>	<u>\$ 434,689</u>	<u>\$ 1,107</u>

(Continued)

CITY OF WEST COVINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

For the year ended June 30, 2012

	Inmate Welfare	Public Safety	COPS Grant	Special Assessments
REVENUES:				
Taxes	\$ -	\$ 602,326	\$ -	\$ 887,394
Special assessments	-	-	-	5,270,856
Fines and forfeitures	-	-	-	-
Investment income	-	30	1,092	22,200
Revenue from other agencies	-	-	232,034	-
Charges for services	-	-	-	-
Other revenues	3,934	-	-	1,184
TOTAL REVENUES	3,934	602,356	233,126	6,181,634
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	13,216	-	75,480	-
Public works	-	-	-	5,441,978
Community services	-	-	-	-
Community development	-	-	-	35,837
TOTAL EXPENDITURES	13,216	-	75,480	5,477,815
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,282)	602,356	157,646	703,819
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(550,000)	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(550,000)	-	(50,000)
NET CHANGE IN FUND BALANCES	(9,282)	52,356	157,646	653,819
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(6,009)	83,660	190,901	4,322,348
FUND BALANCES (DEFICITS) - END OF YEAR	\$ (15,291)	\$ 136,016	\$ 348,547	\$ 4,976,167

See independent auditors' report

Charter Cable	Art in Public Places	North Azusa Relinquishment	Measure R	Integrated Waste Management	West Covina Community Services Foundation	Total Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ 1,019,621	\$ -	\$ -	\$ 5,529,698
-	-	-	-	-	-	5,270,856
-	-	-	-	-	-	942,352
2,192	470	2,191	5,064	-	378	73,987
-	-	-	-	-	-	8,391,919
-	-	-	-	70,162	-	146,441
-	25,965	-	-	-	65,428	424,669
<u>2,192</u>	<u>26,435</u>	<u>2,191</u>	<u>1,024,685</u>	<u>70,162</u>	<u>65,806</u>	<u>20,779,922</u>
31,564	-	-	-	-	-	31,564
-	-	-	-	-	-	1,438,833
-	-	-	1,412,287	49,687	-	12,991,417
-	-	-	-	-	30,553	2,671,744
-	12,769	-	-	-	-	152,013
<u>31,564</u>	<u>12,769</u>	<u>-</u>	<u>1,412,287</u>	<u>49,687</u>	<u>30,553</u>	<u>17,285,571</u>
(29,372)	13,666	2,191	(387,602)	20,475	35,253	3,494,351
-	-	-	-	-	-	175,000
-	-	-	-	-	-	(1,400,000)
-	-	-	-	-	-	(1,225,000)
(29,372)	13,666	2,191	(387,602)	20,475	35,253	2,269,351
411,625	80,003	408,386	919,982	13,219	71,936	12,397,465
<u>\$ 382,253</u>	<u>\$ 93,669</u>	<u>\$ 410,577</u>	<u>\$ 532,380</u>	<u>\$ 33,694</u>	<u>\$ 107,189</u>	<u>\$ 14,666,816</u>

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DRUG REBATE ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 10,735	\$ 10,735	\$ 4,579
Revenue from other agencies	14,000	3,147,126	3,133,126	625,295
TOTAL REVENUES	14,000	3,157,861	3,143,861	629,874
EXPENDITURES:				
Current:				
Public safety	2,918,388	1,202,296	1,716,092	510,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,904,388)	1,955,565	4,859,953	118,881
FUND BALANCE - BEGINNING OF YEAR	698,170	698,170	-	579,289
FUND BALANCE - END OF YEAR	<u>\$ (2,206,218)</u>	<u>\$ 2,653,735</u>	<u>\$ 4,859,953</u>	<u>\$ 698,170</u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BUSINESS IMPROVEMENT TAX SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ 1,000	\$ 167	\$ (833)	\$ 234
EXPENDITURES:				
Current:				
Community services	16,392	2,318	14,074	1,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,392)	(2,151)	13,241	(1,133)
FUND BALANCE - BEGINNING OF YEAR	31,790	31,790	-	32,923
FUND BALANCE - END OF YEAR	\$ 16,398	\$ 29,639	\$ 13,241	\$ 31,790

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 618	\$ 618	\$ 687
Revenue from other agencies	128,000	133,468	5,468	124,248
TOTAL REVENUES	128,000	134,086	6,086	124,935
EXPENDITURES:				
Current:				
Public works	194,556	21,281	173,275	132,604
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,556)	112,805	179,361	(7,669)
FUND BALANCE - BEGINNING OF YEAR	96,467	96,467	-	104,136
FUND BALANCE - END OF YEAR	\$ 29,911	\$ 209,272	\$ 179,361	\$ 96,467

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 1,600,000	\$ 1,649,657	\$ 49,657	\$ 1,523,535
Investment income	-	265	265	34
Revenue from other agencies	150,000	157,759	7,759	150,699
Charges for services	1,700	-	(1,700)	2,112
TOTAL REVENUES	1,751,700	1,807,681	55,981	1,676,380
EXPENDITURES:				
Current:				
Community services	1,739,269	1,530,000	209,269	1,601,474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,431	277,681	265,250	74,906
FUND BALANCE - BEGINNING OF YEAR	207,761	207,761	-	132,855
FUND BALANCE - END OF YEAR	\$ 220,192	\$ 485,442	\$ 265,250	\$ 207,761

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 1,325,000	\$ 1,370,700	\$ 45,700	\$ 1,265,690
Investment income	-	9,529	9,529	16,144
TOTAL REVENUES	<u>1,325,000</u>	<u>1,380,229</u>	<u>55,229</u>	<u>1,281,834</u>
EXPENDITURES:				
Current:				
Public works	2,144,059	1,811,726	332,333	322,268
Community services	1,221,387	870,380	351,007	751,921
Community development	119,847	103,407	16,440	128,828
TOTAL EXPENDITURES	<u>3,485,293</u>	<u>2,785,513</u>	<u>699,780</u>	<u>1,203,017</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,160,293)	(1,405,284)	755,009	78,817
FUND BALANCE - BEGINNING OF YEAR	<u>2,327,707</u>	<u>2,327,707</u>	-	<u>2,248,890</u>
FUND BALANCE - END OF YEAR	<u>\$ 167,414</u>	<u>\$ 922,423</u>	<u>\$ 755,009</u>	<u>\$ 2,327,707</u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Fines and forfeitures	\$ 1,175,000	\$ 942,352	\$ (232,648)	\$ 899,882
Investment income	-	1,189	1,189	2,499
TOTAL REVENUES	1,175,000	943,541	(231,459)	902,381
EXPENDITURES:				
Current:				
Public works	215,735	165,290	50,445	193,435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	959,265	778,251	(181,014)	708,946
OTHER FINANCING USES:				
Transfers out	(800,000)	(800,000)	-	(950,000)
NET CHANGE IN FUND BALANCE	159,265	(21,749)	(181,014)	(241,054)
FUND BALANCE - BEGINNING OF YEAR	290,508	290,508	-	531,562
FUND BALANCE - END OF YEAR	\$ 449,773	\$ 268,759	\$ (181,014)	\$ 290,508

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 10,881	\$ 10,881	\$ 5,488
Revenue from other agencies	2,825,000	3,118,121	293,121	2,776,970
Charges for services	2,500	1,798	(702)	4,642
Other revenues	-	102	102	-
TOTAL REVENUES	2,827,500	3,130,902	303,402	2,787,100
EXPENDITURES:				
Current:				
Public works	4,304,861	2,770,325	1,534,536	1,610,747
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,477,361)	360,577	1,837,938	1,176,353
OTHER FINANCING SOURCES:				
Transfers in	50,000	50,000	-	447,018
NET CHANGE IN FUND BALANCE	(1,427,361)	410,577	1,837,938	1,623,371
FUND BALANCE - BEGINNING OF YEAR	1,915,284	1,915,284	-	291,913
FUND BALANCE - END OF YEAR	\$ 487,923	\$ 2,325,861	\$ 1,837,938	\$ 1,915,284

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

POLICE SPECIAL PROGRAMS SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 226	\$ 226	\$ 238
Revenue from other agencies	2,500	7,000	4,500	-
Other revenues	2,240	2,240	-	17,138
TOTAL REVENUES	4,740	9,466	4,726	17,376
EXPENDITURES:				
Current:				
Public safety	31,875	6,473	25,402	8,717
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,135)	2,993	30,128	8,659
FUND BALANCE - BEGINNING OF YEAR	39,364	39,364	-	30,705
FUND BALANCE - END OF YEAR	\$ 12,229	\$ 42,357	\$ 30,128	\$ 39,364

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Revenue from other agencies	\$ 45,274	\$ 99,650	\$ 54,376	\$ 86,726
EXPENDITURES:				
Current:				
Public works	99,952	98,396	1,556	93,609
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,678)	1,254	55,932	(6,883)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(32,093)	(32,093)	-	(25,210)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (86,771)	\$ (30,839)	\$ 55,932	\$ (32,093)

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 1,591	\$ 1,591	\$ 2,184
Charges for services	5,000	4,285	(715)	6,430
Other revenues	170,000	168,432	(1,568)	166,490
TOTAL REVENUES	175,000	174,308	(692)	175,104
EXPENDITURES:				
Current:				
Public works	245,176	215,219	29,957	123,932
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,176)	(40,911)	29,265	51,172
FUND BALANCE - BEGINNING OF YEAR	360,081	360,081	-	308,909
FUND BALANCE - END OF YEAR	\$ 289,905	\$ 319,170	\$ 29,265	\$ 360,081

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 5,163	\$ 5,163	\$ 2,788
Revenue from other agencies	894,253	1,496,761	602,508	1,989,883
Charges for services	85,000	70,196	(14,804)	72,695
Other revenues	170,000	157,384	(12,616)	207,129
TOTAL REVENUES	<u>1,149,253</u>	<u>1,729,504</u>	<u>580,251</u>	<u>2,272,495</u>
EXPENDITURES:				
Current:				
Public safety	159,891	141,368	18,523	379,789
Public works	2,388,947	1,005,228	1,383,719	1,894,548
Community services	244,965	238,493	6,472	372,120
TOTAL EXPENDITURES	<u>2,793,803</u>	<u>1,385,089</u>	<u>1,408,714</u>	<u>2,646,457</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,644,550)	344,415	1,988,965	(373,962)
OTHER FINANCING SOURCES:				
Transfers in	-	125,000	125,000	-
NET CHANGE IN FUND BALANCE	(1,644,550)	469,415	2,113,965	(373,962)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(34,726)</u>	<u>(34,726)</u>	<u>-</u>	<u>339,236</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$(1,679,276)</u></u>	<u><u>\$ 434,689</u></u>	<u><u>\$ 2,113,965</u></u>	<u><u>\$ (34,726)</u></u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TREE SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 6	\$ 6	\$ 7
Other revenues	-	-	-	1,067
TOTAL REVENUES	-	6	6	1,074
EXPENDITURES:				
Current:				
Public safety	1,000	-	1,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000)	6	1,006	1,074
FUND BALANCE - BEGINNING OF YEAR	1,101	1,101	-	27
FUND BALANCE - END OF YEAR	\$ 101	\$ 1,107	\$ 1,006	\$ 1,101

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Other revenues	\$ 21,635	\$ 3,934	\$ (17,701)	\$ 7,200
EXPENDITURES:				
Current:				
Public safety	13,193	13,216	(23)	13,102
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,442	(9,282)	(17,724)	(5,902)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(6,009)	(6,009)	-	(107)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 2,433	\$ (15,291)	\$ (17,724)	\$ (6,009)

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 575,000	\$ 602,326	\$ 27,326	\$ 552,716
Investment income	-	30	30	-
TOTAL REVENUES	575,000	602,356	27,356	552,716
OTHER FINANCING USES:				
Transfers out	(550,000)	(550,000)	-	(525,000)
NET CHANGE IN FUND BALANCE	25,000	52,356	27,356	27,716
FUND BALANCE - BEGINNING OF YEAR	83,660	83,660	-	55,944
FUND BALANCE - END OF YEAR	\$ 108,660	\$ 136,016	\$ 27,356	\$ 83,660

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 1,092	\$ 1,092	\$ 1,327
Revenue from other agencies	-	232,034	232,034	138,860
TOTAL REVENUES	-	233,126	233,126	140,187
EXPENDITURES:				
Current:				
Public safety	156,931	75,480	81,451	156,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(156,931)	157,646	314,577	(15,924)
FUND BALANCE - BEGINNING OF YEAR	190,901	190,901	-	206,825
FUND BALANCE - END OF YEAR	\$ 33,970	\$ 348,547	\$ 314,577	\$ 190,901

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL ASSESSMENTS SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 827,093	\$ 887,394	\$ 60,301	\$ 843,422
Special assessments	5,382,385	5,270,856	(111,529)	5,210,062
Investment income	100	22,200	22,100	28,555
Charges for services	5,000	-	(5,000)	9,182
Other revenues	5,900	1,184	(4,716)	6,794
TOTAL REVENUES	<u>6,220,478</u>	<u>6,181,634</u>	<u>(38,844)</u>	<u>6,098,015</u>
EXPENDITURES:				
Current:				
Public works	5,957,504	5,441,978	515,526	5,438,804
Community development	44,971	35,837	9,134	34,457
TOTAL EXPENDITURES	<u>6,002,475</u>	<u>5,477,815</u>	<u>524,660</u>	<u>5,473,261</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>218,003</u>	<u>703,819</u>	<u>485,816</u>	<u>624,754</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	22,115
Transfers out	(50,000)	(50,000)	-	(72,115)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	168,003	653,819	485,816	574,754
FUND BALANCE - BEGINNING OF YEAR	<u>4,322,348</u>	<u>4,322,348</u>	<u>-</u>	<u>3,747,594</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,490,351</u>	<u>\$ 4,976,167</u>	<u>\$ 485,816</u>	<u>\$ 4,322,348</u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CHARTER CABLE SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 2,192	\$ 2,192	\$ 2,973
EXPENDITURES:				
Current:				
General government	55,000	31,564	23,436	8,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,000)	(29,372)	25,628	(5,298)
OTHER FINANCING USES:				
Transfers out	-	-	-	(21,711)
NET CHANGE IN FUND BALANCE	(55,000)	(29,372)	25,628	(27,009)
FUND BALANCE - BEGINNING OF YEAR	411,625	411,625	-	438,634
FUND BALANCE - END OF YEAR	<u>\$ 356,625</u>	<u>\$ 382,253</u>	<u>\$ 25,628</u>	<u>\$ 411,625</u>

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 470	\$ 470	\$ 513
Other revenues	-	25,965	25,965	29,292
TOTAL REVENUES	-	26,435	26,435	29,805
EXPENDITURES:				
Current:				
Community development	80,377	12,769	67,608	7,162
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,377)	13,666	94,043	22,643
FUND BALANCE - BEGINNING OF YEAR	80,003	80,003	-	57,360
FUND BALANCE - END OF YEAR	\$ (374)	\$ 93,669	\$ 94,043	\$ 80,003

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

NORTH AZUSA RELINQUISHMENT SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 2,191	\$ 2,191	\$ 2,928
EXPENDITURES:				
Current:				
Public works	373,881	-	373,881	5,841
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(373,881)	2,191	376,072	(2,913)
FUND BALANCE - BEGINNING OF YEAR	408,386	408,386	-	411,299
FUND BALANCE - END OF YEAR	\$ 34,505	\$ 410,577	\$ 376,072	\$ 408,386

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 1,000,000	\$ 1,019,621	\$ 19,621	\$ 944,604
Investment income	-	5,064	5,064	5,483
TOTAL REVENUES	1,000,000	1,024,685	24,685	950,087
EXPENDITURES:				
Current:				
Public works	1,580,825	1,412,287	168,538	584,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(580,825)	(387,602)	193,223	365,573
FUND BALANCE - BEGINNING OF YEAR	919,982	919,982	-	554,409
FUND BALANCE - END OF YEAR	\$ 339,157	\$ 532,380	\$ 193,223	\$ 919,982

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

INTEGRATED WASTE MANAGEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Charges for services	\$ 70,000	\$ 70,162	\$ 162	\$ 70,162
EXPENDITURES:				
Current:				
Public works	66,162	49,687	16,475	57,706
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,838	20,475	16,637	12,456
OTHER FINANCING SOURCES:				
Transfers in	20,000	-	(20,000)	-
NET CHANGE IN FUND BALANCE	23,838	20,475	(3,363)	12,456
FUND BALANCE - BEGINNING OF YEAR	13,219	13,219	-	763
FUND BALANCE - END OF YEAR	\$ 37,057	\$ 33,694	\$ (3,363)	\$ 13,219

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 378	\$ 378	\$ 434
Charges for services	-	-	-	1,450
Other revenues	62,596	65,428	2,832	59,027
TOTAL REVENUES	62,596	65,806	3,210	60,911
EXPENDITURES:				
Current:				
Community services	129,157	30,553	98,604	34,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,561)	35,253	101,814	26,884
FUND BALANCE - BEGINNING OF YEAR	71,936	71,936	-	45,052
FUND BALANCE - END OF YEAR	\$ 5,375	\$ 107,189	\$ 101,814	\$ 71,936

See independent auditors' report.

(This page intentionally left blank.)

CITY OF WEST COVINA
MAJOR DEBT SERVICE FUNDS

June 30, 2012

DEBT SERVICE 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 and interest on the City's long-term debt issues.

Community Development Commission (CDC) Debt Service - This fund accounts for the payment of principal and interest on long-term debt of the Community Development Commission. The Commission was dissolved effective February 1, 2012.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ 1,129,788	\$ 1,179,894	\$ 50,106	\$ 590,069
Charges for services	925,000	935,266	10,266	894,572
Other revenues	-	566,845	566,845	-
TOTAL REVENUES	2,054,788	2,682,005	627,217	1,484,641
EXPENDITURES:				
Debt service:				
Principal	1,981,576	2,325,105	(343,529)	1,959,975
Interest and fiscal charges	2,549,720	2,035,567	514,153	2,123,877
Other contractual payments	-	-	-	85,548
TOTAL EXPENDITURES	4,531,296	4,360,672	170,624	4,169,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,476,508)	(1,678,667)	797,841	(2,684,759)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,969,000	1,502,750	(466,250)	1,961,000
Transfers out	(3,688,594)	(4,054,617)	(366,023)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,719,594)	(2,551,867)	(832,273)	1,961,000
NET CHANGE IN FUND BALANCE	(4,196,102)	(4,230,534)	(34,432)	(723,759)
FUND BALANCE - BEGINNING OF YEAR	18,353,658	18,353,658	-	18,777,417
FUND BALANCE - END OF YEAR	\$ 14,157,556	\$ 14,123,124	\$ (34,432)	\$ 18,053,658

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT COMMISSION DEBT SERVICE FUND - MAJOR FUND

For the seven months ended January 31, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 21,768,000	\$ 10,808,664	\$(10,959,336)	\$ 22,244,078
Investment income	391,000	182,204	(208,796)	376,102
Other revenues	1,450,000	-	(1,450,000)	889,462
TOTAL REVENUES	23,609,000	10,990,868	(12,618,132)	23,509,642
EXPENDITURES:				
Current:				
Pass-through payments	4,531,000	2,112,227	2,418,773	5,863,850
Debt service:				
Principal	3,415,771	2,250,000	1,165,771	2,130,000
Interest and fiscal charges	6,005,029	3,883,016	2,122,013	5,670,441
Other contractual payments	4,645,000	351,444	4,293,556	2,231,566
TOTAL EXPENDITURES	18,596,800	8,596,687	10,000,113	15,895,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,012,200	2,394,181	(2,618,019)	7,613,785
OTHER FINANCING SOURCES (USES):				
Transfers in	-	308,145	308,145	-
Transfers out	(7,402,600)	(2,111,084)	5,291,516	(8,119,435)
TOTAL OTHER FINANCING SOURCES (USES)	(7,402,600)	(1,802,939)	5,599,661	(8,119,435)
EXTRAORDINARY GAIN	-	10,470,865	10,470,865	-
NET CHANGE IN FUND BALANCE	(2,390,400)	11,062,107	13,452,507	(505,650)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(11,062,107)	(11,062,107)	-	(10,556,457)
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$(13,452,507)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,452,507</u></u>	<u><u>\$(11,062,107)</u></u>

See independent auditors' report.

(This page intentionally left blank.)

CITY OF WEST COVINA

MAJOR AND OTHER CAPITAL PROJECTS FUNDS

June 30, 2012

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.

Major Funds:

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.

Community Development Commission (CDC) Capital Projects - This fund accounts for the financial resources to be used for property acquisition, improvement and rehabilitation within project areas authorized under provisions of the California Community Redevelopment Law in the Community Development Commission. The Commission was dissolved effective February 1, 2012.

Other Funds:

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.

Park Development - This fund accounts for park fees received from residential developers to be used for new park construction.

CITY OF WEST COVINA
 COMBINING BALANCE SHEET
 OTHER CAPITAL PROJECTS FUNDS

June 30, 2012

	Construction Tax	Park Development	Total Other Capital Projects Funds
ASSETS			
Cash and investments	\$ 31,168	\$ 177,492	\$ 208,660
Receivables, net			
Interest	9	44	53
Other	-	38,569	38,569
	\$ 31,177	\$ 216,105	\$ 247,282
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 13,961	\$ 3,269	\$ 17,230
Due to other funds	-	7,905	7,905
	13,961	11,174	25,135
FUND BALANCES:			
Assigned	17,216	204,931	222,147
	\$ 31,177	\$ 216,105	\$ 247,282

See independent auditors' report.

CITY OF WEST COVINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2012

	Construction Tax	Park Development	Total Other Capital Projects Funds
REVENUES:			
Taxes	\$ 41,495	\$ -	\$ 41,495
Investment income	394	1,073	1,467
Other revenues	-	87,982	87,982
	<u>41,889</u>	<u>89,055</u>	<u>130,944</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	400	-	400
Public safety	3,195	-	3,195
Public works	77,516	110,680	188,196
Community services	16,375	65,319	81,694
	<u>97,486</u>	<u>175,999</u>	<u>273,485</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,597)	(86,944)	(142,541)
OTHER FINANCING USES:			
Transfers out	<u>(125,000)</u>	<u>(175,000)</u>	<u>(300,000)</u>
NET CHANGE IN FUND BALANCES	(180,597)	(261,944)	(442,541)
FUND BALANCES - BEGINNING OF YEAR	<u>197,813</u>	<u>466,875</u>	<u>664,688</u>
FUND BALANCES - END OF YEAR	<u>\$ 17,216</u>	<u>\$ 204,931</u>	<u>\$ 222,147</u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 6,578	\$ 6,578	\$ 9,429
Rental income	-	-	-	24,341
Other revenues	-	-	-	5,187
TOTAL REVENUES	-	6,578	6,578	38,957
EXPENDITURES:				
Current:				
General government	-	-	-	5,187
Public safety	68,381	60,000	8,381	10,058
Public works	718,487	48,712	669,775	32,357
Community services	72,090	41,870	30,220	48,020
TOTAL EXPENDITURES	858,958	150,582	708,376	95,622
NET CHANGE IN FUND BALANCE	(858,958)	(144,004)	714,954	(56,665)
FUND BALANCE - BEGINNING OF YEAR	1,300,258	1,300,258	-	1,356,923
FUND BALANCE - END OF YEAR	<u>\$ 441,300</u>	<u>\$ 1,156,254</u>	<u>\$ 714,954</u>	<u>\$ 1,300,258</u>

See independent auditors' report.

CITY OF WEST COVINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT COMMISSION CAPITAL PROJECTS FUND - MAJOR FUND

For the seven month period July 1, 2011 to January 31, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts			Actual
	Final	Actual		Actual
REVENUES:				
Investment income	\$ 105,000	\$ 54,620	\$ (50,380)	\$ 93,258
Rental income	75,000	39,825	(35,175)	62,900
Repayment of netes and loans	230,000	168,945	(61,055)	516,991
Gain on sale of property	-	-	-	250,199
Other revenues	-	411,213	411,213	1,112,976
TOTAL REVENUES	410,000	674,603	264,603	2,036,324
EXPENDITURES:				
Current:				
Community development	5,768,014	3,628,921	2,139,093	7,656,944
Debt service:				
Principal	580,000	580,000	-	560,000
Interest and fiscal charges	702,900	389,405	313,495	726,572
TOTAL EXPENDITURES	7,050,914	4,598,326	2,452,588	8,943,516
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,640,914)	(3,923,723)	2,717,191	(6,907,192)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,283,600	1,458,334	(4,825,266)	7,008,435
Transfers out	-	(308,145)	(308,145)	-
TOTAL OTHER FINANCING SOURCES (USES)	6,283,600	1,150,189	(5,133,411)	7,008,435
EXTRAORDINARY LOSS	-	(11,205,089)	(11,205,089)	-
NET CHANGE IN FUND BALANCE	(357,314)	(13,978,623)	(13,621,309)	101,243
FUND BALANCE - BEGINNING OF YEAR	13,978,623	13,978,623	-	13,877,380
FUND BALANCE - END OF YEAR	\$ 13,621,309	\$ -	\$(13,621,309)	\$ 13,978,623

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Taxes	\$ 40,000	\$ 41,495	\$ 1,495	\$ 56,723
Investment income	-	394	394	1,653
TOTAL REVENUES	40,000	41,889	1,889	58,376
EXPENDITURES:				
Current:				
General government	4,514	400	4,114	2,325
Public safety	4,029	3,195	834	4,230
Public works	178,069	77,516	100,553	78,269
Community services	16,378	16,375	3	1,662
TOTAL EXPENDITURES	202,990	97,486	105,504	86,486
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(162,990)	(55,597)	107,393	(28,110)
OTHER FINANCING USES:				
Transfers out	(125,000)	(125,000)	-	-
NET CHANGE IN FUND BALANCE	(287,990)	(180,597)	107,393	(28,110)
FUND BALANCE - BEGINNING OF YEAR	197,813	197,813	-	225,923
FUND BALANCE - END OF YEAR	\$ (90,177)	\$ 17,216	\$ 107,393	\$ 197,813

See independent auditors' report.

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, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2012		Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts	Actual		Actual
	Final			
REVENUES:				
Investment income	\$ -	\$ 1,073	\$ 1,073	\$ 2,525
Other revenues	-	87,982	87,982	-
TOTAL REVENUES	-	89,055	89,055	2,525
EXPENDITURES:				
Current:				
Public works	119,998	110,680	9,318	-
Community services	154,075	65,319	88,756	85,802
TOTAL REVENUES	274,073	175,999	98,074	85,802
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(274,073)	(86,944)	187,129	(83,277)
OTHER FINANCING USES:				
Transfers out	(175,000)	(175,000)	-	-
NET CHANGE IN FUND BALANCE	(449,073)	(261,944)	187,129	(83,277)
FUND BALANCE - BEGINNING OF YEAR	466,875	466,875	-	550,152
FUND BALANCE - END OF YEAR	\$ 17,802	\$ 204,931	\$ 187,129	\$ 466,875

See independent auditors' report.

(This page intentionally left blank.)

CITY OF WEST COVINA
INTERNAL SERVICE FUNDS

June 30, 2012

INTERNAL SERVICE FUNDS are used to account for the financing of goods or service provided by one department to other departments of the City on a cost reimbursement basis.

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.

Retirement 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 ASSETS
INTERNAL SERVICE FUNDS

June 30, 2012
(with comparative totals as of June 30, 2011)

	<u>Fleet Management</u>	<u>Self-Insurance</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 23,510	\$ 2,244,348
Receivables:		
Account	-	2,359
Interest	-	-
Due from other funds	-	1,959,464
Inventories	<u>1,748</u>	<u>-</u>
 TOTAL CURRENT ASSETS	 <u>25,258</u>	 <u>4,206,171</u>
NONCURRENT ASSETS:		
Capital assets:		
Other capital assets	2,987,100	-
Less accumulated depreciation	<u>(2,500,563)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>486,537</u>	<u>-</u>
 TOTAL NONCURRENT ASSETS	 <u>486,537</u>	 <u>-</u>
 TOTAL ASSETS	 <u>511,795</u>	 <u>4,206,171</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	69,253	2,821
Other accrued liabilities	5,380	4,287
Claims and judgments - current portion	-	2,536,866
Compensated absences - current portion	5,827	3,796
Due to other funds	<u>-</u>	<u>414,737</u>
 TOTAL CURRENT LIABILITIES	 <u>80,460</u>	 <u>2,962,507</u>
NONCURRENT LIABILITIES:		
Claims and judgments	-	7,599,856
Compensated absences	<u>3,391</u>	<u>30,126</u>
 TOTAL NONCURRENT LIABILITIES	 <u>3,391</u>	 <u>7,629,982</u>
 TOTAL LIABILITIES	 <u>83,851</u>	 <u>10,592,489</u>
NET ASSETS		
Invested in capital assets	486,537	-
Unrestricted	<u>(58,593)</u>	<u>(6,386,318)</u>
 TOTAL NET ASSETS (DEFICIT)	 <u>\$ 427,944</u>	 <u>\$ (6,386,318)</u>

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals	
		2012	2011
\$ 487,933	\$ 229,209	\$ 2,985,000	\$ 5,433,247
-	-	2,359	8,682
206	96	302	1,187
-	-	1,959,464	1,461,150
-	-	1,748	3,969
<u>488,139</u>	<u>229,305</u>	<u>4,948,873</u>	<u>6,908,235</u>
-	420,541	3,407,641	3,543,401
-	(292,276)	(2,792,839)	(2,772,448)
-	128,265	614,802	770,953
-	128,265	614,802	770,953
<u>488,139</u>	<u>357,570</u>	<u>5,563,675</u>	<u>7,679,188</u>
-	-	72,074	98,368
-	-	9,667	6,659
-	-	2,536,866	3,771,370
-	-	9,623	17,010
-	-	414,737	-
-	-	3,042,967	3,893,407
-	-	7,599,856	7,498,737
-	-	33,517	106,750
-	-	7,633,373	7,605,487
-	-	10,676,340	11,498,894
-	128,265	614,802	770,953
<u>488,139</u>	<u>229,305</u>	<u>(5,727,467)</u>	<u>(4,590,659)</u>
<u>\$ 488,139</u>	<u>\$ 357,570</u>	<u>\$ (5,112,665)</u>	<u>\$ (3,819,706)</u>

CITY OF WEST COVINA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	<u>Fleet Management</u>	<u>Self-Insurance</u>
OPERATING REVENUES:		
Charges for services	\$ 1,532,292	\$ 2,236,436
Other revenues	4,160	-
	<u>1,536,452</u>	<u>2,236,436</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Personnel services	427,321	281,531
Cost of sales, services and operations	1,109,136	211,377
Depreciation	85,484	-
Insurance and claims paid	-	2,888,858
	<u>1,621,941</u>	<u>3,381,766</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	(85,489)	(1,145,330)
NONOPERATING REVENUES:		
Investment income	-	-
	<u>-</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	(85,489)	(1,145,330)
TRANSFERS IN	-	-
TRANSFERS OUT	-	-
	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(85,489)	(1,145,330)
TOTAL NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>513,433</u>	<u>(5,240,988)</u>
TOTAL NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 427,944</u>	<u>\$ (6,386,318)</u>

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals	
		2012	2011
\$ 125,568	\$ -	\$ 3,894,296	\$ 3,771,642
-	-	4,160	27,834
<u>125,568</u>	<u>-</u>	<u>3,898,456</u>	<u>3,799,476</u>
121,129	-	829,981	894,584
-	-	1,320,513	2,300,548
-	70,667	156,151	149,091
<u>-</u>	<u>-</u>	<u>2,888,858</u>	<u>1,432,731</u>
<u>121,129</u>	<u>70,667</u>	<u>5,195,503</u>	<u>4,776,954</u>
4,439	(70,667)	(1,297,047)	(977,478)
<u>2,566</u>	<u>1,522</u>	<u>4,088</u>	<u>6,199</u>
7,005	(69,145)	(1,292,959)	(971,279)
-	-	-	207,417
<u>-</u>	<u>-</u>	<u>-</u>	<u>(207,417)</u>
7,005	(69,145)	(1,292,959)	(971,279)
<u>481,134</u>	<u>426,715</u>	<u>(3,819,706)</u>	<u>(2,848,427)</u>
<u>\$ 488,139</u>	<u>\$ 357,570</u>	<u>\$ (5,112,665)</u>	<u>\$ (3,819,706)</u>

CITY OF WEST COVINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)

	Fleet Management	Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from user departments	\$ 1,536,452	\$ 2,242,759
Payments to suppliers for goods and services	(1,115,964)	(4,250,865)
Payments to employees for services	(474,349)	(312,115)
	<u>(53,861)</u>	<u>(2,320,221)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Received from other funds	-	(498,314)
Paid to other funds	-	414,737
	<u>-</u>	<u>(83,577)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	-	-
	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,861)	(2,403,798)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>77,371</u>	<u>4,648,146</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 23,510</u>	<u>\$ 2,244,348</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (85,489)	\$ (1,145,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	85,484	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	-	6,323
(Increase) decrease in inventories	2,221	-
Increase (decrease) in accounts payable	(9,049)	(17,245)
Increase (decrease) in other accrued liabilities	1,610	1,398
Increase (decrease) in claims and judgments	-	(1,133,385)
Increase (decrease) in compensated absences	(48,638)	(31,982)
TOTAL ADJUSTMENTS	<u>31,628</u>	<u>(1,174,891)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (53,861)</u>	<u>\$ (2,320,221)</u>

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals	
		2012	2011
\$ 125,568	\$ -	\$ 3,904,779	\$ 3,803,136
-	-	(5,366,829)	(4,058,270)
<u>(121,129)</u>	<u>-</u>	<u>(907,593)</u>	<u>(905,652)</u>
4,439	-	(2,369,643)	(1,160,786)
-	-	(498,314)	1,533,481
<u>-</u>	<u>-</u>	<u>414,737</u>	<u>(207,417)</u>
-	-	(83,577)	1,326,064
<u>3,028</u>	<u>1,945</u>	<u>4,973</u>	<u>6,028</u>
7,467	1,945	(2,448,247)	171,306
<u>480,466</u>	<u>227,264</u>	<u>5,433,247</u>	<u>5,261,941</u>
<u>\$ 487,933</u>	<u>\$ 229,209</u>	<u>\$ 2,985,000</u>	<u>\$ 5,433,247</u>
<u>\$ 4,439</u>	<u>\$ (70,667)</u>	<u>\$ (1,297,047)</u>	<u>\$ (977,478)</u>
-	70,667	156,151	149,091
-	-	6,323	3,660
-	-	2,221	(1,200)
-	-	(26,294)	(7,892)
-	-	3,008	(16,082)
-	-	(1,133,385)	(315,899)
-	-	(80,620)	5,014
<u>-</u>	<u>70,667</u>	<u>(1,072,596)</u>	<u>(183,308)</u>
<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ (2,369,643)</u>	<u>\$ (1,160,786)</u>

(This page intentionally left blank.)

CITY OF WEST COVINA

AGENCY FUND

June 30, 2012

The AGENCY FUND is 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
SPECIAL DEPOSITS AGENCY FUND

For the year ended June 30, 2012

	Balance <u>July 1, 2011</u>	Additions	Deletions	Balance <u>June 30, 2012</u>
ASSETS:				
Cash and investments	\$ 821,609	\$ 2,965,265	\$ 2,494,507	\$ 1,292,367
Receivables, net				
Taxes	<u>-</u>	<u>13,086</u>	<u>-</u>	<u>13,086</u>
 TOTAL ASSETS	 <u>\$ 821,609</u>	 <u>\$ 2,978,351</u>	 <u>\$ 2,494,507</u>	 <u>\$ 1,305,453</u>
LIABILITIES:				
Accounts payable	\$ 4,707	\$ 161,139	\$ 165,721	\$ 125
Deposits	<u>816,902</u>	<u>2,979,100</u>	<u>2,490,674</u>	<u>1,305,328</u>
 TOTAL LIABILITIES	 <u>\$ 821,609</u>	 <u>\$ 3,140,239</u>	 <u>\$ 2,656,395</u>	 <u>\$ 1,305,453</u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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

Contents: Table

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

Net Assets by Component	1
Changes in Net Assets	2
Changes in Net Assets - Governmental Activities	3
Changes in Net Assets - Business-type Activities	4
Fund Balances of Governmental Funds	5
Changes in Fund Balances of Governmental Funds	6

Revenue Capacity these schedules contain information to help the reader assess the City's most significant own-source revenue.

Assessed Value and Estimated Actual Value of Taxable Property	7
Direct and Overlapping Property Tax Rates	8
Principal Property Taxpayers	9
Property Tax Levies and Collections	10

Debt Capacity these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	11
Ratio of General Bonded Debt Outstanding	12
Direct and Overlapping Debt	13
Legal Debt Margin Information	14
Pledged Revenue Coverage	15

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

Demographic and Economic Statistics	16
Principal Employers	17

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

Full-Time and Part-Time City Employees by Function	18
Operating Indicators by Function	19
Capital Asset Statistics by Function	20

CITY OF WEST COVINA

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 148,947,725	\$ 146,195,649	\$ 143,792,663	\$ 144,030,127
Restricted	110,501,120	106,938,430	104,865,107	99,990,727
Unrestricted	<u>3,655,287</u>	<u>2,406,084</u>	<u>140,122</u>	<u>(3,710,829)</u>
Total governmental activities net assets	<u>\$ 263,104,132</u>	<u>\$ 255,540,163</u>	<u>\$ 248,797,892</u>	<u>\$ 240,310,025</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 383,176	\$ 458,875	\$ 136,937	\$ 193,706
Restricted	-	-	-	-
Unrestricted	<u>2,015,309</u>	<u>1,692,357</u>	<u>1,832,618</u>	<u>1,469,994</u>
Total business-type activities net assets	<u>\$ 2,398,485</u>	<u>\$ 2,151,232</u>	<u>\$ 1,969,555</u>	<u>\$ 1,663,700</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 149,330,901	\$ 146,654,524	\$ 143,929,600	\$ 144,223,833
Restricted	110,501,120	106,938,430	104,865,107	99,990,727
Unrestricted	<u>5,670,596</u>	<u>4,098,441</u>	<u>1,972,740</u>	<u>(2,240,835)</u>
Total primary government net assets	<u>\$ 265,502,617</u>	<u>\$ 257,691,395</u>	<u>\$ 250,767,447</u>	<u>\$ 241,973,725</u>

TABLE 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 139,413,253	\$ 148,634,909	\$ 180,298,472	\$ 184,338,106	\$ 179,236,866	\$ 168,749,834
88,484,572	30,802,069	25,937,799	18,316,134	25,286,909	53,333,115
20,796,530	63,530,998	22,723,726	10,219,814	1,884,827	26,688,571
<u>\$ 248,694,355</u>	<u>\$ 242,967,976</u>	<u>\$ 228,959,997</u>	<u>\$ 212,874,054</u>	<u>\$ 206,408,602</u>	<u>\$ 248,771,520</u>
\$ 303,147	\$ 202,227	\$ 107,507	\$ 42,073	\$ -	\$ -
-	-	-	-	-	-
721,839	(66,842)	(786,551)	(1,128,610)	(999,624)	(994,560)
<u>\$ 1,024,986</u>	<u>\$ 135,385</u>	<u>\$ (679,044)</u>	<u>\$ (1,086,537)</u>	<u>\$ (999,624)</u>	<u>\$ (994,560)</u>
\$ 139,716,400	\$ 148,837,136	\$ 180,405,979	\$ 184,380,179	\$ 179,236,866	\$ 168,749,834
88,484,572	30,802,069	25,937,799	18,316,134	25,286,909	53,333,115
21,518,369	63,464,156	21,937,175	9,091,204	(98,187)	25,694,011
<u>\$ 249,719,341</u>	<u>\$ 243,103,361</u>	<u>\$ 228,280,953</u>	<u>\$ 211,787,517</u>	<u>\$ 204,425,588</u>	<u>\$ 247,776,960</u>

CITY OF WEST COVINA

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 3,578,429	\$ 2,314,558	\$ 2,919,887	\$ 1,594,760
Public safety	30,258,976	33,172,116	38,436,098	38,433,238
Public works	18,043,497	16,803,123	19,642,927	20,696,562
Community services	6,400,613	7,911,247	4,144,990	6,482,112
Community development	5,545,289	6,438,979	6,761,102	11,245,539
Interest on long-term debt	5,007,946	4,039,240	5,001,981	7,714,047
Total governmental activities expenses	<u>68,834,750</u>	<u>70,679,263</u>	<u>76,906,985</u>	<u>86,166,258</u>
Business-type activities:				
Simulator	254,867	241,047	-	-
Computer enterprise	1,372,798	2,023,376	2,212,802	2,098,690
Total business-type activities expenses	<u>1,627,665</u>	<u>2,264,423</u>	<u>2,212,802</u>	<u>2,098,690</u>
Total primary government expenses	<u>70,462,415</u>	<u>72,943,686</u>	<u>79,119,787</u>	<u>88,264,948</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	22,486	1,271,852	1,377,178	2,767,383
Public safety	1,754,863	1,772,859	2,562,910	3,310,988
Public works	3,810,930	3,763,540	3,610,577	5,297,840
Community services	1,277,251	1,471,603	1,546,169	1,454,683
Community development	969,865	154,837	223,938	302,677
Operating grants and contributions	9,850,635	9,833,967	10,802,517	11,614,595
Capital grants and contributions	346,125	1,064,756	378,493	285,078
Total governmental activities program revenues	<u>18,032,155</u>	<u>19,333,414</u>	<u>20,501,782</u>	<u>25,033,244</u>
Business-type activities:				
Charges for services:				
Simulator	90,336	79,903	-	-
Computer enterprise	1,569,556	2,165,999	1,992,662	1,721,715
Total business-type activities program revenues	<u>1,659,892</u>	<u>2,245,902</u>	<u>1,992,662</u>	<u>1,721,715</u>
Total primary government program revenues	<u>19,692,047</u>	<u>21,579,316</u>	<u>22,494,444</u>	<u>26,754,959</u>

Source: City of West Covina Finance Department

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 46,328	\$ 2,448,843	\$ 2,849,501	\$ 3,337,547	\$ 2,922,898	\$ 4,953,340
42,186,533	45,498,406	47,682,934	48,151,398	45,253,725	49,369,913
19,322,212	20,246,687	21,598,894	21,054,241	21,052,423	20,510,387
5,167,297	5,214,550	7,835,430	6,558,987	6,629,292	6,949,951
9,610,651	10,000,667	12,867,904	8,619,004	9,414,730	4,071,050
8,320,239	8,200,588	7,962,089	6,577,544	7,101,037	5,927,002
<u>84,653,260</u>	<u>91,609,741</u>	<u>100,796,752</u>	<u>94,298,721</u>	<u>92,374,105</u>	<u>91,781,643</u>
-	-	-	-	-	-
<u>2,470,811</u>	<u>2,682,467</u>	<u>2,633,564</u>	<u>2,507,498</u>	<u>2,086,135</u>	<u>1,701,367</u>
<u>2,470,811</u>	<u>2,682,467</u>	<u>2,633,564</u>	<u>2,507,498</u>	<u>2,086,135</u>	<u>1,701,367</u>
<u>87,124,071</u>	<u>94,292,208</u>	<u>103,430,316</u>	<u>96,806,219</u>	<u>94,460,240</u>	<u>93,483,010</u>
861,565	1,145,943	757,678	1,019,690	681,877	599,066
3,141,098	3,431,488	3,611,259	3,850,741	3,571,864	3,196,729
6,339,196	4,251,433	5,818,290	7,041,281	8,043,988	7,046,096
1,526,866	1,443,945	1,158,644	1,089,227	1,166,675	1,141,162
537,813	275,235	266,286	313,639	240,462	255,669
8,607,221	10,618,414	11,895,355	5,157,956	10,189,050	12,557,141
2,714,668	434,630	578,828	3,574,609	678,827	958,459
<u>23,728,427</u>	<u>21,601,088</u>	<u>24,086,340</u>	<u>22,047,143</u>	<u>24,572,743</u>	<u>25,754,322</u>
-	-	-	-	-	-
<u>1,765,224</u>	<u>1,755,717</u>	<u>1,885,071</u>	<u>2,193,037</u>	<u>2,268,982</u>	<u>1,805,242</u>
<u>1,765,224</u>	<u>1,755,717</u>	<u>1,885,071</u>	<u>2,193,037</u>	<u>2,268,982</u>	<u>1,805,242</u>
<u>25,493,651</u>	<u>23,356,805</u>	<u>25,971,411</u>	<u>24,240,180</u>	<u>26,841,725</u>	<u>27,559,564</u>

CITY OF WEST COVINA

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net revenues (expenses):				
Governmental activities	\$ (50,802,595)	\$ (51,345,849)	\$ (56,405,203)	\$ (61,133,014)
Business-type activities	32,227	(18,521)	(220,140)	(376,975)
Net primary government revenues (expenses)	<u>(50,770,368)</u>	<u>(51,364,370)</u>	<u>(56,625,343)</u>	<u>(61,509,989)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	13,711,795	16,107,447	17,565,368	27,614,922
Sales tax	13,333,877	14,355,566	14,522,220	14,216,986
Franchise tax	2,425,160	2,617,462	2,870,211	2,845,521
Other taxes	3,733,940	4,028,136	2,959,329	3,433,966
Motor vehicle in lieu, unrestricted	6,291,597	5,054,209	7,044,997	2,606,079
Investment income	5,543,268	44,464	2,858,850	1,993,102
Other general revenues	254,980	1,324,596	2,132,720	(65,429)
Transfers	-	250,000	137	-
Extraordinary gain	-	-	-	-
Total governmental activities	<u>45,294,617</u>	<u>43,781,880</u>	<u>49,953,832</u>	<u>52,645,147</u>
Business-type activities:				
Investment income	30,545	21,268	38,600	71,120
Transfers	-	(250,000)	(137)	-
Total business-type activities	<u>30,545</u>	<u>(228,732)</u>	<u>38,463</u>	<u>71,120</u>
Total primary government	<u>45,325,162</u>	<u>43,553,148</u>	<u>49,992,295</u>	<u>52,716,267</u>
Changes in net assets:				
Governmental activities	(5,507,978)	(7,563,969)	(6,451,371)	(8,487,867)
Business-type activities	62,772	(247,253)	(181,677)	(305,855)
Total primary government change in net assets	<u>\$ (5,445,206)</u>	<u>\$ (7,811,222)</u>	<u>\$ (6,633,048)</u>	<u>\$ (8,793,722)</u>

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (60,924,833)	\$ (70,008,653)	\$ (76,710,412)	\$ (72,251,578)	\$ (67,801,362)	\$ (66,027,321)
(705,587)	(926,750)	(748,493)	(314,461)	182,847	103,875
<u>(61,630,420)</u>	<u>(70,935,403)</u>	<u>(77,458,905)</u>	<u>(72,566,039)</u>	<u>(67,618,515)</u>	<u>(65,923,446)</u>
32,458,314	34,760,944	36,387,548	28,849,815	30,888,074	23,313,556
14,056,880	11,167,748	9,261,965	7,791,286	12,550,157	13,177,914
2,874,165	3,367,958	3,512,830	3,093,538	3,159,080	3,224,053
4,454,217	4,445,300	5,108,429	5,392,829	5,449,323	7,835,918
650,304	500,629	383,831	331,289	517,098	55,880
6,919,306	7,800,642	4,768,327	4,288,088	2,281,105	1,647,399
7,895,977	2,239,053	3,200,753	2,077,837	4,412,125	5,193,850
-	-	78,750	93,140	95,934	98,811
-	-	-	-	-	55,825,872
<u>69,309,163</u>	<u>64,282,274</u>	<u>62,702,433</u>	<u>51,917,822</u>	<u>59,352,896</u>	<u>110,373,253</u>
66,873	37,149	12,814	108	-	-
-	-	(78,750)	(93,140)	(95,934)	(98,811)
<u>66,873</u>	<u>37,149</u>	<u>(65,936)</u>	<u>(93,032)</u>	<u>(95,934)</u>	<u>(98,811)</u>
<u>69,376,036</u>	<u>64,319,423</u>	<u>62,636,497</u>	<u>51,824,790</u>	<u>59,256,962</u>	<u>110,274,442</u>
8,384,330	(5,726,379)	(14,007,979)	(20,333,756)	(8,448,466)	44,345,932
(638,714)	(889,601)	(814,429)	(407,493)	86,913	5,064
<u>\$ 7,745,616</u>	<u>\$ (6,615,980)</u>	<u>\$ (14,822,408)</u>	<u>\$ (20,741,249)</u>	<u>\$ (8,361,553)</u>	<u>\$ 44,350,996</u>

CITY OF WEST COVINA

CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
General government	\$ 3,578,429	\$ 2,314,558	\$ 2,919,887	\$ 1,594,760
Public safety	30,258,976	33,172,116	38,436,098	38,433,238
Public works	18,043,497	16,803,123	19,642,927	20,696,562
Community services	6,400,613	7,911,247	4,144,990	6,482,112
Community development	5,545,289	6,438,979	6,761,102	11,245,539
Interest on long-term debt	5,007,946	4,039,240	5,001,981	7,714,047
Total expenses	<u>68,834,750</u>	<u>70,679,263</u>	<u>76,906,985</u>	<u>86,166,258</u>
Program revenues:				
Charges for services:				
General government	22,486	1,271,852	1,377,178	2,767,383
Public safety	1,754,863	1,772,859	2,562,910	3,310,988
Public works	3,810,930	3,763,540	3,610,577	5,297,840
Community services	1,277,251	1,471,603	1,546,169	1,454,683
Community development	969,865	154,837	223,938	302,677
Operating grants and contributions	9,850,635	9,833,967	10,802,517	11,614,595
Capital grants and contributions	346,125	1,064,756	378,493	285,078
Total program revenues	<u>18,032,155</u>	<u>19,333,414</u>	<u>20,501,782</u>	<u>25,033,244</u>
Net program revenues (expenses)	<u>(50,802,595)</u>	<u>(51,345,849)</u>	<u>(56,405,203)</u>	<u>(61,133,014)</u>
General revenues and other changes in net assets:				
Taxes:				
Property taxes	13,711,795	16,107,447	17,565,368	27,614,922
Sales tax	13,333,877	14,355,566	14,522,220	14,216,986
Franchise tax	2,425,160	2,617,462	2,870,211	2,845,521
Other taxes	3,733,940	4,028,136	2,959,329	3,433,966
Motor vehicle in lieu, unrestricted	6,291,597	5,054,209	7,044,997	2,606,079
Investment income	5,543,268	44,464	2,858,850	1,993,102
Other general revenues	254,980	1,324,596	2,132,720	(65,429)
Transfers	-	250,000	137	-
Extraordinary gain	-	-	-	-
Total general revenues and other changes	<u>45,294,617</u>	<u>43,781,880</u>	<u>49,953,832</u>	<u>52,645,147</u>
Changes in net assets	<u>\$ (5,507,978)</u>	<u>\$ (7,563,969)</u>	<u>\$ (6,451,371)</u>	<u>\$ (8,487,867)</u>

Source: City of West Covina Finance Department

TABLE 3

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 46,328	\$ 2,448,843	\$ 2,849,501	\$ 3,337,547	\$ 2,922,898	\$ 4,953,340
42,186,533	45,498,406	47,682,934	48,151,398	45,253,725	49,369,913
19,322,212	20,246,687	21,598,894	21,054,241	21,052,423	20,510,387
5,167,297	5,214,550	7,835,430	6,558,987	6,629,292	6,949,951
9,610,651	10,000,667	12,867,904	8,619,004	9,414,730	4,071,050
8,320,239	8,200,588	7,962,089	6,577,544	7,101,037	5,927,002
<u>84,653,260</u>	<u>91,609,741</u>	<u>100,796,752</u>	<u>94,298,721</u>	<u>92,374,105</u>	<u>91,781,643</u>
861,565	1,145,943	757,678	1,019,690	681,877	599,066
3,141,098	3,431,488	3,611,259	3,850,741	3,571,864	3,196,729
6,339,196	4,251,433	5,818,290	7,041,281	8,043,988	7,046,096
1,526,866	1,443,945	1,158,644	1,089,227	1,166,675	1,141,162
537,813	275,235	266,286	313,639	240,462	255,669
8,607,221	10,618,414	11,895,355	5,157,956	10,189,050	12,557,141
2,714,668	434,630	578,828	3,574,609	678,827	958,459
<u>23,728,427</u>	<u>21,601,088</u>	<u>24,086,340</u>	<u>22,047,143</u>	<u>24,572,743</u>	<u>25,754,322</u>
<u>(60,924,833)</u>	<u>(70,008,653)</u>	<u>(76,710,412)</u>	<u>(72,251,578)</u>	<u>(67,801,362)</u>	<u>(66,027,321)</u>
32,458,314	34,760,944	36,387,548	28,849,815	30,888,074	23,313,556
14,056,880	11,167,748	9,261,965	7,791,286	12,550,157	13,177,914
2,874,165	3,367,958	3,512,830	3,093,538	3,159,080	3,224,053
4,454,217	4,445,300	5,108,429	5,392,829	5,449,323	7,835,918
650,304	500,629	383,831	331,289	517,098	55,880
6,919,306	7,800,642	4,768,327	4,288,088	2,281,105	1,647,399
7,895,977	2,239,053	3,200,753	2,077,837	4,412,125	5,193,850
-	-	78,750	93,140	95,934	98,811
-	-	-	-	-	55,825,872
<u>69,309,163</u>	<u>64,282,274</u>	<u>62,702,433</u>	<u>51,917,822</u>	<u>59,352,896</u>	<u>110,373,253</u>
<u>\$ 8,384,330</u>	<u>\$ (5,726,379)</u>	<u>\$ (14,007,979)</u>	<u>\$ (20,333,756)</u>	<u>\$ (8,448,466)</u>	<u>\$ 44,345,932</u>

CITY OF WEST COVINA

CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Simulator	\$ 254,867	\$ 241,047	\$ -	\$ -
Computer enterprise	1,372,798	2,023,376	2,212,802	2,098,690
Total expenses	<u>1,627,665</u>	<u>2,264,423</u>	<u>2,212,802</u>	<u>2,098,690</u>
Program revenues:				
Charges for services:				
Simulator	90,336	79,903	-	-
Computer enterprise	1,569,556	2,165,999	1,992,662	1,721,715
Total program revenues	<u>1,659,892</u>	<u>2,245,902</u>	<u>1,992,662</u>	<u>1,721,715</u>
Net revenues (expenses)	<u>32,227</u>	<u>(18,521)</u>	<u>(220,140)</u>	<u>(376,975)</u>
General revenues and other changes in net assets:				
Investment income	30,545	21,268	38,600	71,120
Transfers	-	(250,000)	(137)	-
Total general revenues and other changes	<u>30,545</u>	<u>(228,732)</u>	<u>38,463</u>	<u>71,120</u>
Changes in net assets	<u>\$ 62,772</u>	<u>\$ (247,253)</u>	<u>\$ (181,677)</u>	<u>\$ (305,855)</u>

TABLE 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,470,811	2,682,467	2,633,564	2,507,498	2,086,135	1,701,367
2,470,811	2,682,467	2,633,564	2,507,498	2,086,135	1,701,367
-	-	-	-	-	-
1,765,224	1,755,717	1,885,071	2,193,037	2,268,982	1,805,242
1,765,224	1,755,717	1,885,071	2,193,037	2,268,982	1,805,242
(705,587)	(926,750)	(748,493)	(314,461)	182,847	103,875
66,873	37,149	12,814	108	-	-
-	-	(78,750)	(93,140)	(95,934)	(98,811)
66,873	37,149	(65,936)	(93,032)	(95,934)	(98,811)
\$ (638,714)	\$ (889,601)	\$ (814,429)	\$ (407,493)	\$ 86,913	\$ 5,064

CITY OF WEST COVINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 28,565,395	\$ 24,398,011	\$ 24,201,596	\$ 24,954,584
Unreserved	29,486,397	24,427,158	23,513,760	23,982,187
Total general fund	<u>\$ 58,051,792</u>	<u>\$ 48,825,169</u>	<u>\$ 47,715,356</u>	<u>\$ 48,936,771</u>
All other governmental funds:				
Reserved	\$ 21,204,178	\$ 34,406,256	\$ 44,606,915	\$ 25,188,543
Unreserved, reported in:				
Special revenue funds	8,434,845	6,021,975	5,980,930	9,981,374
Debt service funds	5,874,255	(1,654,836)	929,735	12,139,928
Capital projects funds	(4,022,064)	(4,625,186)	(888,628)	(2,685,881)
Total all other governmental funds	<u>\$ 31,491,214</u>	<u>\$ 34,148,209</u>	<u>\$ 50,628,952</u>	<u>\$ 44,623,964</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 5

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 24,793,675	\$ 23,805,491	\$ 22,621,000	\$ 24,321,122	\$ -	\$ -
19,315,808	16,021,539	12,846,323	7,246,828	-	-
<u>\$ 44,109,483</u>	<u>\$ 39,827,030</u>	<u>\$ 35,467,323</u>	<u>\$ 31,567,950</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 42,527,670	\$ 33,118,104	\$ 28,675,986	\$ 24,916,095	\$ -	\$ -
8,293,679	9,438,350	9,297,969	10,351,716	-	-
4,134,045	(631,251)	(2,380,312)	(465,131)	-	-
(1,825,601)	860,278	3,085,503	(131,153)	-	-
<u>\$ 53,129,793</u>	<u>\$ 42,785,481</u>	<u>\$ 38,679,146</u>	<u>\$ 34,671,527</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 20,827,056	\$ 15,580,789
-	-	-	-	8,786,221	13,187,181
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,613,277</u>	<u>\$ 28,767,970</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,210,093	\$ 6,200,423
-	-	-	-	38,138,456	31,101,636
-	-	-	-	1,964,946	1,378,401
-	-	-	-	(12,759,988)	(110,042)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,553,507</u>	<u>\$ 38,570,418</u>

CITY OF WEST COVINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 43,507,485	\$ 47,634,431	\$ 49,046,990	\$ 58,464,794
Special assessments	3,532,950	3,311,896	3,448,956	3,582,066
Licenses and permits	1,101,778	1,425,077	1,046,759	1,336,564
Fines and forfeitures	1,219,531	1,410,536	1,264,600	1,168,842
Investment income	8,790,949	3,564,751	8,239,221	5,807,699
Rental income	436,755	593,486	589,564	266,516
Intergovernmental	9,607,367	8,586,703	12,052,408	12,301,929
Charges for services	3,657,809	4,221,452	5,397,270	6,646,242
Repayment of notes and loans	4,534,914	1,877,550	2,336,958	1,355,096
Developer fees	-	916,384	378,493	7,884
Other	1,259,634	1,624,656	2,517,164	2,566,819
Total revenues	77,649,172	75,166,922	86,318,383	93,504,451
Expenditures:				
Current:				
General government	5,327,308	4,230,885	4,790,513	4,912,513
Public safety	29,767,232	34,037,594	37,643,249	39,996,407
Public works	13,504,313	10,996,162	12,937,191	14,269,148
Community services	11,655,366	10,630,005	8,337,754	11,857,937
Community development	9,326,955	8,814,434	5,229,820	10,385,511
Pass-through payments	3,395,174	4,067,098	4,817,371	3,199,441
Debt service:				
Principal retirement	2,258,871	1,807,869	2,200,464	2,050,000
Interest and fiscal charges	7,315,734	7,664,295	7,901,882	8,766,422
Cost of issuance	191,724	-	-	-
Developer agreement payments	-	-	-	1,858,120
Total expenditures	82,742,677	82,248,342	83,858,244	97,295,499
Excess (deficiency) of revenues over (under) expenditures	(5,093,505)	(7,081,420)	2,460,139	(3,791,048)
Other financing sources (uses):				
Transfers in	7,564,948	8,781,210	9,842,137	9,342,762
Transfers out	(7,564,948)	(8,531,210)	(10,140,446)	(10,342,762)
Issuance of bonds	5,444,192	261,792	13,500,000	2,735,000
Gain/(loss) on sale of property	(1,041,331)	-	-	-
Payment to refunded bond escrow agent	-	-	-	(2,727,525)
Extraordinary gain	-	-	-	-
Total other financing sources (uses)	4,402,861	511,792	13,201,691	(992,525)
Net change in fund balances	\$ (690,644)	\$ (6,569,628)	\$ 15,661,830	\$ (4,783,573)
Debt service as a percentage of noncapital expenditures	18.90%	18.90%	19.90%	18.00%

Source: City of West Covina Finance Department

TABLE 6

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 62,801,264	\$ 65,069,488	\$ 65,186,854	\$ 63,270,166	\$ 63,663,702	\$ 53,636,172
3,711,712	3,913,965	4,180,404	4,871,575	5,210,062	5,270,856
1,833,239	1,196,670	1,085,650	904,985	1,099,083	866,642
1,106,271	1,216,628	1,229,852	1,324,698	1,056,923	1,097,836
9,544,547	8,778,813	5,601,091	5,589,739	4,124,960	3,419,665
223,668	270,058	311,997	310,819	468,123	421,521
7,491,065	8,113,584	8,848,048	11,321,980	8,363,460	12,481,691
8,515,601	8,178,880	7,021,197	6,845,511	6,779,667	6,732,076
988,220	1,048,727	794,365	449,045	721,348	332,698
1,462,535	10,950	-	-	-	-
8,903,148	662,988	1,824,050	1,112,553	3,781,096	1,720,792
<u>106,581,270</u>	<u>98,460,751</u>	<u>96,083,508</u>	<u>96,001,071</u>	<u>95,268,424</u>	<u>85,979,949</u>
5,478,534	5,787,654	4,687,485	4,646,621	4,180,878	4,950,311
41,602,661	44,138,678	45,554,204	45,639,257	41,938,421	44,109,598
15,623,128	16,308,548	17,923,628	19,686,587	15,325,261	18,209,981
31,362,253	24,580,791	7,189,514	5,390,364	5,412,009	5,917,227
7,120,280	7,632,478	10,739,465	6,142,905	8,228,653	4,246,590
2,568,343	2,825,925	3,468,902	9,724,035	5,863,850	2,112,227
4,014,507	3,441,290	3,828,282	4,108,592	4,649,975	5,155,105
10,059,439	9,827,109	9,055,221	8,410,803	8,520,890	6,307,988
294,764	-	-	-	-	-
2,783,820	2,939,322	2,181,599	2,002,039	2,317,114	351,444
<u>120,907,729</u>	<u>117,481,795</u>	<u>104,628,300</u>	<u>105,751,203</u>	<u>96,437,051</u>	<u>91,360,471</u>
<u>(14,326,459)</u>	<u>(19,021,044)</u>	<u>(8,544,792)</u>	<u>(9,750,132)</u>	<u>(1,168,627)</u>	<u>(5,380,522)</u>
33,024,064	9,976,252	12,048,364	11,023,152	11,171,460	8,947,657
(33,024,064)	(9,901,252)	(11,969,614)	(9,180,012)	(11,075,526)	(8,848,846)
18,005,000	4,319,279	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,453,315
<u>18,005,000</u>	<u>4,394,279</u>	<u>78,750</u>	<u>1,843,140</u>	<u>95,934</u>	<u>7,552,126</u>
<u>\$ 3,678,541</u>	<u>\$ (14,626,765)</u>	<u>\$ (8,466,042)</u>	<u>\$ (7,906,992)</u>	<u>\$ (1,072,693)</u>	<u>\$ 2,171,604</u>
23.60%	21.10%	19.30%	25.60%	19.89%	16.20%

CITY OF WEST COVINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	City				Taxable Assessed Value
	Secured	Non-Unitary	Unsecured	Less: Exemptions	
2003	\$ 4,121,487	\$ 371	\$ 13,124	\$ (49,440)	\$ 4,085,542
2004	4,475,555	1,388	14,744	(23,716)	4,467,971
2005	4,808,086	464	15,093	(48,139)	4,775,504
2006	5,330,215	464	13,711	(64,912)	5,279,478
2007	5,838,746	464	14,903	(56,655)	5,797,458
2008	6,261,173	462	15,899	(76,713)	6,200,821
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

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.

TABLE 7

Community Development Commission (CDC)				City and CDC Total Taxable Assessed Value	Total Direct Tax Rate
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value		
\$ 1,388,741	\$ 133,358	\$ (83,020)	\$ 1,439,079	\$ 5,524,621	13.985%
1,459,309	132,127	(103,577)	1,487,859	5,955,830	13.985%
1,547,925	132,801	(111,853)	1,568,873	6,344,377	13.985%
1,723,957	137,934	(118,531)	1,743,360	7,022,838	13.985%
1,895,168	146,336	(123,048)	1,918,456	7,715,914	13.985%
2,038,968	144,533	(138,919)	2,044,582	8,245,403	13.985%
2,283,051	150,880	(143,108)	2,290,823	8,778,018	13.820%
2,339,976	163,198	(152,699)	2,350,475	8,569,919	13.820%
2,336,269	157,035	(142,764)	2,350,540	8,552,639	13.820%
2,408,026	152,958	(152,569)	2,408,415	8,717,258	13.820%

CITY OF WEST COVINA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per \$100 of taxable value)
(Tax Rate Area 9495)

	Fiscal Year			
	2003	2004	2005	2006
City Prop 13 Rate:				
City of West Covina Sewer Maintenance District	0.003130	0.003130	0.003130	0.003130
City of West Covina Tax District I	0.136710	0.136710	0.136710	0.136710
Sub-Total City Direct Rate	0.139840	0.139840	0.139840	0.139840
Children's Institutional Tuition Fund (400.21)	0.002880	0.002880	0.002880	0.002880
County Sanitation District No. 22 Operating (066.85)	0.014140	0.014140	0.014140	0.014140
County School Services (400.15)	0.001450	0.001450	0.001450	0.001450
County School Services Fund West Covina (985.06)	0.007850	0.007850	0.007850	0.007850
Development Center Handicapped Minors West Covina (98)	0.000870	0.000870	0.000870	0.000870
Educational Revenue Augmentation Fund (400.00)	0.072470	0.072470	0.072470	0.072470
Educational Revenue Augmentation Fund (400.01)	0.169290	0.169290	0.169290	0.169290
Los Angeles County Accumulative Capital Outlay (001.20)	0.000120	0.000120	0.000120	0.000120
Los Angeles County Flood Control Imp. Dist. Main. (030.10)	0.001800	0.001800	0.001800	0.001800
Los Angeles County Library (003.01)	0.024080	0.024080	0.024080	0.024080
Los Angeles County Fire - Ffw (007.31)	0.007560	0.007560	0.007560	0.007560
Los Angeles County Flood Control Maintenance (030.70)	0.010190	0.010190	0.010190	0.010190
Los Angeles County General (001.05)	0.329550	0.329550	0.329550	0.329550
Mount San Antonio Children's Center Fund (809.20)	0.000300	0.000300	0.000300	0.000300
Mount San Antonio Community College (809.04)	0.031040	0.031040	0.031040	0.031040
Upper San Gabriel Valley Muni Water - Covina (368.10)	0.000580	0.000580	0.000580	0.000580
West Covina Unified School District (985.03)	0.185970	0.185970	0.185970	0.185970
Sub-Total	0.860140	0.860140	0.860140	0.860140
Total Prop 13 Rate	1.000000	1.000000	1.000000	1.000000
Voter Approved Rates:				
Metro Water District	0.006700	0.006100	0.005800	0.005200
Flood Control	0.000881	0.000462	0.000245	0.000050
Community College	0.019460	0.015246	0.014731	0.021220
Unified Schools	0.079847	0.050839	0.082226	0.061470
County	0.001033	0.000992	0.000923	0.000800
Total Voter Approved Rates	0.107921	0.073639	0.103925	0.088740
Total Tax Rate	1.107921	1.073639	1.103925	1.088740

Note:

In 1978, California voters passed Proposition 13 which sets 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 assess property values for the payment of any voter approved bonds.

TABLE 8

Fiscal Year					
2007	2008	2009	2010	2011	2012
0.003130	0.003130	0.003130	0.003130	0.003130	0.003130
0.136710	0.136710	0.136710	0.136710	0.135100	0.135100
0.139840	0.139840	0.139840	0.139840	0.138230	0.138230
0.002880	0.002880	0.002880	0.002880	0.002880	0.002880
0.014140	0.014140	0.014140	0.014140	0.014140	0.014140
0.001450	0.001450	0.001450	0.001450	0.001450	0.001450
0.007850	0.007850	0.007850	0.007850	0.007850	0.007850
0.000870	0.000870	0.000870	0.000870	0.000870	0.000870
0.072470	0.072470	0.072470	0.072470	0.074500	0.074500
0.169290	0.169290	0.169290	0.169290	0.169300	0.169300
0.000120	0.000120	0.000120	0.000120	0.000120	0.000120
0.001800	0.001800	0.001800	0.001800	0.001800	0.001800
0.024080	0.024080	0.024080	0.024080	0.024100	0.024100
0.007560	0.007560	0.007560	0.007560	0.007560	0.007560
0.010190	0.010190	0.010190	0.010190	0.010190	0.010190
0.329550	0.329550	0.329550	0.329550	0.329200	0.329200
0.000300	0.000300	0.000300	0.000300	0.000300	0.000300
0.031040	0.031040	0.031040	0.031040	0.031000	0.031000
0.000580	0.000580	0.000580	0.000580	0.000580	0.000580
0.185970	0.185970	0.185970	0.185970	0.186000	0.186000
0.860140	0.860140	0.860140	0.860140	0.861840	0.861840
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
0.004700	0.004500	0.004300	0.004300	0.003700	0.003700
0.000050	-	-	-	-	-
0.025300	0.017500	0.023326	0.025710	0.026363	0.026415
0.065120	0.051440	0.060406	0.052576	0.059198	0.053770
0.000660	-	-	-	-	-
0.095830	0.073440	0.088032	0.082586	0.089261	0.083885
1.095830	1.073440	1.088032	1.082586	1.089261	1.083885

(This page intentionally left blank.)

CITY OF WEST COVINA

TABLE 9

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
624 Glendora Avenue Apartments LLC	\$ 23,290,368	0.42%	\$ -	0.00%
851 S. Sunset Avenue Apartments LLC	22,128,098	0.40%	-	0.00%
California Newspapers Partnership	21,539,126	0.39%	-	0.00%
Citrus Valley Medical Center	98,956,886	1.79%	-	0.00%
Cole Me West Covina California DST	-	0.00%	27,896,913	0.32%
Eastland Shopping Center LLC	79,680,065	1.44%	100,362,149	1.15%
Eastland Tower Partnership	30,000,000	0.54%	51,387,667	0.59%
Gateway Crescent LLC	-	0.00%	51,800,000	0.59%
Hassen Imports Partnership	37,351,122	0.68%	-	0.00%
Hassen Real Estate Partnership	-	0.00%	35,214,900	0.40%
Lend Lease AR Timberwood LP	23,368,580	0.42%	-	0.00%
Plaza West Covina	-	0.00%	186,484,068	2.14%
Pried Holding Co. LLC	24,246,476	0.44%	-	0.00%
Pried XIV Trust	-	0.00%	29,173,084	0.33%
PT Enterprises	-	0.00%	28,291,442	0.32%
Sears Roebuck and Company	-	0.00%	26,621,115	0.31%
SP Torrey Pines LLC	-	0.00%	40,107,000	0.46%
Westfield Corporation	166,002,849	3.00%	-	0.00%
	<u>\$ 526,563,570</u>	<u>9.52%</u>	<u>\$ 577,338,338</u>	<u>6.61%</u>

The amounts shown above include assessed value data for both the City and the Community Development Commission.

The top ten property tax payers are shown for each year.

Source: Los Angeles County Assessor 2011/12 Combined Tax Rolls and the SBE Unitary Tax Roll

CITY OF WEST COVINA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	City					
	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
2003	\$ 5,604,199	\$ 5,307,176	94.70%	\$ 61,647	\$ 5,368,823	95.80%
2004	6,120,235	5,826,025	95.19%	76,492	5,902,517	96.44%
2005	6,228,741	5,637,051	90.50%	63,827	5,700,878	91.53%
2006	7,404,266	6,799,451	91.83%	(262,305)	6,537,146	88.29%
2007	8,255,755	7,536,422	91.29%	(7,738)	7,528,684	91.19%
2008	8,788,631	7,766,633	88.37%	(65,994)	7,700,639	87.62%
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%

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 31, 2012. This is due to ABx1 26 (RDA Dissolution Bill) that was effective February 1, 2012.

TABLE 10

Community Development Commission						
Fiscal Year Ended June 30	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
2003	\$ 10,668,287	\$ 10,539,591	98.79%	\$ 346,132	\$ 10,885,723	102.04%
2004	11,439,589	11,308,165	98.85%	647,807	11,955,972	104.51%
2005	12,333,003	12,130,821	98.36%	1,291,517	13,422,338	108.83%
2006	14,104,710	14,076,889	99.80%	1,144,548	15,221,437	107.92%
2007	15,942,115	15,927,954	99.91%	827,358	16,755,312	105.10%
2008	17,595,311	17,485,161	99.37%	1,100,374	18,585,535	105.63%
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%

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	Tax Allocation Bonds (1)	Loans	Capital Lease Obligations	
2003	\$ 31,945,000	\$ 45,110,000	\$ 32,670,000	\$ 19,116,045	\$ 979,560	\$ 129,820,605
2004	31,735,000	44,255,000	32,155,000	21,014,344	1,058,092	130,217,436
2005	44,880,000	43,350,000	31,500,000	22,754,013	817,731	143,301,744
2006	44,550,000	42,345,000	30,830,000	24,940,778	572,389	143,238,167
2007	60,570,000	41,240,000	30,140,000	27,764,353	398,483	160,112,836
2008	59,395,000	40,040,000	29,170,000	31,584,157	3,267,104	163,456,261
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

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.

TABLE 11

<u>Business-type Activities</u>					
<u>Certificates</u>	<u>Total</u>	<u>Total</u>	<u>Percentage</u>	<u>Debt</u>	
<u>of</u>	<u>Business-type</u>	<u>Primary</u>	<u>of Personal</u>	<u>per</u>	
<u>Participation</u>	<u>Activities</u>	<u>Government</u>	<u>Income (2)</u>	<u>Capita (2)</u>	
\$ -	\$ -	\$ 129,820,605	3.65%	\$ 1,191	
-	-	130,217,436	3.52%	1,180	
-	-	143,301,744	3.65%	1,290	
-	-	143,238,167	3.42%	1,283	
-	-	160,112,836	3.52%	1,428	
-	-	163,456,261	3.45%	1,459	
-	-	163,091,830	3.39%	1,456	
-	-	162,884,924	3.37%	1,443	
-	-	162,029,211	3.47%	1,527	
-	-	54,034,355	1.15%	506	

CITY OF WEST COVINA

TABLE 12

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years
(in thousands of dollars, except Per Capita)

Fiscal Year Ended June 30	Lease Revenue Bonds	Special Assessment Bonds	Tax Allocation Bonds	Total	Percent of Assessed Value (1)	Per Capita
2003	\$ 31,945	\$ 45,110	\$ 32,670	\$ 109,725	1.99%	293
2004	31,735	44,255	32,155	108,145	1.82%	288
2005	44,880	43,350	31,500	119,730	1.89%	404
2006	44,550	42,345	30,830	117,725	1.68%	399
2007	60,570	41,240	30,140	131,950	1.71%	540
2008	59,395	40,040	29,170	128,605	1.56%	530
2009	58,530	38,745	28,165	125,440	1.43%	522
2010	57,515	37,355	27,020	121,890	1.42%	510
2011	56,115	35,870	25,815	117,800	1.38%	529
2012	50,825	-	-	50,825	0.58%	476

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.

Sources: City of West Covina Finance Department
Los Angeles County Assessor's Office

CITY OF WEST COVINA

TABLE 13

DIRECT AND OVERLAPPING DEBT

June 30, 2012

City Assessed Valuation		\$ 8,717,258,000	
Redevelopment Agency Incremental Valuation		<u>(2,408,415,000)</u>	
Total Assessed Valuation		<u>\$ 6,308,843,000</u>	
	<u>Total Debt</u>		<u>City's Share of</u>
	6/30/2012	% Applicable ⁽¹⁾	Debt 6/30/12
Overlapping Tax and Assessment Debt:			
Los Angeles County Flood Control District	\$ 37,195,000	0.737%	\$ 274,127
Metropolitan Water District	196,545,000	0.370%	727,217
Mount San Antonio Community College District	215,890,761	13.012%	28,091,706
Baldwin Park Unified School District	101,904,409	0.396%	403,541
Bassett Unified School District	40,394,081	0.030%	12,118
Covina Valley Unified School District	95,000,508	31.611%	30,030,611
Hacienda-La Puente Unified School District	93,143,428	1.506%	1,402,740
Rowland Unified School District	139,534,310	19.135%	26,699,890
Walnut Valley Unified School District	125,195,942	0.943%	1,180,598
West Covina Unified School District	30,325,000	94.146%	28,549,775
West Covina Community Facilities District No. 1989-1	34,290,000	100.000%	34,290,000
Los Angeles County Reg'l Park and Open Space Assessment District	<u>170,725,000</u>	0.719%	<u>1,227,513</u>
TOTAL OVERLAPPING TAX and ASSESSMENT DEBT	<u>\$ 1,280,143,439</u>		<u>\$ 152,889,836</u>
Direct and Overlapping General Fund Debt:			
Los Angeles County General Fund Obligations	\$ 1,474,122,759	0.719%	\$ 10,598,943
Los Angeles County Supt. of Schools Cert. of Participation	11,269,678	0.719%	81,029
Los Angeles County Sanitation District No. 15 Authority	31,243,680	2.022%	631,747
Los Angeles County Sanitation District No. 21 Authority	18,415,745	3.241%	596,854
Los Angeles County Sanitation District No. 22 Authority	15,922,260	20.841%	3,318,358
Baldwin Park Unified School District General Fund Obligations	52,950,000	0.396%	209,682
Covina Valley Unified School District General Fund Obligations	5,000,000	31.611%	1,580,550
Rowland Unified School District General Fund Obligations	5,000,000	19.135%	956,750
City of West Covina General Fund Obligations	54,610,000	100.000%	<u>54,610,000</u>
TOTAL GROSS DIRECT and OVERLAPPING GENERAL FUND DEBT			<u>\$ 72,583,913</u>
Less: L.A. County General Fund Obligations supported by landfill revenues			<u>120,060</u>
TOTAL NET DIRECT and OVERLAPPING GENERAL FUND DEBT			72,463,853
TOTAL DIRECT DEBT			\$ 54,610,000
TOTAL GROSS OVERLAPPING DEBT			\$ 170,863,749
TOTAL NET OVERLAPPING DEBT			\$ 170,743,689
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 225,473,749
NET COMBINED TOTAL DEBT			\$ 225,353,689

¹⁾ Percentage of overlapping agency's assessed valuation located within boundaries of the city.

²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF WEST COVINA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
(in thousands of dollars)

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation	\$ 4,085,542	\$ 4,467,971	\$ 4,775,504	\$ 5,279,478
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,021,386	1,116,993	1,193,876	1,319,870
Debt limit percentage	15%	15%	15%	15%
Debt limit	153,208	167,549	179,081	197,980
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 153,208</u>	<u>\$ 167,549</u>	<u>\$ 179,081</u>	<u>\$ 197,980</u>
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 limit 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 the 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.

Sources: City of West Covina Finance Department
Los Angeles County Assessor's Office

TABLE 14

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 5,797,458	\$ 6,200,821	\$ 6,487,195	\$ 6,219,444	\$ 6,202,099	\$ 6,308,843
25%	25%	25%	25%	25%	25%
1,449,365	1,550,205	1,621,799	1,554,861	1,550,525	1,577,211
15%	15%	15%	15%	15%	15%
217,405	232,531	243,270	233,229	232,579	236,582
-	-	-	-	-	-
<u>\$ 217,405</u>	<u>\$ 232,531</u>	<u>\$ 243,270</u>	<u>\$ 233,229</u>	<u>\$ 232,579</u>	<u>\$ 236,582</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 of dollars)

Fiscal Year Ended June 30	Lease Revenue Bonds and Certificates of Participation			
	Revenue	Debt Service		Coverage
		Principal	Interest	
2003	\$ 36,408	\$ 195	\$ 361	65.48
2004	36,793	210	597	45.59
2005	41,865	355	1,037	30.08
2006	46,565	375	1,296	27.87
2007	47,964	2,130	2,411	10.56
2008	48,724	1,175	2,151	14.65
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

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Revenue	Debt Service		Coverage
		Principal	Interest	
2003	\$ 10,886	\$ 535	\$ 1,253	6.09
2004	11,956	515	1,391	6.27
2005	13,422	655	1,400	6.53
2006	15,221	670	1,458	7.15
2007	16,755	690	1,474	7.74
2008	18,626	970	1,406	7.84
2009	19,444	1,005	1,293	8.46
2010	19,564	1,207	1,207	8.10
2011	19,542	1,205	1,127	8.38
2012	21,224	1,250	1,079	9.11

Notes: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.
Operating expenses do not include interest or depreciation expenses.

Source: City of West Covina Finance Department

TABLE 15

Fiscal Year Ended June 30	Assessment District Bond					
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 3,388	\$ 1,367	\$ 2,021	\$ 805	\$ 2,683	0.58
2004	4,643	1,017	3,626	855	2,642	1.04
2005	4,005	1,128	2,877	905	2,597	0.82
2006	3,831	739	3,092	1,005	2,548	0.87
2007	3,995	593	3,402	1,105	2,494	0.95
2008	3,765	811	2,954	1,200	2,430	0.81
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

CITY OF WEST COVINA

TABLE 16

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Annual Unemployment Rate (4)
2002	108,994	\$ 3,554,839	\$ 32,615	5.90%
2003	110,315	3,699,634	33,537	6.10%
2004	111,098	3,922,759	35,309	5.70%
2005	111,675	4,192,615	37,543	4.70%
2006	112,113	4,544,837	40,538	4.20%
2007	112,009	4,735,517	42,278	4.40%
2008	112,022	4,807,536	42,916	6.60%
2009	112,880	4,833,296	42,818	10.20%
2010	106,098	4,668,206	43,999	11.20%
2011	106,713	4,695,265	43,999	10.50%

Sources:

- (1) State of California, Department of Finance, E-1 Cities, Counties and the State Population estimates with Annual Percent Change - January 1, 2012
- (2) Estimated by multiplying population by per capita income
- (3) Bureau of Economic Analysis, Used per capita income of Los Angeles-Long Beach-Santa Ana, CA area.
- (4) State of California Employment Development Department Labor Market Information, Unemployment rate July 2012

CITY OF WEST COVINA

TABLE 17

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2012		2003	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Queen of the Valley Campus	1,442	2.95%		
WC Unified School District	1,277	2.61%		
City of West Covina	433	0.89%		
J C Penney Corp Inc # 1505-7	340	0.70%		
Macy's	283	0.58%	Data was not available at time of printing	
Target Store #T1028 & T2147	261	0.53%		
Interspace/Concorde Battery	220	0.45%		
B.J.'s Restaurant & Brewery	185	0.38%		
S G V Newspaper Group	183	0.37%		
K Mart Corporation # 3235	146	0.30%		

Note: "Total Employment" as used above represents the total employment of all employers located within the City limits.

(This page intentionally left blank.)

CITY OF WEST COVINA

TABLE 18

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	47	44	43	44	43	43	42	40	39	36
Public safety	295	297	297	296	307	307	306	295	281	264
Public works	81	81	79	79	79	79	83	78	76	72
Community services	71	65	66	63	63	63	55	47	44	44
Community development	23	23	22	22	24	24	24	23	19	16
Total	<u>517</u>	<u>510</u>	<u>507</u>	<u>504</u>	<u>516</u>	<u>516</u>	<u>510</u>	<u>483</u>	<u>459</u>	<u>432</u>

Source: City of West Covina Finance Department

CITY OF WEST COVINA
OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
Police:				
Total arrests	3,701	3,837	3,852	3,491
Calls for police service (1)	93,822	95,654	89,340	80,048
Graffiti sites cleaned (2)	N/A	N/A	N/A	N/A
Fire:				
Emergency responses	7,179	7,080	7,122	7,057
Fire inspections	3,350	3,350	3,819	3,122
Public Works:				
Building permits issued	3,510	3,830	3,798	4,250
Community Services:				
Recreation class registrations	2,400	3,617	3,950	4,342
Environmental Management:				
Graffiti sites cleaned (2)	7,767	8,055	8,055	9,600

Note:

- (1) Calls received that generated an incident number, not necessarily a police response.
- (2) Due to department restructuring, the responsibility for graffiti abatement was absorbed by the Police Department starting in fiscal year 2008-2009

TABLE 19

Fiscal Year						
2007	2008	2009	2010	2011	2012	
3,449	3,726	3,651	3,397	3,210	2,557	
79,753	82,588	82,682	75,752	71,254	71,741	
N/A	15,736	8,009	16,077	15,781	23,579	
7,064	7,167	7,194	6,949	7,454	7,545	
3,711	3,748	3,751	3,603	430	496	
3,854	3,189	2,891	2,334	2,477	2,435	
4,820	5,097	6,564	7,916	7,041	6,927	
17,903	N/A	N/A	N/A	N/A	N/A	

CITY OF WEST COVINA
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
Police:				
Stations	1	1	1	1
Fire:				
Stations	5	5	5	5
Public Works:				
Streets (miles)	230.0	230.0	230.0	230.0
Streetlight poles	826	826	826	826
Streetlight fixtures	1,109	1,109	1,109	1,109
Traffic signals	113	113	113	114
Parks and Recreation:				
Sports complex	-	-	-	-
Parks	15	15	15	16
Community centers	4	4	4	4
Wastewater:				
Sanitary sewers (miles)	233.0	233.0	233.0	233.0
Storm sewers (miles)	42.0	42.0	42.0	42.0

Source: City of West Covina

TABLE 20

Fiscal Year						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
5	5	5	5	5	5	5
230.0	230.0	230.0	230.0	231.0	231.0	
826	826	826	826	826	826	
1,109	1,109	1,109	1,109	1,109	1,109	
114	114	116	116	116	117	
-	1	1	1	1	1	1
16	16	16	16	16	16	16
4	4	4	4	4	4	4
238.9	238.9	238.9	238.9	238.9	238.9	238.9
42.0	42.0	42.0	42.0	42.0	42.0	42.0

(This page intentionally left blank.)