SUPPLEMENT DATED JANUARY 9, 2014 TO THE OFFICIAL STATEMENT DATED JANUARY 8, 2014

$2,185,000

West Covina Public Financing Authority Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project)

The Official Statement, dated January 8, 2014 (the "Official Statement"), is hereby supplemented to replace the table appearing on page 11 in its entirety with the following table, to include the sinking fund payment to be made on August 1, 2033:

Redemption Date (August 1)	Principal	Redemption Date (August 1)	Principal
2016	$65,000	2030	$80,000
2017	65,000	2031	80,000
2018	65,000	2032	80,000
2019	65,000	2033	80,000
2020	65,000	2034	85,000
2021	70,000	2035	85,000
2022	70,000	2036	85,000
2023	70,000	2037	85,000
2024	70,000	2038	90,000
2025	70,000	2039	90,000
2026	75,000	2040	90,000
2027	75,000	2041	90,000
2028	75,000	2042	95,000
2029	75,000	2043*	95,000

* Maturity

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS**

Standard & Poor's: "A"/"A1"
See "RATINGS" herein

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

$2,185,000

West Covina Public Financing Authority
Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A
(Community Center Project)

CUSIP No.: 95236PEN6

Dated: Date of Delivery **Price: 100%** **Due: August 1, 2043**

The proceeds of the sale of the $2,185,000 West Covina Public Financing Authority Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project) (the "Bonds") will be used to: (i) refund all of the West Covina Financing Authority Lease Revenue Bonds, 2003 Series A (Community Center Project), currently outstanding in the aggregate principal amount of $2,190,000 and (ii) pay the costs of issuance of the Bonds.

Interest on the Bonds is payable on the first Business Day of each month, commencing February 3, 2014. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds, if issued, will be issued initially in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption and optional and mandatory tender prior to their stated maturities, as described herein. See "THE BONDS – Redemption" herein.

The Bonds are payable exclusively from and secured by Revenues and certain other funds pledged under the Indenture, dated as of December 1, 2013 (the "Indenture"), by and between the West Covina Public Financing Authority (the "Authority") and U.S. Bank National Association, as trustee. Such Revenues primarily consist of Base Rental Payments to be made by the City of West Covina, California (the "City") to the Authority under the Lease, as hereinafter described. Pursuant to the Lease the City will sublease certain property hereinafter described (the "Leased Property") from the Authority. The City is required under the Lease to make all rental payments under the Lease in each fiscal year in consideration for the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due on the Bonds, subject under certain circumstances to abatement, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

Payments of principal, redemption amount and interest on the Bonds will be initially supported by an irrevocable direct-pay letter of credit (the "Letter of Credit" or the initial "Credit Facility") to be issued by Bank of the West (the initial "Credit Entity") pursuant to a Reimbursement Agreement, dated as of January 1, 2014, by and between the City and the Credit Entity. Drawings under the Letter of Credit will be used to pay the principal of and interest on the Bonds when due. The Letter of Credit will also be drawn on to purchase Bonds tendered by Owners and not remarketed. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and "THE CREDIT ENTITY" herein.

BANK OF THE WEST
COMMERCIAL BANKING
BNP PARIBAS GROUP

The Indenture provides that the Bonds will be special obligations of the Authority, payable exclusively from the Revenues and other funds as is provided in the Indenture. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The principal of and interest on the Bonds, and any premium upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Indenture. The obligation of the City to make Base Rental Payments and Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments and Additional Rental payments does not constitute an indebtedness of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings ascribed to such terms herein or in the Indenture or Lease.

The Official Statement only describes terms of the Bonds while bearing interest at the Daily Rate or Weekly Rate. There are significant differences in the terms of the Bonds after the Fixed Rate Conversion Date.

The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to the approving opinion of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel and Disclosure Counsel to the Authority. Certain legal matters will be passed on for the City and the Authority by Alvarez-Glassman & Colvin, Yountville, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about January 9, 2014.

GATES CAPITAL CORPORATION

Dated: January 8, 2014

The information set forth herein has been obtained from the Authority and the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the Authority, the City, the Remarketing Agents, the Credit Entity or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City, the Remarketing Agents, the Credit Entity or the Underwriter. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the City or the Credit Entity or in any other information contained herein, since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ABOVE, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the City plans to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access ("EMMA") website. The City also maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

WEST COVINA PUBLIC FINANCING AUTHORITY
BOARD OF DIRECTORS AND CITY COUNCIL

Steve Herfert, *Mayor*
Fredrick Sykes, *Mayor Pro Tem*
James Toma, *Councilmember*
Corey Warshaw, *Councilmember*
Mike Spence, *Councilmember*

CITY OFFICIALS

Christopher J. Chung, *City Manager*
Mike Lee, Assistant *City Manager*
Nita McKay, *Finance and Administrative Services Director*
Sue Rush, *Assistant City Clerk*
Arnold M. Alvarez-Glasman, *City Attorney*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Fulbright & Jaworski LLP
a member of Norton Rose Fulbright
Los Angeles, California

Underwriter and Variable Rate Remarketing Agent
Gates Capital Corporation
New York, New York

Trustee and Tender Agent
U.S. Bank National Association
Los Angeles, California

Fixed Rate Remarketing Agent
Fitzgerald Public Finance,
a division of Gates Capital Corporation
Los Angeles, California

Verification Agent
Grant Thornton LLP
Minneapolis, Minnesota

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

$2,185,000
West Covina Public Financing Authority
Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A
(Community Center Project)

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover and appendices hereto, provides certain information concerning the issuance of the Bonds (as defined below). Capitalized terms not otherwise defined herein have the meanings given in the Indenture and the Lease (each as hereinafter defined). See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

The Official Statement only describes terms of the Bonds while bearing interest at the Daily Rate and the Weekly Rate. There are significant differences in the terms of the Bonds after the Fixed Rate Conversion Date. The Bonds will be initially remarketed at a Weekly Rate.

The Bonds

The proceeds of the sale of the $2,185,000 West Covina Public Financing Authority Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project) (the "Bonds") will be used to: (i) refund the West Covina Financing Authority Lease Revenue Bonds, 2003 Series A (Community Center Project) (the "Prior Bonds"), currently outstanding in the aggregate principal amount of $2,190,000, and (ii) pay the costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

The Bonds will be issued and secured pursuant to the Indenture, dated as of December 1, 2013 (the "Indenture"), by and between the West Covina Public Financing Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). Interest on the Bonds is payable on the first Business Day of each month, commencing February 3, 2014. The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds, if issued, will be issued initially in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption and optional and mandatory tender prior to their stated maturities, as described herein. See "THE BONDS – Redemption" and "– Tender" herein.

Security for the Bonds

The Bonds are payable exclusively from the Revenues pledged to the Bonds under the Indenture. "Revenues" means (i) all Base Rental Payments paid or payable by the City pursuant to the Lease Agreement, dated as of December 1, 2013 (the "Lease"), by and between the Authority and the City (including prepayments) and (ii) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease. No reserve will be funded in connection with the issuance of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Under a Site and Facility Lease, dated as of December 1, 2013 (the "Site Lease"), by and between the City and the Authority, the Authority has agreed to lease certain Leased Property (as defined herein) from the City. Under the Lease, the Authority has agreed to sublease such Leased Property back to the City in consideration for the Base Rental Payments. Under an Assignment Agreement, dated as of December 1, 2013 (the "Assignment Agreement"), between the Authority and the Trustee, the Authority has assigned without recourse all of its rights to receive Base Rental Payments and certain other rights to the Trustee for the benefit of the Owners and the Credit Entity, if any.

In addition to Base Rental Payments, the City has agreed under the Lease to pay Additional Rental in such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Credit Facility

Payments of principal, redemption amount and interest on the Bonds will be initially supported by an irrevocable direct-pay letter of credit (the "Letter of Credit" or the initial "Credit Facility") to be issued by Bank of the West (the initial "Credit Entity") pursuant to a Reimbursement Agreement, dated as of January 1, 2014, by and between the City and the Credit Entity. Drawings under the Letter of Credit will be used to pay the principal of and interest on the Bonds when due. The Letter of Credit will also be drawn on to purchase Bonds tendered by Owners and not remarketed. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and "THE CREDIT ENTITY" herein.

No Reserve Fund

No reserve fund will be funded for the Bonds.

City of West Covina

The City was incorporated in 1923. It has a general law form of government. The City encompasses 17 square miles in northeastern portion of the County of Los Angeles, and is located approximately 20 miles northeast of the City of Los Angeles. Neighboring communities include Covina, Baldwin Park, Walnut, Industry and La Puente. See "THE CITY" and "CITY FINANCIAL INFORMATION" herein and "APPENDIX A – SELECTED DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WEST COVINA."

Continuing Disclosure

The City will undertake, pursuant to a Continuing Disclosure Agreement, by and between the City and the Trustee, as dissemination agent (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" herein and "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Legal Documents

Summaries of certain provisions contained in the Site Lease, the Lease, the Assignment Agreement and the Indenture which are not summarized elsewhere in this Official Statement appear in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" herein. Reference is made to such documents, copies of which may be obtained from the Trustee, for the complete text thereof.

PLAN OF REFUNDING

A portion of the net proceeds from the sale of the Bonds, together with other available moneys, will be used to refund all of the Prior Bonds on or about February 8, 2014 (the "Redemption Date"). Under the terms of the Indenture, dated as of February 1, 2003 (the "Prior Indenture"), by and between the Authority and U.S. Bank National Association (the "Prior Trustee") pursuant to which the Prior Bonds were issued and delivered, the redemption of the Prior Bonds will be effected by depositing a portion of the proceeds of the Bonds with the Prior Trustee. Such moneys will be in an amount sufficient, together with other available moneys, to provide for the redemption of the Prior Bonds on the Redemption Date. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

SOURCES	
Principal Amount	$2,185,000.00
Amount Released from Prior Indenture	290,410.69
Total:	$2,475,410.69
USES:	
Amount for Refunding	$2,248,060.91
Costs of Issuance Account[1]	152,349.78
Underwriter's Fee	75,000.00
Total:	$2,475,410.69

[1] Costs of issuance include rating agency fees, Trustee and Tender Agent fees, fees and expenses of Bond and Disclosure Counsel, Trustee's Counsel and City and Authority Counsel, printing fees and other costs relating to the issuance of the Bonds.

THE BONDS

General

The Bonds will be dated their date of delivery and will bear interest until their maturity, payable on each Bond Payment Date, except that interest due with respect to any Bonds purchased by the Trustee by means of a drawing on the Letter of Credit pursuant to the tender of Bonds on a Tender Date and which Bonds are registered in the name of and owned by the Credit Entity and held by the Tender Agent ("Credit Facility Bonds"), will accrue from the date such Bonds become Credit Facility Bonds at the rate set forth in the Reimbursement Agreement and shall be payable as set forth therein.

Each Bond will bear interest from the Bond Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated after a Record Date and on or before the next Bond Payment Date, in which event it will bear interest from such Bond Payment Date or (b) authenticated on or before the first Record Date, in which event it will bear interest from the Closing Date; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond will bear interest from the date to which interest has been paid. The Bonds will bear interest at the Weekly Rate or Daily Rate until the Fixed Rate Conversion Date, and on and after the Fixed Rate Conversion Date, at the Fixed Rate. Interest on the Bonds during the Weekly Rate Period or Daily Rate Period will be computed upon the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed prior to the Fixed Rate Conversion Date. On and after the Fixed Rate Conversion Date interest on the Bonds will be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Payment of interest with respect to any Bond on any Bond Payment Date or Redemption Date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date or Redemption Date, as the case may be, such interest to be paid by check mailed by first class mail on the Bond Payment Date to such Owner at his address as it appears on such registration books. Payments of defaulted interest will be paid by check of the Trustee mailed to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 10 days prior to such special record date. Payment of interest represented by the Bonds may, at the option of any Owner of at least $1,000,000 principal amount of Bonds of a series (such option to be exercised by written request of such Owner to the Trustee), be transmitted by wire transfer to such Owner to the bank account number in the United States filed with the Trustee prior to the Record Date for a Bond Payment Date. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The principal payable upon maturity or prior redemption with respect to the Bonds will be payable upon surrender prior to the Fixed Rate Conversion Date at the Principal Office of the Trustee or the Principal Office of the Tender Agent and thereafter at the Principal Office of the Trustee with such principal to be paid by check mailed by the Trustee on the Bond Payment Date or redemption date by first class mail to each Owner at his address as it appears on the registration books; provided, however, that prior to the Fixed Rate Conversion Date payment of such principal will be made by wire transfer to an Owner of Bonds who has exercised his/her option for payment by wire transfer pursuant to the Indenture. Said amounts will be payable in lawful money of the United States of America. The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption and to cancel all Bonds upon payment thereof; provided, however, that no such cancellation of Bonds will affect the obligations of the Credit Entity arising under the Credit Facility; provided that the Credit Facility is subject to reduction in accordance with its terms in connection with the payment at maturity or earlier redemption of the Bonds.

Upon surrender by the Owner of a Bond for partial redemption at the Principal Office, payment of such partial redemption of the principal amount of a Bond will be made to such Owner by check mailed by first class mail to the Owner at his address as it appears on the registration books of the Trustee, or prior to the Fixed Rate Conversion Date by wire transfer to any Owner who has exercised its option for payment by wire transfer pursuant to the Indenture. Upon surrender of any Bond redeemed in part only, the Trustee or the Tender Agent will execute and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series which will be of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity. Such partial redemption will be valid upon payment of the amount thereby required to be paid to such Owner, and the City, the Authority and the Trustee will be released and discharged from all liability to the extent of such payment.

Subject to the book-entry only system, Bonds may be exchanged or substituted for or in lieu of mutilated, lost, stolen or destroyed Bonds by request to the Trustee. The Trustee and the Tender Agent may require payment of an appropriate fee and expenses with respect to any such exchange or substitution.

Interest Rate Determination Methods

Weekly Rate. The rate of interest on the Bonds may, at the option of the City, be established at a Weekly Rate on any Bond Payment Date during a Daily Rate Period. So long as the Bonds bear interest at a Weekly Rate, the Variable Rate Remarketing Agent will set the Weekly Rate on the Wednesday of each calendar week. The Variable Rate Remarketing Agent will give notice in writing to the Trustee and the Credit Entity of each Weekly Rate as soon as possible following the determination of such rate. Each Weekly Rate will be the rate per annum equal to the minimum rate necessary (as determined by the Variable Rate Remarketing Agent) for the Variable Rate Remarketing Agent to sell the Bonds on the date the Weekly Rate is set at a price equal to 100% of the principal amount thereof plus accrued interest; provided, however, that in no event will the interest rate borne by the Bonds (other than Credit Facility Bonds) exceed the Maximum Rate. Each Weekly Rate will be effective Thursday through the next succeeding Wednesday (or through the end of the period in which the Bonds bear interest at a Weekly Rate, whichever first occurs).

The City shall deliver a written notice to the Trustee, the Tender Agent, the Variable Rate Remarketing Agent, and the Credit entity specifying the Interest Rate Conversion Date upon which the interest rate borne by the Bonds shall be converted to a Weekly Rate, which shall be not less than thirty (30) days after notice is received by the parties. The Trustee shall give notice to the registered owners of the bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Interest Rate Conversion Date specifying the Interest Rate Conversion Date, and that the interest rate on the Bonds will be established at a Weekly Rate on the Interest Rate Conversion Date, that all outstanding Bonds not tendered for purchase at least seven (7) days before the Interest Rate Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Interest Rate Conversion Date at a price equal to the principal amount thereof plus interest accrued on such date and that all Bonds must be surrendered to the Tender Agent for purchase not later than 11:00 a.m., New York time, on the Interest Rate Conversion Date.

If for any reason the Variable Rate Remarketing Agent does not set a Weekly Rate on the second Business Day of a calendar week, then the Weekly Rate for that period will remain at the Weekly Rate set for the immediately preceding Wednesday through Tuesday period. If a court holds that the Weekly Rate set for any period is invalid or unenforceable, the Weekly Rate for that period, will be the rate that is equal to the 30-day tax-exempt commercial paper rate published in The Bond Buyer (or any successor to such publication) as of the date of determination of the unenforceable rate or, in the event The Bond

Buyer (or any such successor) is no longer published, any other newspaper or journal containing financial news, printed in the English language and customarily published on each Business Day, of general circulation in New York, New York and selected by the Authority, whose decision will be final and conclusive.

Daily Rate. The rate of interest on the Bonds may, at the option of the City, be established at a Daily Rate on any Bond Payment Date during a Weekly Period. So long as the Bonds bear interest at a Daily Rate, the Variable Rate Remarketing Agent will set the Daily Rate on or before 10:30 a.m., New York time, on each Business Day for that Business Day. The Daily Rate for any non-Business Day shall be the Daily Rate for the last day on which a Daily Rate was set. The Variable Rate Remarketing Agent will give notice in writing to the Trustee and the Credit Entity of each Daily Rate as soon as possible following the determination of such rate. Each Daily Rate will be the rate per annum equal to the minimum rate necessary (as determined by the Variable Rate Remarketing Agent) for the Variable Rate Remarketing Agent to sell the Bonds on the date the Daily Rate is set at 100% of the principal amount thereof plus accrued interest; provided, however, that in no event shall the interest rate borne by the Bonds (other than Credit Facility Bonds) exceed the Maximum Rate.

The City shall deliver a written notice to the Trustee, the Tender Agent, the Variable Rate Remarketing Agent and the Credit Entity specifying the Interest Rate Conversion Date upon which the interest rate borne by the Bonds shall be converted to a Daily Rate, which shall be not less than thirty (30) days after notice is received by the parties. The Trustee shall give notice to the registered owners of the bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Interest Rate Conversion Date specifying the Interest Rate Conversion Date, and that the interest rate on the Bonds will be established at a Daily Rate on the Interest Rate Conversion Date, that all outstanding Bonds not tendered for purchase at least seven (7) days before the Interest Rate Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Interest Rate Conversion Date at a price equal to the principal amount thereof plus interest accrued on such date and that all Bonds must be surrendered to the Tender Agent for purchase not later than 11:00 a.m., New York time, on the Interest Rate Conversion Date.

If for any reason the Variable Rate Remarketing Agent does not set a Daily Rate on any Business Day, then the Daily Rate most recently determined shall remain in effect until such time as the Variable Rate Remarketing Agent determines the new Daily Rate.

Fixed Rate. The Fixed Rate Remarketing Agent will set the Fixed Rate on a date (the "Determination Date") no fewer than two nor more than fifteen (15) Business Days before the Fixed Rate Conversion Date. The Fixed Rate will be the rate determined by the Fixed Rate Remarketing Agent to be the rate per annum equal to the minimum interest rate which would be necessary for the Fixed Rate Remarketing Agent to sell the Bonds on the Determination Date at 100% of the principal amount thereof plus accrued interest; provided, however, that in no event will the interest rate borne by the Bonds on and after the Fixed Rate Conversion Date exceed the Maximum Rate. A conversion of all or any sinking fund redemptions to serial maturity dates will be required to the extent, in the opinion of the Fixed Rate Remarketing Agent, such a conversion will reduce the total interest to be paid by the City as Base Rental. In such case, all references to a Fixed Rate will refer to the interest rates applicable to each maturity.

Conversion of Interest to Fixed Rate

Notice and Opinion of Bond Counsel. The City may initiate action to convert the interest borne by all of the Bonds from the Weekly Rate or Daily Rate to the Fixed Rate by notifying the Authority, the Trustee, the Tender Agent, the Credit Entity, the Variable Rate Remarketing Agent and the Fixed Rate Remarketing Agent of the proposed Fixed Rate Conversion Date at least 60 days prior to such proposed date. The notice will be accompanied by (i) an opinion of Bond Counsel stating that the conversion is not prohibited by the law of the State or the Indenture and that the conversion will not cause the interest on the Bonds to fail to be exempt from personal income taxes of the State, or to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, and (ii) written evidence of satisfaction of the limitations specified in the Indenture. The Trustee will have no obligation to provide notice to the Owners of a change to a Fixed Rate unless the Trustee has received the notice from the City and the opinion of Bond Counsel in accordance with the provisions set forth under this heading. The City may not request a conversion from the Weekly Rate or Daily Rate to the Fixed Rate during the existence of an Event of Default and the notice from the City will certify as to the absence thereof. If the City's notice complies with the provisions of this paragraph, the Fixed Rate will be applicable from the effective date specified in the notice until maturity of the Bonds. Upon conversion from the Weekly Rate or Daily Rate to the Fixed Rate, the Trustee promptly will surrender the Letter of Credit to the Credit Entity required by the terms of the Letter of Credit.

Limitation. A conversion from the Weekly Rate or Daily Rate to the Fixed Rate pursuant to the paragraph above will comply with the following: (i) the effective date of the conversion will be a Bond Payment Date; and (ii) the Fixed Rate Remarketing Agent will have agreed to remarket the Bonds on the Fixed Rate Conversion Date.

Notice to Owners of Change to Fixed Rate. When a conversion from the Weekly Rate or Daily Rate to the Fixed Rate is to be made, the Trustee will notify the Owners and the Credit Entity by first class mail at least 30 but not more than 60 days prior to the proposed Fixed Rate Conversion Date. The notice will be prepared and furnished by the City to the Trustee for mailing at least 60 days prior to the proposed Fixed Rate Conversion Date and will state: (i) that the interest rate payable with respect to the Bonds will be converted to the Fixed Rate; (ii) the effective date of the Fixed Rate; (iii) the Bond Payment Dates and Record Dates following the Fixed Rate Conversion Date; (iv) that following the Fixed Rate Conversion Date there will be no option to tender Bonds for purchase; (v) that all Bonds are subject to mandatory tender for purchase on the Fixed Rate Conversion Date and will be deemed to have been so tendered and will be purchased on the Fixed Rate Conversion Date at the principal amount thereof plus interest accrued to such date; (vi) any ratings assigned to the Bonds by a nationally recognized rating agency to be effective on the Fixed Rate Conversion Date and that such ratings assigned to the Bonds may be reduced or withdrawn; (vii) the proposed maturity schedule for the Bonds following the Fixed Rate Conversion Date; (viii) the redemption provisions to which the Bonds are subject following the Fixed Rate Conversion Date; (ix) that following the Fixed Rate Conversion Date Bonds may be issued in denominations of $5,000 or integral multiples of $5,000; (x) that if the opinion of Bond Counsel described under the heading "Notice and Opinion of Bond Counsel" above is rescinded, the interest rate will not be converted to the Fixed Rate; and (xi) that if a Credit Facility is to be provided to secure the payment of the Bonds, the name of the institution providing such Credit Facility and the principal terms of such Credit Facility; or, if a Credit Facility is not to be provided, the fact that a Credit Facility will not thereafter secure the payment of the Bonds.

Calculation of Interest. During the Weekly Rate Period or Daily Rate Period, interest with respect to the Bonds will be computed on the basis of the actual number of days elapsed in a year of 365 days (366 days in leap years) and will be payable on each Bond Payment Date as set forth in the Indenture. On and after the Fixed Rate Conversion Date, interest with respect to the Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be payable on each Bond Payment Date as set forth in the Indenture. Interest on overdue principal and, to the extent lawful, on overdue premium and interest with respect to any Bond will be payable at the rate applicable to such Bond until paid. Provisions in the Reimbursement Agreement may make different arrangements with respect to interest accruing on Credit Facility Bonds. The Trustee will compute the amount of interest payable with respect to the Bonds using the rates supplied to the Trustee by the Variable Rate

Remarketing Agent. The Variable Rate Remarketing Agent will send notice in writing to the Trustee and the Tender Agent, of the following:

(1) on the Wednesday of each week in which interest on the Bonds is payable at a Weekly Rate, of the Weekly Rate for the applicable Thursday through Tuesday period;

(2) on or before 10:30 a.m., New York time, on each Business Day of each week in which interest on the Bonds is payable at a Daily Rate, of the Daily Rate for such Business Day; and

(3) on the first Business Day after the Determination Date, the Fixed Rate set on such Determination Date.

Using the rates supplied by such notices, the Trustee will calculate the interest payable with respect to the Bonds for the applicable period. During the Weekly Rate Period or the Daily Rate Period, the Trustee will send the City at least five (5) days prior to each Bond Payment Date as set forth in the Indenture written notice of the interest that will have accrued with respect to the Bonds for the period from the preceding Bond Payment Date to the upcoming Bond Payment Date. The Variable Rate Remarketing Agent will inform the Trustee, the City, the Tender Agent and the Credit Entity orally at the oral request of any of them of any interest rate established by the Variable Rate Remarketing Agent. The Trustee will confirm the effective interest rate by telephone or in writing to any Owner (at such Owner's cost) who requests it in any manner.

The setting of the rates and the calculation of interest payable with respect to the Bonds as provided in the Indenture will be conclusive and binding on all parties.

Rescission of Opinion of Bond Counsel. Notwithstanding any provision in the Indenture to the contrary, no conversion will be made from the Weekly Rate or Daily Rate to the Fixed Rate if the Trustee and the Tender Agent receive written notice from Bond Counsel prior to such conversion that the opinion of Bond Counsel required as described under the heading "Notice and Opinion of Bond Counsel" above has been rescinded. If the Trustee has sent any notice to the Owners and the Credit Entity regarding the conversion to the Fixed Rate pursuant to Indenture, then in the event of rescission of the opinion of Bond Counsel, the Trustee will promptly notify all Owners and the Credit Entity of such rescission and that the rate will not be converted to the Fixed Rate.

Interest Rate Cap Agreement

The Authority expects to purchase an interest rate cap in connection with the delivery of the Bonds. The terms of such cap will be described in the final Official Statement for the Bonds.

Swap Agreements

The Authority may, with the prior consent of the Credit Entity, at any time that the Bonds are Outstanding enter into one or more additional contracts (each a "Swap Agreement") in order to place the Bonds, or any portion thereof, on the interest rate, currency, cash-flow, or other basis desired by the City and the Authority, including, without limitation, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures contracts, contracts providing for payments based on levels of or changes in interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, and contracts including, without limitation, interest rate floors or caps, options, puts or calls to hedge payments, currency rate, spread or similar exposure; provided, however, the Authority will enter into such a contract only if either (i) the counterpart to any such contract or the guarantor of the obligations of such counterpart has an unsecured, uninsured and unguaranteed long-term obligation rated by Moody's or S&P in one of its three highest long-term rating categories (without reference to gradations such as "plus" or "minus") or, (ii) each rating agency which then has a rating assigned by any Bond that would be secured on a parity with the Authority's obligation under said contract confirms in writing to the Trustee that the City's execution and delivery of such Swap Agreement will not result in a reduction or withdrawal of such rating.

Trustee and Tender Agent

U.S. Bank National Association, Los Angeles, California has been appointed Trustee and Tender Agent for all of the Bonds under the Indenture. The Trustee and Tender Agent may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee and Tender Agent at any time upon thirty (30) days' notice, except during the existence of an Event of Default. The Trustee and Tender Agent may be removed at any time for any breach of the Trustee's duties set forth in the Indenture.

Remarketing Agent

Gates Capital Corporation, New York, New York, has been appointed Variable Rate Remarketing Agent for the Bonds (the "Variable Rate Remarketing Agent"). Fitzgerald Public Finance, a division of Gates Capital Corporation, Los Angeles, California, has been appointed Fixed Rate Remarketing Agent for the Bonds (the "Fixed Rate Remarketing Agent" and, together with the Variable Rate Remarketing Agent, the "Remarketing Agents"). The Remarketing Agent may be removed or replaced by the Authority and may resign, all as provided in the Remarketing Agreement, dated as of December 1, 2013, by and among the Authority, the Trustee, and the Remarketing Agents.

Special Considerations Relating to the Bonds

The Variable Rate Remarketing Agent is Paid by the Authority. The responsibilities of the Variable Rate Remarketing Agent include determining the interest rate from time to time and remarketing the Bonds that are tendered by the owners thereof for optional or mandatory purchase (subject, in each case, to the terms of the Remarketing Agreement), all as further described herein. The Variable Rate Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Variable Rate Remarketing Agent may differ from those of existing Owners and potential purchasers of the Bonds.

The Variable Rate Remarketing Agent Routinely Purchases Bonds for its Own Account. The Variable Rate Remarketing Agent acts as a remarketing agent for a variety of variable rate demand obligations in addition to the Bonds for which it serves as remarketing agent and, in its sole discretion, routinely purchases such obligations for its own account. The Variable Rate Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered to achieve a successful remarketing of the Bonds (e.g., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Variable Rate Remarketing Agent is <u>not</u> obligated to purchase Bonds, and may cease purchasing Bonds at any time without notice. If the Variable Rate Remarketing Agent ceases to purchase Bonds, it may be necessary for the Trustee to draw on the Credit Facility. The Variable Rate Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at or below par. However, the Variable Rate Remarketing Agent is <u>not</u> required to make a market in any Bonds. The Variable Rate Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Variable Rate Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May Be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Variable Rate Remarketing Agent is required to determine the minimum rate of interest which, in its opinion, under then-existing market conditions, would result in the sale of the Bonds at a price equal to 100% of the principal amount thereof on the and as of such date of determination of interest. At the time a new interest rate becomes effective, the Variable Rate Remarketing Agent is required to use its best efforts to remarket the Bonds at par. Each interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Variable Rate Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on such date of determination, the Variable Rate Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Variable Rate Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Variable Rate Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. If the Variable Rate Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the date of determination, at a discount to par to some investors.

The Ability to Sell Bonds Other Than Through Tender Process May Be Limited. The Variable Rate Remarketing Agent may buy and sell Bonds other than through the tender process. However, the Variable Rate Remarketing Agent is not obligated to do so and may cease doing so at any time without notice and may require Owners that wish to sell their Bonds to instead tender their Bonds through the Trustee with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under Certain Circumstances, the Variable Rate Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, without a Successor Being Named. Under certain circumstances, the Variable Rate Remarketing Agent may be removed, may resign or may cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

Redemption

Extraordinary Redemption. The Bonds are subject to redemption prior to their respective maturity dates as a whole or in part on any date, from prepayments of Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to, destruction of or title defect with respect to, the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. Redemption of Bonds pursuant to extraordinary redemption shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued but unpaid interest thereon to the date fixed for redemption, without premium. While a Credit Facility supports the Bonds, such redemption shall be made from moneys drawn under the Credit Facility, which draw shall be reimbursed from insurance proceeds and other available amounts on deposit in the Redemption Account of the Lease Revenue Fund following deposit by the Trustee of such proceeds in Redemption Account of the Lease Revenue Fund.

Optional Redemption.

During the Weekly Rate Period or Daily Rate Period. During the Weekly Rate Period or Daily Rate Period and on the Fixed Rate Conversion Date, the Bonds are subject to optional redemption in whole or in part (in an amount of $100,000 or any integral multiple of $5,000 in excess thereof) on any Business Day, at the option of the Authority at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium.

After the Fixed Rate Conversion Date. After the Fixed Rate Conversion Date and subject to modification pursuant to the terms of the Indenture, the Bonds are subject to optional redemption in whole or in part (in integral multiples of $5,000) on any Business Day, at the option of the Authority at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Bonds are subject to mandatory redemption in part on the dates in the following years in the following amounts at a redemption price equal to the principal amount thereof together with accrued interest to the date fixed for redemption, without premium:

Redemption Date (August 1)	Principal	Redemption Date (August 1)	Principal
2016	$65,000	2030	$80,000
2017	65,000	2031	80,000
2018	65,000	2032	80,000
2019	65,000	2034	85,000
2020	65,000	2035	85,000
2021	70,000	2036	85,000
2022	70,000	2037	85,000
2023	70,000	2038	90,000
2024	70,000	2039	90,000
2025	70,000	2040	90,000
2026	75,000	2041	90,000
2027	75,000	2042	95,000
2028	75,000	2043*	95,000
2029	80,000		

* Maturity

At the Fixed Rate Conversion Date, any annual sinking fund redemption which has not yet become due may be treated as a serial maturity of principal bearing interest at the Fixed Rate payable on February 1 and August 1 thereafter to maturity.

If some but not all of the Term Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future sinking account payment on a *pro rata* basis (as nearly as practicable) in integral multiples of $5,000 (for extraordinary redemptions) or as determined by the Authority (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of Bonds and less than all Outstanding Bonds are called for redemption, the Trustee shall select Bonds for redemption, from the Outstanding Bonds not previously called for redemption, in Authorized Denominations, first from Credit Facility Bonds, if any, then with respect to an extraordinary redemption on a *pro rata* basis among maturities and by lot within a maturity, and in the case of an optional redemption from such maturities as are designated in writing by the City. The Trustee shall promptly notify the City, the Authority and the Credit Entity, if any, in writing of the Bonds so selected for redemption.

Partial Redemption of Bonds

In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All Bonds redeemed pursuant to the Indenture will be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

Notice of Redemption

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least twenty (20) but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Such notice shall further state, if so determined by the Authority, that such notice may be rescinded at any time prior to the redemption date. Any such notice given pursuant to the Indenture may be rescinded at any time prior to the redemption date by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to the Indenture.

Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Mandatory Tender of Bonds – Fixed Rate Conversion Date

In the event the City has complied with the requirements of the Indenture to change the interest rate represented by the Bonds to a Fixed Rate, all Bonds will be subject to mandatory tender and purchase on the Fixed Rate Conversion Date in accordance with the provisions of the Indenture and as described herein under the heading "Mechanics of Mandatory Tender."

Mandatory Tender of Bonds – Other than on Fixed Rate Conversion Date

The Bonds are subject to mandatory tender on the fifth Business Day prior to the date at least five days prior to the date on which the Credit Facility is scheduled to expire or terminate in accordance with its respective terms and if the Trustee has not received notice at least 40 days prior to such Bond Payment Date that an Alternate Credit Facility is to be provided. Not less than thirty days before each such Mandatory Tender Date under this paragraph, the Trustee shall send a notice to all Owners by first class mail, postage prepaid, which notice shall contain the following information: (1) that the Credit Facility is scheduled to expire or terminate and no Alternate Credit Facility will be provided, (2) that each Owner's Bond is subject to mandatory tender as provided in such notice, and (3) if any of the nationally recognized rating agencies which has a credit rating outstanding on the Bonds has indicated to the Trustee in writing that it will lower or withdraw its rating on the Bonds as of such Mandatory Tender Date, notice of such new rating, or if no new rating is available, notice that any of such rating agencies may lower or withdraw such rating as of such Mandatory Tender Date.

The Bonds are subject to mandatory tender on an Interest Rate Conversion Date for which a notice can be given.

The Bonds are subject to mandatory tender on the fifth Business Day following receipt by the Trustee of notice from the Credit Entity of the occurrence of an event of default under the Reimbursement Agreement or that the Credit Entity will not reinstate the interest portion of the Credit Facility, and in each case directing the mandatory tender of the Bonds. Not later than the third Business Day after receipt by the Trustee of such notice, the Trustee shall send to all Owners by first class mail, postage prepaid, and to the Depository also by Electronic Notice, a notice which shall contain the following information: (1) that the Credit Entity has declared an event of default under the Reimbursement Agreement or that the Credit Entity will not reinstate the interest portion of the Credit Facility, and in each case directing the mandatory tender of the Bonds, and (2) that each Owner's Bond is subject to mandatory tender on the fifth Business Day following receipt by the Trustee of such notice from the Credit Entity. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" for a description of the Events of Default which could cause a mandatory tender under the Letter of Credit and the Reimbursement Agreement.

The Bonds are subject to mandatory tender on the effective date of any Alternate Credit Facility in accordance with the provisions of the Indenture.

All notices of a Mandatory Tender Date will also be mailed by the Trustee to the Credit Entity, the Variable Rate Remarketing Agent and the Tender Agent.

Mechanics of Mandatory Tender

Owners of Bonds will be required to tender the Bonds to the Tender Agent by 11:00 a.m., New York time, on the Mandatory Tender Date for purchase at a purchase price equal to the principal amount thereof plus accrued interest thereon to and including the Mandatory Tender Date. So long as the Bonds are registered in the name of the Nominee, such tenders shall be made through the book-entry system. Any Untendered Bonds will be deemed to have been tendered. In the event of a failure by Owners of Bonds to tender Bonds on the Mandatory Tender Date, said Owners of Untendered Bonds will not be entitled to any payment (including any interest to accrue subsequent to the Mandatory Tender Date) other than the purchase price for such Untendered Bonds, and any Untendered Bonds will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price thereof. Such Untendered Bonds will be deemed purchased, canceled and no longer Outstanding under the Indenture. However, the purchase price will be paid only upon presentation of the Bonds to the Tender Agent.

In the case of the Fixed Rate Conversion Date only, if the Fixed Rate Remarketing Agent notifies the Trustee not less than fifteen days before the Fixed Rate Conversion Date that it cannot remarket all of the Bonds or if the requirements for the effectiveness of a Fixed Rate Conversion Date are not satisfied before the Fixed Rate Conversion Date, the Trustee will give notice thereof by first-class mail, postage prepaid, to all Owners, the Fixed Rate Remarketing Agent, the Credit Entity and the City and each of such parties will be restored to their respective positions as if notice of the Fixed Rate Conversion Date had not been given and no mandatory tender or conversion will occur. In addition to the mailed notice required by the preceding sentence, the Trustee will deliver a duplicate copy of such notice to the Depository and the Credit Entity by telecommunications or overnight delivery.

Option to Tender Prior to Fixed Rate Conversion Date

Prior to the Fixed Rate Conversion Date, any Owner of the Bonds may give irrevocable written notice to the Tender Agent at its Principal Office and request that the Tender Agent purchase all or any part (in Authorized Denominations) of the Bonds then outstanding and registered in the name of such Owner at an amount or price equal to the unpaid principal amount thereof plus accrued and unpaid interest thereon to, but not including, the Business Day on which the Bonds are to be tendered to the Tender Agent (the “Optional Tender Date”) and without premium. Such notice (the “Optional Tender Notice”) will specify the Optional Tender Date (which, during a Weekly Rate Period, shall not be less than seven (7) days after the date of receipt by the Tender Agent of such Optional Tender Notice, and during a Daily Rate Period, shall be the date of receipt of the Optional Tender Notice by the Tender Agent, provided with respect to a tender during a Daily Rate Period, the Optional Tender Notice shall be received by the Tender Agency prior to 9:30 a.m., New York time, on the Optional Tender Date), the CUSIP number, the principal amount being tendered in integral multiples of Authorized Denominations and, so long as the Bonds are registered in the name of the Nominee, such notice shall also specify the Participant number and the contact person of the Participant. Upon receipt of an Optional Tender Notice, the Tender Agent will, as soon as is practicable but (a) during a Daily Rate Period, in no event later than 10:15 a.m., New York time, on the day of receipt of such Optional Tender Notice and (b) during a Weekly Rate Period, in no event later than the close of business on the Business Day following the day of receipt of such Optional Tender Notice, give notice to the Trustee, the Authority, the Credit Entity and the Variable Rate Remarketing Agent of the Optional Tender Notice, the Optional Tender Date specified therein and the principal amount of Bonds to be purchased on such Optional Tender Date.

Owners providing an Optional Tender Notice will be required to tender the Bonds to the Tender Agent for purchase by 11:00 a.m., New York time, on the Optional Tender Date. In the event of a failure by Owners of Bonds to tender Bonds on the Optional Tender Date, said Owners of Bonds will not be entitled to any payment (including any interest to accrue subsequent to the Optional Tender Date) other than the purchase price for such Untendered Bonds, and any Untendered Bonds will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price thereof. However, the purchase price will be paid only upon presentment of the Bonds to the Tender Agent. Upon the cancellation of Untendered Bonds, the Trustee will execute new Bonds in the same aggregate principal amount as, and in substitution for, the Bonds not so tendered by such Owner and will hold, deliver and make available such new Bonds to the new Owner thereof in accordance with the provisions of the Indenture which will be fully applicable notwithstanding that such new Bonds are executed in substitution for the Bonds not so tendered.

From and after the Fixed Rate Conversion Date, the Tender Agent will not be required to purchase such Bonds on demand and optional tender by the Owners thereof in accordance with the provisions set forth under this heading.

Purchase of Bonds Delivered On a Tender Date

Bonds purchased from Owners on any Tender Date will be purchased at a price equal to the principal amount thereof plus accrued interest, if any, to the Tender Date in immediately available funds, but solely from the following sources of funds in the following order of priority:

(1) moneys deposited into the Remarketing Proceeds Account, other than moneys representing remarketing proceeds from the sale of Bonds to the Authority or the City, in accordance with the Indenture;

(2) moneys deposited into the Liquidity Account in accordance with the Indenture;

(3) other Available Moneys (as described in the Indenture) furnished to the Trustee; and

(4) other moneys made available to the Trustee for such purpose from the Authority or the City.

The Tender Agent or Trustee, as applicable, will promptly give notice to the Credit Entity, the Variable Rate Remarketing Agent, the Tender Agent, the Trustee and the City of any notice given by or to an Owner pursuant to certain provisions of the Indenture.

(i) With respect to Bonds in the Daily Rate Period, no later than 10:30 a.m., New York time, on each Tender Date, and (ii) with respect to Bonds in the Weekly Rate Period, no later than 11:00 a.m. New York time on the Business Day next preceding each Tender Date, the Variable Rate Remarketing Agent will give notice by telephone or facsimile, promptly confirmed in writing, to the Tender Agent and the Trustee and specifying the amount of the proceeds of the sale of such Bonds, if any, sold by the Variable Rate Remarketing Agent pursuant to the Indenture and the name, address and tax identification number of the purchasers thereof as well as the denominations of such remarketed Bonds.

The purchase price of any Bonds tendered for purchase will be payable by check mailed to the Owners of record as of the close of business on the day next preceding the Tender Date; provided, however, that the purchase price of such tendered Bonds for purchase may, at the option of any Owner, be transferred to such Owner by wire transfer on the Tender Date if prior to such Tender Date such Owner has delivered to the Tender Agent a request in writing for such wire transfer specifying the bank account number to which such transfer is to be made.

On each Tender Date, the Trustee shall draw on the Credit Facility and shall deposit the amount of such draw in the Liquidity Account to pay for the purchase price of any Bonds that cannot be paid from remarketing proceeds in the Remarketing Proceeds Account. In the event that the Trustee has not received notice from the Variable Rate Remarketing Agent as to the availability of remarketing proceeds prior to the time of its draw on the Credit Facility on a Tender Date, the Trustee shall draw on the Credit Facility to pay the purchase price of all Bonds tendered for purchase on such Tender Date. The Tender Agent shall pay, to the extent that it has received funds therefor, the purchase price of such tendered Bonds, plus accrued interest, if any, no later than 5:00 p.m., New York time, on any Tender Date.

Remarketing of Bonds by Variable Rate Remarketing Agent

Subject to the terms of the Remarketing Agreement, the Variable Rate Remarketing Agent will use its best efforts to remarket Bonds subject to purchase on a Tender Date and to remarket Bonds registered in the name of the Credit Entity. The proceeds of any sale with respect to a Tender Date will be delivered to the Tender Agent for deposit into the Remarketing Proceeds Account (i) while in the Daily Rate Period, by no later than 10:45 a.m., New York time, on the Tender Date and (ii) while in the Weekly Rate Period, by no later than 11:00 a.m., New York time, on the Business Day prior to each Tender Date. The proceeds of the sale of any Bonds registered to or on behalf of the Credit Entity will be delivered to the Tender Agent for deposit in the Remarketing Proceeds Account by 11:00 a.m., New York time, on the date of sale and the Tender Agent will remit such amounts to the Credit Entity no later than 4:00 p.m., New York time, on such date.

In the event that any Bonds are purchased for the benefit of the Credit Entity pursuant to the Indenture, the Variable Rate Remarketing Agent will continue to offer for sale and use its best efforts to sell such Bonds. So long as the Credit Facility is in effect, prior to the release of any Credit Facility Bonds or the remarketing of any Bonds purchased following the mandatory tender thereof pursuant to the Indenture, the Tender Agent shall have received written notice from the Credit Entity that the Letter of Credit has been reinstated or an Alternate Credit Facility has been delivered in an amount equal to the principal amount of the Credit Facility Bonds and interest thereon in accordance with its terms.

Delivery of Bonds

Bonds remarketed by the Variable Rate Remarketing Agent pursuant to the Indenture will be delivered to the Variable Rate Remarketing Agent, and registered in the name, or at the direction, of the respective purchasers.

Bonds purchased with moneys drawn under the Letter of Credit will be registered in the name, or at the direction, of the Credit Entity or its nominee and delivered to and held by the Tender Agent for the account of such Credit Entity, as secured party, unless the Credit Entity will make other arrangements with the Tender' Agent. The Tender Agent will notify the Variable Rate Remarketing Agent when Bonds are registered to or on behalf of the Credit Entity and the Variable Rate Remarketing Agent will remarket such Bonds in accordance with the Indenture.

Bonds purchased with Available Moneys will be delivered to the Trustee for cancellation.

Moneys in the Liquidity Account and the Remarketing Proceeds Account will be held in trust for the persons who delivered such Bonds for purchase. Following payment to persons who delivered such Bonds for purchase, to the extent that any fees or obligations are owed to the Trustee or the Credit Entity, moneys remaining in the Remarketing Proceeds Account and the Liquidity Account will be paid by the Tender Agent first to the Credit Entity for the repayment of amounts owing under the Reimbursement Agreement as certified to the Tender Agent in writing by the Credit Entity and then to the Trustee to the extent of fees and obligations owing thereto. Money remaining in such Accounts following such payments will be paid to the City.

Payment of Bonds After Discharge of Indenture

In any event any Bond shall not be presented for payment when the principal with respect thereof becomes due, either at maturity, or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited in the Credit Facility Account or if Available Moneys sufficient to pay such Bond shall have been deposited in the Lease Payment Account, all liability of the Authority to the Owner thereof for payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, said Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within two (2) years after the date on which the same were deposited with the Trustee due shall be paid by the Trustee to the City. Thereafter, Owners shall be entitled to look only to the City for payment, and then only to the extent of the amount so disbursed by the Trustee. The City shall not be liable for any interest on the sums paid to it pursuant to this section and shall not be regarded as a trustee or trustees of such money. Any such moneys held shall be held uninvested.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Revenues

The Bonds and the obligations of the City set forth in the Reimbursement Agreement shall be secured by a first lien on and pledge of all of the Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), including all of the moneys in the Interest Account and the Principal Account, and all amounts derived from the investment of such amounts on deposit in such funds. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such amounts on deposit in such funds and accounts without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such amounts on deposit. So long as any of the Bonds are Outstanding or amounts are owed to the Credit Entity under the Reimbursement Agreement, the Revenues and such amounts on deposit shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

Under the Site Lease, the Authority has agreed to lease certain Leased Property (as defined herein) from the City. Under the Lease, the Authority has agreed to sublease such Leased Property back to the City in consideration for the Base Rental Payments. Under the Assignment Agreement, the Authority has assigned without recourse all of its rights to receive Base Rental Payments and certain other rights to the Trustee for the benefit of the Owners and the Credit Entity, if any.

In addition to Base Rental Payments, the City has agreed under the Lease to pay Additional Rental to the Authority, the Trustee or the Credit Entity, if any, in such amounts as shall be required for the payment in full of payments to the Credit Entity required by the Reimbursement Agreement (other than reimbursement for draws on the Credit Facility which are payable from Base Rental Payments) and all costs and expenses not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

The City has agreed, in the Lease, to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its annual budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental, subject only to abatement as provided in the Lease. On or before the twenty-fifth (25th) day of each month immediately preceding each Bond Payment Date the City shall pay to the Trustee the Base Rental Payments coming due on the next succeeding Bond Payment Date. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease."

Special Obligations

The Indenture provides that the Bonds will be special obligations of the Authority, payable exclusively from the Revenues and other funds as is provided in the Indenture. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The principal of and interest on the Bonds, and any premium upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Indenture. The obligation of the City to make Base Rental Payments or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments and Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Leased Property

The "Leased Property" to be encumbered by the Lease consists of (i) the City's 6-acre Cameron Park, located at 1305 E. Cameron, together with recreational facilities on the site known as the "Cameron Park Community Center" comprising a 24,000 square foot multi-purpose community center that includes a gymnasium, multi-purpose rooms, kitchen facilities and office space for recreation staff; and (ii) the City Yard, is a 6.2 acre property located at 811 S. Sunset Avenue. Facilities at the City Yard include, a warehouse, maintenance administration building, electrical and vehicle maintenance buildings, fueling stations, storage, parking areas and a vehicle wash station.

The fair rental value of the Leased Property in each year during the term of the Lease is at least equal to the Base Rental Payments in each such year attributable to the Leased Property and the total principal and interest due with respect to the Bonds in each such year does not exceed the total Base Rental Payments in each such year attributable to the Leased Property.

Abatement of Base Rental Payments

The obligation of the City to pay Base Rental Payments and Additional Rental payments (collectively, the "Rental Payments") will be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the City of the Leased Property or any portion thereof. Such abatement shall be in an amount such that the resulting Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect do not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and the term of the Lease will be extended as provided therein.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See "RISK FACTORS – Abatement."

Additional Obligations

The Authority has agreed pursuant to the Indenture that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part. However, the City may issue or incur other obligations payable from the City's General Fund. See "RISK FACTORS – No Limitation on Incurring Additional Obligations" herein.

Maintenance, Utilities, Taxes and Assessments

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City. The City shall at the City's sole cost and expense keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority has no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Property. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Property.

The Authority and the City contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will continue to be exempt from all taxes presently assessed and levied with respect to real and personal property. If the use, possession or acquisition by the Authority or the City of the Leased Property is found to be subject to taxation in any form, the City will pay during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

No Reserve Fund

No reserve fund will be funded for the Bonds.

Insurance Coverages

The City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance, to the extent specifically permitted in the Lease, all coverage on the Leased Property required by the Lease. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease." In particular, the City will secure and maintain or cause to be secured and maintained rental interruption insurance in an amount not less than the maximum remaining scheduled Base Rental Payments in any 24-month period, by an insurance provider rated at least "A" by A.M. Best & Company, to insure against loss of use of the Leased Property caused by perils covered by the insurance required in the casualty insurance provisions of the Lease. Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City and must list the Trustee as an additional insured. The Net Insurance Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Revenue Fund, and shall be credited toward the payment of the Base Rental Payments in the order in which such payments come due and are payable.

Substitution and Release of Property

Pursuant to the Lease, the City shall have, so long as the Lease is in effect, the option at any time and from time to time, to substitute other real property and/or improvements for any portion of the Leased Property or release any identifiable real property and/or improvements constituting the Leased Property, provided that the City satisfies certain requirements set forth in the Lease. See "RISK FACTORS – Substitution and Release of Property" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease."

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following are brief outlines of certain provisions contained in the Letter of Credit established in favor of the Trustee and the Reimbursement Agreement between the City and the Credit Entity and are not to be considered a full statement pertaining thereto. Reference is made to the Letter of Credit and the Reimbursement Agreement on file with the Authority for the complete text thereof.

Letter of Credit

The Credit Entity will establish, at the request and for the account of the City, the Letter of Credit in favor of the Trustee. The Letter of Credit will authorize the Trustee to draw on the Letter of Credit by sight drafts in an aggregate amount not exceeding $2,209,425 (as increased, reduced or reinstated from time to time in accordance with the provisions of the Letter of Credit, the "Stated Amount") of which an amount not exceeding $2,185,000 (as reduced or reinstated from time to time in accordance with the terms of the Letter of Credit, the "Principal Portion"), may be drawn with respect to payment of the unpaid principal of or the portion of the purchase price corresponding to the unpaid principal of the Bonds and an initial amount not exceeding $24,425 (as increased, reduced or reinstated from time to time in accordance with the terms of the Letter of Credit, the "Interest Portion") may be drawn upon with respect to payment of interest actually accrued and unpaid on, or the portion of the purchase price corresponding to interest actually accrued and unpaid on, the Bonds on or prior to their stated maturity date, but in no event more than interest accrued and unpaid on the Bonds calculated at a maximum interest rate of 12% per annum (based on a year of 365 days) for the 34 days immediately preceding any drawing. The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time. The Letter of Credit will only be available to be drawn upon with respect to Bonds bearing interest at a rate other than a fixed rate pursuant to the Indenture.

The Letter of Credit will expire at 4:00 p.m. (California time) on the date (the "Expiration Date") which is the earliest of: (i) January 9, 2016, unless extended by the Bank in its sole discretion by delivery of a specified certificate (the "Stated Termination Date"), (ii) the date on which the Credit Entity honors a drawing which when added to all other drawings honored under the Letter of Credit and not subject to reinstatement in the aggregate equals the Stated Amount, (iii) the first (1st) Business Day (defined below) which is five (5) days after the date of the Credit Entity's receipt of a specified certificate stating that the Trustee has accepted an Alternate Credit Facility or no Bonds remain outstanding under the Indenture or all Bonds remaining outstanding under the Indenture have been converted to bear interest at a fixed rate until maturity, (iv) the day the Credit Entity delivers to the Trustee a specified certificate stating that an event of default under the Reimbursement Agreement has occurred and that the Letter of Credit has expired, or (v) the date when the Trustee surrenders the Letter of Credit to the Credit Entity for cancellation. The Trustee agrees to surrender the Letter of Credit to the Credit Entity, and not to make any drawing, after (a) the Expiration Date, or (b) the date on which there are no Bonds outstanding under the Indenture.

Funds under the Letter of Credit will be paid with the Credit Entity's own funds and will be made available to the Trustee against receipt by the Credit Entity of sight drafts together with specified certificates. Demands for payment under the Letter of Credit honored by the Credit Entity shall not, in the aggregate, exceed the Stated Amount, the Principal Portion and the Interest Portion, as the Stated Amount, the Principal Portion and the Interest Portion may have been increased, reduced or reinstated by the Credit Entity as provided in the Letter of Credit. Drawings by the Trustee under the Letter of Credit and presentation of a reduction certificate by the Trustee to the Credit Entity will reduce the Stated Amount and the Principal Portion and Interest Portion of the Letter of Credit available for subsequent drawings under the Letter of Credit, subject to reinstatement as provided in the Letter of Credit.

Reimbursement Agreement

General. The following summarizes certain provisions of the Reimbursement Agreement, dated as of January 1, 2014 by and between the City and the Credit Entity, as it may be amended or supplemented from time to time (the "Reimbursement Agreement"), pursuant to which the Letter of Credit is being issued. The Reimbursement Agreement, among other things, sets the terms and conditions whereby the City is required to repay to the Credit Entity any amounts drawn by the Trustee under the Letter of Credit. Among other things, the Reimbursement Agreement will also provide for the payment or reimbursement to the Credit Entity of certain specified fees, costs and expenses, affirmative and negative covenants to be observed on the part of the City and certain indemnification obligations on the part of the City. The Reimbursement Agreement will not secure the Trustee, the holders of the Bonds, or the Bonds. Reference is made to the Reimbursement Agreement for the details of the provisions thereof.

For purposes of this summary, "Bankruptcy Law" shall mean Title 11, U.S. Code, as amended or supplemented, any successor statute thereto, or any similar federal, state, or foreign law for the relief of debtors.

For purposes of this summary, "Financing Documents" shall mean the Reimbursement Agreement, the Letter Agreement, the Letter of Credit, the Bonds, the Indenture, the authorizing resolution of the City, the authorizing resolution of the Authority, the Site Lease, the Lease Agreement, the Assignment Agreement, the Purchase Contract, the Remarketing Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, the Interest Rate Cap Agreement, this Official Statement and any other document or instrument required or stated to be delivered thereunder, all in form and substance satisfactory to the Credit Entity, as the same may be amended or supplemented from time to time in compliance with the provisions of the Reimbursement Agreement.

For purposes of this summary, "Material Adverse Effect" shall mean an event or occurrence that adversely affects in a material manner (a) the Leased Property; (b) the assets, liabilities, condition (financial or otherwise), business, prospects or operations of the City, (c) the ability of the City to meet or perform its obligations (including payment of Rental Payments) under the Financing Documents on a timely basis, (d) the validity or enforceability of any Financing Document, or (e) the rights or remedies of the Credit Entity under any Financing Document.

For purposes of this summary, "Taxable Date" shall mean the date as of which interest on the Bonds is first includable in gross income for federal income tax purposes, as determined pursuant to either (a) an opinion of Bond Counsel, or (b) a final decree or judgment of any federal court or a final action by the Internal Revenue Service that is delivered to the Credit Entity and the City.

Events of Default. Each of the following events, acts or occurrences shall constitute an "Event of Default" under the Reimbursement Agreement:

(a) (i) the City shall default in the payment when due of any Base Rental Payments, the payment when due of the portion of any payment of Additional Rental payable to the Credit Entity under the Reimbursement Agreement with respect to the Bank Advance, or the reimbursement to the Credit Entity of any drawings or principal of or interest on any Bank Bonds or (ii) the City shall default in the payment within five (5) days following the due date of any other amount owing by the City under the Reimbursement Agreement; or

(b) the City shall default in the performance or observance of (i) any term, covenant, condition or agreement on its part to be performed or observed under certain affirmative covenants or any negative covenant set forth in the Reimbursement Agreement or (ii) any other term, covenant, other condition or agreement on its part to be performed or observed and, solely in the case of clause (ii), such Default shall continue unremedied for thirty (30) days after written notice thereof shall have been given to the City by the Credit Entity; or

(c) any of the City's representations or warranties made in the Reimbursement Agreement or in any statement or certificate at any time made or deemed made by or on behalf of the City pursuant thereto or in connection therewith, and/or in any of the other Financing Documents, is false or misleading in any material respect when made or deemed made; or

(d) the City or the Authority shall either (i) become insolvent or generally fail to pay, or admit in writing its inability to pay, its debts as they become due; or (ii) voluntarily commence any proceeding or file any petition under the Bankruptcy Law or similar law seeking dissolution or reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it in any bankruptcy, insolvency or similar proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors or declare a moratorium with respect to the payment of its debts, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business; or (iii) take any action for the purpose of effectuating any of the foregoing; or

(e) involuntary proceedings or an involuntary petition shall be commenced or filed against the City or the Authority under the Bankruptcy Law or similar law seeking the dissolution or reorganization of the City or the Authority or the appointment of a receiver, trustee, custodian or liquidator for the City or the Authority or of a substantial part of the property, assets or business of the City or the Authority, or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of the City or the Authority, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within thirty (30) days after commencement, filing or levy, as the case may be; or

(f) an event of default on the part of the City or the Authority under any of the Financing Documents to which it is a party shall have occurred and be continuing; or

(g) the City shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any debt payable from or secured by the City's general fund outstanding in a principal amount of $500,000 or more, and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating thereto; or any other default under any agreement or instrument relating thereto, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity thereof; or any such debt shall be properly declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(h) a final judgment or order for the payment of money in excess of $1,000,000 shall be rendered against the City and not satisfied by the City and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any material provision of the Reimbursement Agreement or any other Financing Document to which the City or the Authority is a party shall at any time for any reason cease to be valid and binding on the City or the Authority, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or the Authority, or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the City or the Authority seeking to establish the invalidity or unenforceability thereof, or the City or the Authority shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any other Financing Document to which it is a party; or

(j) any of the funds or accounts established pursuant to the Indenture or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy; or

(k) any pledge or security interest created by the Indenture, the Lease Agreement, the Assignment Agreement or the Reimbursement Agreement to secure any Base Rental Payments or Additional Rental or any amount due by the City under the Reimbursement Agreement or with respect to the Bonds shall fail to be fully enforceable with the priority required thereunder; or

(l) the long-term unenhanced ratings assigned to any debt payable from or secured by the City's general fund shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa3 by Moody's, BBB- by S&P or BBB- by Fitch; or

(m) the City or the Authority is dissolved or its existence is terminated; or

(n) a Taxable Date occurs.

Remedies. Upon the occurrence and during the continuance of any Event of Default, the Credit Entity at its option, may, upon notice to the Trustee and the City, do any one or more of the following:

(a) require, in accordance with the Indenture, the Trustee to give notice of mandatory tender of Bonds in an amount equal to the Base Rental Payments remaining unpaid under the Lease Agreement and to purchase all such Bonds at a price equal to the principal amount thereof and interest accrued with respect thereto and to register the Bonds in the name or on behalf of the Credit Entity or its nominee pursuant to the Indenture; or

(b) exercise any or all rights provided or permitted by law or granted pursuant to any of the Financing Documents in such order and in such manner as the Credit Entity may, in its sole judgment, determine.

No Waiver of Remedies. No waiver of any breach of or default under any provision of any of the Financing Documents shall constitute or be construed as a waiver by the Credit Entity of any subsequent breach of or default under that or any other provision of any of the Financing Documents.

Remedies Not Exclusive. No remedy conferred upon the Credit Entity in the Reimbursement Agreement is intended to be exclusive of any other remedy therein or in any other agreement between the parties thereto or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given thereunder or then existing at law, in equity or by statute.

THE CREDIT ENTITY

The following information concerning the Credit Entity has been provided by representatives of the Credit Entity and has not been confirmed or verified by any of the Authority, the City, the Underwriter or the Variable Rate Remarketing Agent. No representation is made herein to the accuracy or adequacy of such information or as to the absence of material adverse changes to such information subsequent to the date hereof, or that the information contained or incorporated herein by reference is correct as of any time subsequent to its date.

Bank of the West (the initial "Credit Entity") is a California banking corporation organized under the laws of the State of California and the largest subsidiary of BancWest Corporation ("BancWest"), which is a wholly-owned subsidiary of BNP Paribas, a French corporation ("BNP Paribas"). BNP Paribas is a European leader in global banking and financial services and one of the six strongest banks in the world according to Standard & Poor's. The group is present in more than 80 countries with more than 200,000 employees.

Bank of the West is a financially strong regional financial services company with community bank roots dating back more than 135 years. It is the third-largest commercial bank based in California and operates a network of more than 700 commercial and retail banking locations throughout 19 Western, Rocky Mountain, and Midwestern states as well as representative offices in New York, Tokyo, and Taipei. The Credit Entity has more than 10,000 employees serving the needs of 1.5 million customers.

Through four major business areas – Commercial Banking, Regional Banking, National Finance, and Wealth Management – the Credit Entity and its subsidiaries offer clients a broad range of retail, small business and commercial banking products and services to fit their evolving financial needs. In addition to banking products, the Credit Entity and its subsidiaries provide clients with comprehensive investment services through BancWest Investment Services, and insurance products and services through BW Insurance Agency, Inc.

As of June 30, 2013, Bank of the West had total assets of approximately $64 billion and total deposits of $47 billion. Net income for the six months ending June 30, 2013 was $286 million. Net income for the full fiscal year ending December 31, 2012 was $555 million. As of June 30, 2013, the Tier I Risk-Based Capital Ratio was 14.97%; Total Risk-Based Capital Ratio was 16.23%; and Tier I Leverage Ratio 12.95%.

The Credit Entity's current Credit Ratings are as follows:

Standard and Poor's:
Long Term Rating: A
Short Term Rating: A-1

Fitch:
Long Term Deposit Rating: A+
Short Term Deposit Rating: F1

Moody's:
Long Term Rating: A2
Short Term Rating: P-1

The principal offices of the Credit Entity are located at 180 Montgomery Street, San Francisco, California, 94104, and its telephone number is (925) 942-8300. The Bank files financial reports with the Federal Deposit Insurance System ("FDIC") and those reports may be viewed on the FDIC's web site at: http://www.fdic.gov.

THE CITY

General

The City encompasses 17 square miles in northeastern portion of the County of Los Angeles, and is located approximately 20 miles northeast of the City of Los Angeles. Neighboring communities include Covina, Baldwin Park, Walnut, Industry and La Puente. See "APPENDIX A – SELECTED DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WEST COVINA" and "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WEST COVINA FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Governance

The City was incorporated on February 23, 1923 under the general laws of the State. The City Council is the governing body of the City with the authority to adopt and enforce municipal laws and regulations. City Council members are elected at-large to serve four-year terms. They consist of four City Councilmembers and the Mayor who is appointed by the City Council to serve a one-year term. The appointment is made on a rotating basis, based on seniority. There are no term limits for Councilmembers.

The members of the City Council, the expiration dates of their terms and the key administrative personnel are set forth below.

CITY COUNCIL

Council Member	Term Expires
Steve Herfert, Mayor	2015
Fredrick Sykes, Mayor Pro Tem	2015
James Toma, Councilmember	2017
Corey Warshaw, Councilmember	2017
Mike Spence, Councilmember	2015

CITY ADMINISTRATIVE PERSONNEL

Staff Member	Title
Christopher J. Chung	City Manager
Mike Lee	Assistant City Manager
Nita McKay	Finance and Administrative Services Director
Sue Rush	Assistant City Clerk
Arnold M. Alvarez-Glasman	City Attorney

The City's budget for Fiscal Year 2013-14 includes 326 full-time positions. The City provides both police and fire protection. In addition to public safety, other City services include building permit and inspection, landscape and public infrastructure maintenance, weed abatement, municipal code compliance and landfill enforcement, extensive parks and recreation programs and facilities, as well as a local bus shuttle and paratransit system.

Budget Process and Administration

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.

CITY FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements of the City audited by White Nelson Diehl Evans LLP (the "Auditor") are included hereto as "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WEST COVINA FOR THE FISCAL YEAR ENDED JUNE 30, 2013." The Auditor's letter concludes that the financial statements 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, as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.

General Fund

The following tables reflect the City's General Fund balance sheet and revenues, expenditures and fund balances for the Fiscal Years 2008-09 through 2012-13, derived from the audited financial statements of the City.

[Remainder of page intentionally left blank.]

CITY OF WEST COVINA
GENERAL FUND BALANCE SHEET
Fiscal Years 2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
ASSETS					
Cash and investments	$7,133,437	$ 6,799,084	$ 5,460,500	$11,673,270	$13,947,580
Receivables:					
Accounts	171,196	216,610	278,800	229,050	58,627
Taxes	2,577,013	2,696,505	3,120,140	3,695,864	3,186,513
Interest	54,834	14,346	20,872	11,273	9,267
Other	-	-	-	-	293,425
Due from other funds	2,851,580	826,181	1,892,989	-	483,818
Advances to Successor Agency	-	-	-	16,145,414	6,480,000
Due from other agencies	58,454	34,849	43,867	23,775	65,850
Prepaids and other assets	44,510	60,765	60,988	57,254	141,695
Due from Successor Agency	-	-	-	489,646	777,520
Advances to other funds	27,242,040	25,224,571	21,521,409	-	-
TOTAL ASSETS	$40,133,064	$35,872,911	$32,399,565	$32,325,546	$25,444,295
LIABILITIES					
Accounts payable	665,597	576,981	397,420	450,719	596,899
Other accrued liabilities	2,257,459	2,379,916	1,258,719	2,031,357	1,615,829
Due to other funds	-	77,050	30,088	60,343	-
Due to Successor Agency	-	-	-	48,558	12,205,531
Deposits	377,135	306,800	344,720	344,720	295,374
Deferred revenue	1,365,550	964,214	755,341	621,879	-
TOTAL LIABILITIES	4,665,741	4,304,961	2,786,288	3,557,576	14,713,633
FUND BALANCES					
Nonspendable	-	-	20,827,056	15,580,789	6,621,695
Unassigned	-	-	8,786,221	13,187,181	4,108,967
Reserved for:					
Encumbrances	-	36,142	-	-	-
Prepaids and other assets	44,510	60,765	-	-	-
Advances to other funds	22,576,490	21,760,357	-	-	-
Unreserved, Reported in General fund	12,846,323	9,710,686	-	-	-
TOTAL FUND BALANCES	35,467,323	31,567,950	29,613,277	28,767,970	10,730,662
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$40,133,064	$35,872,911	$32,399,565	$32,325,546	$25,444,295

Source: City of West Covina.

CITY OF WEST COVINA GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2008-09 through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES:					
Taxes	$37,781,768	$35,118,020	$36,232,934	$37,256,315	$39,525,933
Special assessments	-	-	-	-	-
Licenses and permits	1,085,650	904,985	1,099,083	866,642	1,156,196
Fines and forfeitures	195,325	201,339	157,041	155,484	234,240
Investment income	3,278,279	3,063,036	2,674,829	1,459,110	(152,230)
Rental income	302,658	288,319	380,882	381,696	370,913
Revenue from other agencies	1,507,997	1,349,097	1,763,196	2,345,761	3,056,880
Charges for services	3,146,647	3,285,523	5,718,422	5,650,369	5,514,004
Other revenues	1,422,382	739,518	1,029,135	230,083	3,301,660
TOTAL REVENUES	48,720,706	44,949,837	49,055,522	48,345,460	53,007,596
EXPENDITURES:					
Current:					
General government	4,647,495	4,572,167	4,165,095	4,734,992	4,642,490
Less interfund revenues	(1,979,438)	(1,610,642)	-	-	-
Public safety	43,214,194	42,980,283	40,833,468	42,585,679	40,354,067
Public works	5,229,300	4,665,175	4,398,243	4,348,857	3,922,636
Community services	915,840	787,274	1,962,481	1,884,011	1,763,704
Community development	499,571	431,979	401,262	465,656	481,341
TOTAL EXPENDITURES	52,526,962	51,826,236	51,760,549	54,019,195	51,164,238
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,806,256)	(6,876,399)	(2,705,027)	(5,673,735)	1,843,358
OTHER FINANCING SOURCES (USES):					
Transfers in	1,957,412	3,118,140	1,666,623	5,503,428	2,478,900
Transfers out	(2,510,863)	(141,114)	(916,269)	(675,000)	(1,110,500)
TOTAL OTHER FINANCING SOURCES (USES)	(553,451)	2,977,026	750,354	4,828,428	1,368,400
CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	-	-	-	-	3,211,758
EXTRAORDINARY ITEMS					
Gain(Loss) on transfer of advance	-	-	-	-	(1,620,000)
Loss on return of disallowed transfers	-	-	-	-	(17,179,359))
Loss on return of interest payments	-	-	-	-	(2,449,707)
NET CHANGE IN FUND BALANCES	(4,359,707)	(3,899,373)	(1,954,673)	(845,307)	(18,037,308)
FUND BALANCES (DEFICIT) – BEGINNING OF YEAR	39,827,030	35,467,323	31,567,950	29,613,277	28,767,970
FUND BALANCES (DEFICIT) – END OF YEAR	$35,467,323	$31,567,950	$29,613,277	$28,767,970	$10,730,662

Source: City of West Covina.

CITY OF WEST COVINA
GENERAL FUND REVENUES AND EXPENDITURES
Fiscal Years 2012-13 and 2013-14

	Actual 2012-13	Adopted Budget 2013-14
Revenues:		
Property taxes	$19,133,162	$19,625,000
Sales taxes	13,307,736	15,425,000
Transient occupancy taxes	1,228,062	1,250,000
Franchise fees	3,361,812	3,350,000
Motor vehicle in-lieu	57,902	60,000
Use of money and property	218,683	720,000
Business licenses	2,089,460	1,250,000
All other revenues	13,610,779	9,769,540
Transfers in	2,478,900	2,685,237
Total Revenues	$55,486,496	$54,134,777
Expenditures:		
General government	$ 4,642,490	$ 5,130,675
Public safety	40,354,067	40,990,144
Public works	3,922,636	4,218,171
Community services	1,763,704	1,904,121
Community development	481,341	506,009
Transfers out	1,110,500	1,353,590
Total Expenditures and transfers out	$52,274,738	$54,102,710
Loss or Transfer of Advance	$ 3,229,083	-
Ending Unassigned Fund Balance	$16,314,498	$16,346,565

Source: City of West Covina.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of l½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of l½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Taxable Property and Assessed Valuation

The tables below set forth the assessed valuation for secured and unsecured property and tax levies and collections within the City.

CITY OF WEST COVINA
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Secured	Unsecured	Total
2008-09	$8,612,770,792	$165,246,871	$8,778,017,663
2009-10	8,392,455,137	177,464,312	8,569,919,449
2010-11	8,384,860,755	167,778,142	8,552,638,897
2011-12	8,552,654,130	164,604,305	8,717,258,435
2012-13	8,661,967,990	170,455,592	8,832,423,582

Source: City of West Covina.

CITY OF WEST COVINA
SECURED TAX LEVIES AND COLLECTIONS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Total Secured Tax Levy for Fiscal Year[1]	Collections within the Fiscal Year of the Levy: Amount	Collections within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
2008-09	$9,207,210	$8,509,721	92.42%	$104,568	$8,614,289	93.56%
2009-10	8,913,839	8,152,304	91.46	111,790	8,264,094	92.71
2010-11	8,782,946	8,287,440	94.36	201,261	8,488,701	96.65
2011-12	8,961,279	8,280,265	92.40	(167,269)	8,113,001	90.53
2012-13	9,094,235	8,853,013	97.35	(75,056)	8,777,957	96.52

Source: City of West Covina and Los Angeles County Auditor-Controller.
[1]Includes City property taxes and Community Development Commission tax increment, prior to any passthroughs to other agencies.

Redevelopment Agencies

The California Redevelopment Law (Part 1 of Division 24 of the Health & Safety Code of the State) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area was formed. In effect, local taxing authorities, such as the City, realized tax revenues only on the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. There are two redevelopment projects in the City, the merged West Covina Redevelopment Project and the City-Wide Redevelopment Project.

The State Legislature approved a bill, AB X1 26, during the 2011-12 State budget process. AB X1 26 eliminates redevelopment agencies State-wide. The California Redevelopment Association and the League of California Cities filed a petition with the California Supreme Court (the "Court"), requesting the Court to review the constitutionality of AB X1 26. On December 29, 2011, the Court issued its opinion and upheld AB X1 26. As a result of the decision, all California redevelopment agencies, including the City's Community Development Commission, were dissolved as of February 1, 2012. Certain tax revenues allocable to the former redevelopment agency will continue to be available to the City, as successor agency to the Community Development Commission, to pay certain obligations, and some of those revenues may be redirected to other taxing agencies, such as the City, school districts and the County. The City's General Fund was impacted by the implementation of AB X1 26 and those impacts have been incorporated into the City's Fiscal Year 2013-14 budget. See "RISK FACTORS – State Budget; Redevelopment Agency Legislation."

The following table sets forth total assessed valuations and redevelopment agency incremental values.

CITY OF WEST COVINA
TOTAL AND NET PROPERTY TAX VALUATIONS
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Total Assessed Valuation	Redevelopment Agency Incremental Value	Net Value
2008-09	$8,778,017,663	$1,926,735,439	$6,851,282,224
2009-10	8,569,919,449	1,985,469,365	6,584,450,084
2010-11	8,552,638,897	1,985,533,437	6,567,105,460
2011-12	8,717,258,435	2,043,684,172	6,673,574,263
2012-13	8,832,423,582	2,072,855,208	6,759,568,374

Source: City of West Covina.

Redevelopment Agency Dissolution Issues

California Department of Finance and State Controller's Office Payment Demands. In connection with the dissolution of the Redevelopment Agency of the City of West Covina (the "Predecessor Agency") pursuant to ABx1 26, the California Department of Finance ("DOF") has undertaken a due diligence review ("DDR") of the Predecessor Agency's asset valuations, accounting and funding sources. As a result of its DDR, the DOF has demanded that the City return approximately $11.5 million in payments received from the Predecessor Agency between January 1, 2011 and February 1, 2012. These payments were made in accordance with repayment schedules for four loan agreements made between the City and the Predecessor Agency on or before January 31, 2012 and therefore prior to the enforcement date of AB 1x26. In this context, the State Controller's Office ("SCO") (which, pursuant to AB 1484, reviews transactions between a city and its redevelopment agency between January 1, 2011 and the date the agency was dissolved), has also issued a draft audit demanding that the City return $8.4 million to the Successor Agency to the Redevelopment Agency of the City of West Covina (the "Successor Agency") based upon the same transactions between the City and the Predecessor Agency included in the DOF's payment demand. The City has provided a written response to the SCO's draft audit findings, and expects a final audit report to be issued by the SCO by the end of 2013

In addition, the City has initiated litigation against the DOF, naming the SCO as a party, challenging the payment demands described above (*Successor Agency to the former West Covina Community Development Commission and City of West Covina v. Ana J. Matosantos, et al.*, Superior Court of the State of California for the County of Sacramento case no. 34-2013-80001479). A hearing in the action was scheduled for and conducted on December 6, 2013. No ruling has been made on this case at this time. While City officials believe there is factual evidence in support of its lawsuit and believes that the payment demand will, at a minimum, be significantly reduced if not required at all, the City is unable to express an opinion with respect to the likelihood of an outcome of this matter or to estimate the amount the payment claim might be, if any. Should the City be unsuccessful (or only partially successful) in its lawsuit, the City will be required to repay any outstanding amount of the payment claim in a lump sum. The City can attempt to negotiate a repayment schedule, but there is no guarantee that payment, if any, will not be required in full. Failure by the City to make any such payment may give rise to sales, use, and property tax withholdings by the DOF in a manner recently asserted by the DOF against other California cities in similar circumstances. Accordingly, the result of the DOF's and SCO's payment claims and the outcome of the City's suit may have an impact on the City's General Fund and such impact may be material.

State Legislative Shifts of Property Tax Allocation

Beginning in 1992-93, the State has required that local agencies including cities remit a portion of property taxes received to augment school funding. These funds are deposited in each county's Education Revenue Augmentation Fund ("ERAF"). This was a permanent shift of property tax from the City's General Fund.

On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget to close an anticipated $26.3 billion budget shortfall. The approved amendments included borrowing from local governments by withholding the equivalent of 8% of Fiscal Year 2008-09 property related tax revenues from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State must repay with interest within three years. The City participated in the Proposition 1A securitization program undertaken by the California Statewide Community Development Authority, whereby the City sold the $1,722,830 receivable that resulted from the State borrowing of property tax revenues. The State may not implement additional borrowing under Proposition 1A in 2011-12, but could as soon as 2012-13.

In addition, certain other provisions in the State budget have resulted in a realignment of property tax revenues:

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, to be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the ERAF to be redirected to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 12 years. The sales tax estimated to be received through an in lieu payment from State property tax revenues, approximately $3.3 million, is included in sales taxes set forth on the Table captioned "Tax Revenues by Source by Fiscal Year" below.

The City receives a portion of Department of Motor Vehicles license fees ("VLF") collected state-wide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The City's budgeted VLF amount of $250,000 for Fiscal Year 2011-12 was based on the VLF expected to be paid to the City. Actual receipt for Fiscal Year 2011-12 was $55,880, and the City has not budgeted any direct receipt of VLF for Fiscal Year 2012-13, only VLF backfill payments. The State VLF backfill to be received through an in lieu payment from State property tax revenues, approximately $8.7 million in Fiscal Year 2011-12 and $8.85 million in Fiscal Year 2012-13, is included in property taxes set forth on the table below.

CITY OF WEST COVINA
TAX REVENUES BY SOURCE
BY FISCAL YEAR

	2009-10	2010-11	2011-12	2012-13	Adopted Budget 2013-14
Property Taxes	$17,841,038	$17,805,276	$18,081,572	$19,133,162	$19,625,000
Sales and Use Taxes	11,043,774	11,974,841	12,481,987	13,307,736	15,425,000
Franchise Taxes	3,093,538	3,159,080	3,224,053	3,361,812	3,350,000
Transient Occupancy Taxes	647,123	756,573	1,052,091	1,228,062	1,250,000
Business License Taxes	2,075,987	2,182,985	1,962,157	2,089,460	1,750,000
Other Taxes	416,560	354,151	454,960	405,701	470,000
Total General Fund Tax Revenues	$35,118,020	$36,232,906	$37,256,820	$39,525,933	$41,870,000

Source: City of West Covina.

Long-Term Lease Obligations

The following table sets forth a summary of the long-term General Fund lease obligations. See "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WEST COVINA FOR THE FISCAL YEAR ENDED JUNE 30, 2013," including Note 8 for a description of outstanding City obligations. The City has no long-term general obligation bonded indebtedness outstanding. The City has no authorized and unissued general obligation debt.

CITY OF WEST COVINA
GENERAL FUND OBLIGATIONS

Issue	Original Amount	Amount Outstanding	Final Maturity
Variable Rate Lease Revenue Refunding Bonds, 2002 Series B	$19,205,000	$16,110,000	09/01/35
Lease Revenue Bonds, 2003 Series A(1)	3,625,000	2,360,000	08/01/23
Variable Rate Lease Revenue Bonds, 2004 Series A	8,165,000	6,370,000	05/01/34
Variable Rate Lease Revenue Bonds, 2004 Series B	5,335,000	4,820,000	05/01/34
Variable Rate Lease Revenue Bonds, 2005 Series C	2,735,000	2,350,000	09/01/34
Lease Revenue Bonds, 2006 Series A	10,710,000	10,580,000	06/01/36
Lease Revenue Bonds, 2006 Series B (Taxable)	7,295,000	7,055,000	06/01/36

(1) The Authority will apply a portion of the net proceeds of the Bonds redeem the Prior Bonds.
Source: City of West Covina.

Direct and Overlapping Bonded Debt

The following table presents a statement of the outstanding direct and overlapping debt for properties within the City as of December 1, 2013.

CITY OF WEST COVINA

2013-14 Assessed Valuation: $9,084,799,965

OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable[(1)]**	**Debt 12/1/13**
Los Angeles County Flood Control District	0.837%	$ 165,475
Metropolitan Water District	0.421	695,008
Mount San Antonio Community College District	12.883	50,079,799
Baldwin Park Unified School District	0.300	288,612
Bassett Unified School District	0.068	26,523
Covina Valley Unified School District	31.813	37,174,381
Hacienda-La Puente Unified School District	1.411	1,240,388
Rowland Unified School District	15.018	31,550,314
Walnut Valley Unified School District	0.729	856,520
West Covina Unified School District	95.218	27,132,369
Los Angeles County Regional Park and Open Space Assessment District	0.811	921,418
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$150,130,807
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.811%	$ 13,484,218
Los Angeles County Superintendent of Schools Certificates of Participation	0.811	77,287
Los Angeles County Sanitation District No. 15 Authority	2.019	449,328
Los Angeles County Sanitation District No. 21 Authority	2.580	338,434
Los Angeles County Sanitation District No. 22 Authority	21.720	2,463,367
Baldwin Park Unified School District General Fund Obligations	0.300	122,625
Covina Valley Unified School District General Fund Obligations	31.813	1,590,650
Rowland Unified School District General Fund Obligations	15.018	750,900
City of West Covina General Fund Obligations	**100.**	**48,910,000** [(2)]
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 68,186,809
Less: Los Angeles County General Fund Obligations supported by landfill revenues		44,539
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 68,142,270
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		
Tax Allocation Bonds	100. %	$ 21,905,000
Lease Revenue Bonds	100.	2,900,000
Special Tax Bonds	100.	30,465,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$ 55,270,000
GROSS COMBINED TOTAL DEBT		$273,587,616[(3)]
NET COMBINED TOTAL DEBT		$273,543,077

(1) Based on 2012-13 ratios.
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.65%
Total Direct Debt ($48,910,000)... 0.54%
Gross Combined Total Debt 3.01%
Net Combined Total Debt... 3.01%

Ratios to Redevelopment Incremental Valuation ($2,108,335,265):
Total Overlapping Tax Increment Debt................................ 2.62%

Source: California Municipal Statistics.

Retirement Programs

California Public Employees Retirement System Plan Description. The City 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.

Funding Policy. Participants are required to contribute either 7% or 8% of their annual covered salary for miscellaneous employees and 9% for safety employees. Both public safety and miscellaneous employees make their own contributions to PERS. Benefit provisions and all other requirements are established by state statute and City contracts with employee bargaining groups.

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, 2014 to June 30, 2015 has been determined by an actuarial valuation of the plan as of June 30, 2012. The contribution rate indicated for the period is 43.275% of payroll for the safety plan and 17.090% 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, 2013, 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.

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 the miscellaneous plans are amortized over a period ending June 30, 2041.

Contribution Rates. The contribution requirements of plan members and the City are established by PERS. These rates are factored into the City's 2013-14 budget. PERS set contribution rates for 2011-12 based on a negative (5.1%) return on investments which occurred in 2007-08. For the Fiscal Year 2008-09, the PERS portfolio had lost more than 23% of its value. This loss began affecting PERS contribution rates in 2012-13. A history of the PERS portfolio rate of return is shown below. From July 1, 2011 to June 30, 2012, the PERS portfolio rate of return was 0.1%.

CITY OF WEST COVINA
PERS HISTORICAL INVESTMENT RETURNS

Fiscal Year	Rate of Return
2002-03	3.7%
2003-04	16.6
2004-05	12.3
2005-06	11.8
2006-07	19.1
2007-08	(5.1)
2008-09	(24.0)
2009-10	13.3
2010-11	21.7
2011-12	0.1

Source: California Public Employees' Retirement System.

The City's percentage of payroll for PERS payments for each retirement account for 2005-06 through 2012-13 and estimates for 2013-14 and 2014-15 are shown in the table below.

CITY OF WEST COVINA
HISTORICAL AND PROJECTED PERS RATES

Fiscal Year	Miscellaneous	Safety
2005-06	06.986%	27.234%
2006-07	10.017	26.728
2007-08	09.529	25.512
2008-09	08.596	25.197
2009-10	09.131	27.246
2010-11	09.660	27.535
2011-12	14.207	33.657
2012-13	13.713	35.233
2013-14*	14.734	38.955
2014-15*	14.090	43.275

Source: California Public Employees' Retirement System.
* Estimated.

In March 2012, PERS voted to decrease the investment rate of return used in future actuarial valuations from the current 7.75% to 7.5%. The City estimates that this change, if implemented over a two year period being discussed by PERS, would increase the 2013-14 contribution rates shown above for the Miscellaneous employee plan by 0.53% (e.g., from 14.20% to 14.73% of payroll) and the 2014-15 contribution rates by a cumulative 2.49% (e.g., from 14.60% to 17.09% of payroll), and for the Safety employee plan by 3.26% (e.g., from 35.70% to 38.96% of payroll) and the 2014-15 contribution rates by a cumulative 7.18% (e.g., from 36.10% to 43.28% of payroll).

Annual Pension Costs. The City's annual pension cost for 2011-12 and the two previous years was $7,936,018, $6,277,362 and $6,473,430, respectively. These were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included; (a) 7.5%

investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% to 14.20% for miscellaneous employees and 3.30% to 14.20% for safety employees, depending on age, service, and type of employment, (c) 2.75% per year cost-of-living adjustments and (d) 3.00% payroll growth. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liabilities (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2012 was 30 years for both miscellaneous employees and safety employees for prior and current service unfunded liability.

CITY OF WEST COVINA
TEN YEAR TREND INFORMATION FOR EMPLOYER CONTRIBUTIONS
(ALL PLANS COMBINED)
(in $ thousands)

Fiscal Year	Annual Pension Cost	Annual Required Contribution	Percentage of APC Contributed	Net Pension Obligation
2002-03	$1,431	$1,431	100%	-
2003-04	3,095	3,095	100	-
2004-05	5,103	5,103	100	-
2005-06	5,650	5,650	100	-
2006-07	6,113	6,113	100	-
2007-08	6,486	6,486	100	-
2008-09	5,265	5,265	100	-
2009-10	6,473	6,473	100	-
2010-11	6,277	6,277	100	-
2011-12	7,936	7,936	100	

Set forth below is a ten-year summary of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30 of each year indicated for the City's combined employee groups. The schedule 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.

CITY OF WEST COVINA
HISTORICAL FUNDING PROGRESS (ACTUARIAL VALUE)
(ALL PLANS COMBINED)
(in $ thousands)

Actuarial Valuation Date June 30	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Covered Payroll
2003	$215,528	$235,362	$19,834	91.6%	$27,358	72.5%
2004	225,516	255,785	30,269	88.2	28,523	106.1
2005	240,427	266,612	26,185	90.2	27,546	95.1
2006	258,065	281,504	23,439	91.7	27,544	85.1
2007	277,394	311,642	34,248	89.0	31,881	107.4
2008	293,966	332,400	38,434	88.4	33,465	114.8
2009	304,009	366,544	62,535	82.9	34,206	182.8
2010	314,888	379,297	64,409	83.0	32,776	196.6
2011	327,220	401,874	74,654	81.4	30,500	244.8
2012	335,022	408,095	83,073	80.1	27,868	298.1

Set forth below is a six-year summary of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30 of each year indicated for the City's safety and miscellaneous employee groups.

CITY OF WEST COVINA
HISTORICAL FUNDING PROGRESS (ACTUARIAL VALUE)

Safety Employees
(in $ thousands)

Valuation Date June 30	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ Liability Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
2007	$218,973	$186,780	$32,193	85.3%	$18,185	177.0%
2008	233,093	197,914	35,179	84.9	19,632	179.2
2009	255,522	204,352	51,170	80.0	20,372	251.2
2010	265,268	211,332	53,936	79.7	19,282	279.7
2011	281,287	219,238	62,049	77.9	17,641	351.7
2012	295,827	224,513	71,314	75.9	17,823	400.1

Miscellaneous Employees
(in $ thousands)

Valuation Date June 30	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ Liability Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
2007	$ 92,669	$90,614	$ 2,055	97.8%	$13,696	15.0%
2008	99,307	96,052	3,255	96.7	13,833	23.5
2009	111,022	99,657	11,365	89.8	13,834	82.2
2010	114,029	103,556	10,473	90.8	13,494	77.6
2011	120,586	107,982	12,605	89.5	12,859	98.0
2012	122,269	110,510	11,759	90.4	10,045	117.1

A historical comparison of actuarial value of assets to the market value of assets in the plans is shown below.

CITY OF WEST COVINA
TEN YEAR TREND INFORMATION FOR ASSET VALUES
(ALL PLANS COMBINED)

Actuarial Valuation Date June 30	Actuarial Valuation of Assets	Market Value of Assets	% of Actuarial Value to Market Value	Funded Ratio (Actuarial)	Funded Ratio (Market)
2003	$215,528	$195,935	110.0%	91.6%	83.2%
2004	225,516	221,919	101.6	88.2	86.8
2005	240,427	247,636	97.1	90.2	92.9
2006	258,065	274,110	94.1	91.7	97.4
2007	277,394	322,548	86.0	89.0	103.5
2008	293,966	300,956	97.7	88.4	90.5
2009	304,009	221,174	137.5	82.9	60.3
2010	314,888	245,475	128.3	83.0	64.7
2011	327,220	289,315	113.1	81.4	72.0
2012	335,023	279,248	119.9	80.1	66.8

Public Agency Retirement System

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 the Government Code. Phase II Systems is the PARS Trust Administrator.

Employer Paid Member Contribution Replacement Supplemental Retirement Plan

Participants in this plan include all full-time employees and council members, except members of the Police Officers Association. The Employer Paid Member Contribution ("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 0.70% 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.

Annual Pension Costs. 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 $133,148. For the Fiscal Year ended June 30, 2010, the City's required contributions were $108,218 and actual contributions were $187,218. The required contribution was based on the June 30, 2007 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.

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 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%. To be eligible for this benefit, participants must have five years of service with the City and must retire into CalPERS 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% at 55 formula currently in-place with the City. Tier 3 hires after January 1, 2013 are not eligible to participate in PARS.

Annual Pension Costs. 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. For the Fiscal Year ended June 30, 2010, the City's required and actual contributions were $167,382. The required contribution was based on the pay-as-you go method. The City performs biennial actuarial valuations using entry age normal actual 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.

CITY OF WEST COVINA
FOUR-YEAR TREND INFORMATION FOR PARS
Annual Pension Cost (Employer Contribution)

Fiscal Year	EPMC	Executive	Percentage of APC Contributed	Net Pension Obligation
2008-09	$ 95,989	$168,074	100%	-
2009-10	187,218	167,382	100	-
2010-11	174,492	52,718	100	-
2011-12	133,148	45,787	100	-

The Schedule of Funding Progress below 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 below 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.

CITY OF WEST COVINA
SCHEDULE OF FUNDING PROGRESS FOR PARS
(in $ thousands)

Employer Paid Member Contribution

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
10/1/07	$1,359	$ -	$1,359	0.0%	$31,853	4.3%
6/30/09	1,028	27	1,001	2.6	23,766	4.2
6/30/11	884	77	807	8.7	20,864	4.0

Executive

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
11/1/07	$ 853	-	$ 853	0.0%	$1,972	43.2%
6/30/09	3,084	$280	2,804	9.1	1,666	168.4
6/30/11	3,096	535	2,561	17.3	1,268	202.0

Other Post-Employment Benefits

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 - The Kaiser Employee + 1 Other Southern California Counties Rate ($956 and $1,026 per month in 2011 and 2012, respectively).
- Fire - The Kaiser Employee + 1 Los Angeles Area Region Rate ($868.00 and $931.00 per month in 2011 and 2012, respectively).
- Miscellaneous - At the PEMHCA minimum amount ($108.00 and $112.00 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 9/1/2006), Fire Management and Fire bargaining units
$10,500	Police bargaining unit

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, 2013, the City contributed $1,691,749 to the plan, representing the amount needed for current premiums (100% of total premiums).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the *ARC of the employer*, 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 30 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:

CITY OF WEST COVINA
ANNUAL OPEB COST FOR FISCAL YEAR 2012-13 AND
NET OPEB OBLIGATION AS OF JUNE 30, 2013

Annual required contribution	$ 5,822,000
Interest on net OPEB obligation	406,000
Adjustment to annual required contribution	(417,000)
Annual OPEB cost (expense)	5,811,000
Contributions made (including premiums paid)	(1,691,749)
Increase in net OPEB obligation	4,119,251
Net OPEB obligation-beginning of year	9,511,403
Net OPEB obligation-end of year	$13,630,654

Set forth on the table below is the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years shown.

CITY OF WEST COVINA
OPEB COSTS AND NET OPEB OBLIGATION

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009-10	$3,317,000	33.60%	$ 3,592,477
2010-11	3,317,000	40.20	5,575,491
2011-12	5,472,000	28.07	9,511,403
2012-13	5,811,000	29.11	13,630,654

The City's actual contribution to OPEB costs was $1,330,816 for Fiscal Year 2010-11, $1,536,088 for Fiscal Year 2011-12 and was expected to be $1,691,749 for Fiscal Year 2012-13.

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 future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for the benefits.

CITY OF WEST COVINA
SCHEDULE OF FUNDING
(in $ thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded/ AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/09	$0	$45,391	$45,391	0%	$30,254	150.0%
6/30/11	0	64,795	64,795	0	31,296	207.0
6/30/12	0	68,782	68,782	0	29,420	233.8

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% 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, and an annual healthcare cost trend rate of 10% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the sixth year. Both rates included an inflation assumption. 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.

Employee Relations and Collective Bargaining

City employees are represented by one labor union and seven associations covering the following employee groups: Confidential/Exempt, Public Safety Dispatchers, General Employees, Maintenance Employees, Mid-Management, Fire, Police, and Police Management. The largest association is the Police Officers Association, representing approximately 37% of all City employees. Currently 100% of all City employees are covered by negotiated agreements. All negotiated agreements expired on June 30, 2012. Management has reached agreement with the safety bargaining unit (approximately 167 employees) and continues to negotiate with the other bargaining units.

Risk Management

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 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 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.

Claims for general liability and worker's compensation did not exceed the self-insurance retention level in 2011, 2012 and 2013.

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 and June 30, 2013, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to $10,136,722 and $9,106,100, respectively.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. Under the City's Investment Policy and in accordance with the Government Code, the City may invest in the following types of investments subject to certain limitations on maturity and amount: U.S. Treasury Obligations, U.S. Agency Securities, Banker's Acceptances, Commercial Paper, Negotiable Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements, Medium-Term Notes, Time Certificates of Deposit, Money Market Mutual Funds, Mortgage Pass-Through Securities, County Pooled Investment Funds, Local Agency Investment Fund. The City's Investment Policy is found in "APPENDIX B" hereto.

As of June 30, 2013, the market value of the City Treasurer's investment portfolio was $43,296,434. The diversification of the City Treasurer's investment portfolio assets as of such date is shown in the following table.

CITY OF WEST COVINA
INVESTMENT PORTFOLIO AS OF JUNE 30, 2013

Type of Investment	% of Combined Portfolio
U.S. Government Agencies	33.2%
Los Angeles County Investment Pool	37.5
Local Agency Investment Fund	29.3
	100.0%

The weighted average maturity of the investment portfolio was 357 days. The current yield of the investment portfolio at June 30, 2013 was 2.65%.

State Budget

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2013-14 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst ("LAO") at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Authority or the City, and the Authority and the City take no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2013-14 State Budget. Governor Brown signed the final 2013-14 State Budget (the "2013-14 Budget") into law on June 27, 2013. The centerpiece of the 2013-14 Budget is the restructuring of the State's funding formula for K-12 schools through the implementation of the "Local Control Funding Formula" (the "LCFF"). The 2013-14 Budget allocates $2.1 billion to commence transitioning the State to the new formula, allocating proportionately more money to school districts with high levels of low-income students, those with limited English proficiency and foster children. Overall, the 2013-14 Budget boosts K-12 and community college funding to $55.3 billion while giving the University of California and California State University systems an additional $125 million each. The 2013-14 Budget also restores $63 million to the State court system that was subject to significant budget cuts in recent years and moves forward with the State-based approach to the optional expansion of care allowed under the Federal healthcare reform which will significantly increase health care coverage in the State.

Significant features of the 2013-14 Budget affecting California cities include the following:

Redevelopment Agency Dissolution. As a result of the RDA dissolution process, the Budget anticipates that cities receiving $1.1 billion in new general purpose revenues in fiscal years 2012-13 and 2013-14 combined, with counties receiving $1.4 billion and special districts $500 million. On an ongoing basis, it is estimated that over $675 million annually will be distributed to counties, cities, and special districts comprising a significant amount of unrestricted funding that can be used by local governments to fund police, fire, or other critical public services.

CalWORKS. An increase of $142.8 million General Fund in 2013-14 to improve employment services will enhance and expand the array of county employment services and job development activities for program participants, and intensify case management efforts for individuals not currently participating in activities that will eventually lead to self-sufficiency.

Corrections. The California Community Corrections Performance Incentive Act of 2009 (SB 678) established a system of performance-based funding that shares state General Fund savings with county probation departments when they demonstrate success in reducing the number of adult felony probationers going to state prison. The Budget includes changes to the SB 678 funding formula to account for county probation departments' success in reducing the number of adult felony probationers incarcerated in county jail. This provides total funding of $106.9 million in fiscal year 2013-14 to continue support for probation efforts targeted at reducing recidivism and encouraging alternatives to incarceration.

Veterans Affairs. The 2013-14 Budget includes an increase of $3 million General Fund and 36 positions to form Strike Teams in each of the United States Department of Veterans Affairs ("USDVA") Regional Offices. These resources will assist the USDVA in its efforts to eliminate the backlog of claims to ensure veterans receive the federal benefits for which they are eligible. The 2013-14 Budget includes also includes a one- time increase of $3 million General Fund for County Veterans Service Officers to better provide veterans free USDVA claims assistance and information and referral to local, state, and federal programs.

Health and Welfare. Items in the 2013-14 impacting local health and welfare programs include the following: (i) the 2013-14 Budget provides county welfare departments up to $120 million in additional General Fund monies to accommodate new workload associated with implementing the Affordable Care Act. In fiscal year 2015-16, the State will implement a new budgeting methodology, developed in consultation with counties, and based on a zero-base review of all Medi-Cal related county administrative activities; and (ii) persons eligible for both Medicare and Medi-Cal ("dual eligible") will receive medical, behavioral health, long-term services and supports, and home and community-based services through a single health plan via the Coordinated Care Initiative.

Legislative Analyst's Office Response to 2013-14 State Budget. The Legislative Analyst's Office (the "LAO") has released a report entitled "California Spending Plan" which outlines and summarizes key provisions of the 2013-14 Budget and is posted by the LAO at *www.lao.ca.gov*. In the California Spending Plan, the LAO notes that the 2013-14 Budget generally adopts the revenue projections previously included in the 2013-14 May Revision, and that the 2013-14 Budget also adopts certain LAO estimates regarding tax increment revenue collections and baseline property tax revenues. In the same way the State budgets do not focus on city finances, there is no specific description in the California Spending Plan as to how the 2013-14 Budget affects California cities, however, an impartial analysis of the 2013-14 Budget is scheduled by the LAO to be posted at *www.lao.ca.gov* during the fall of 2013 that is expected to include an analysis of the specific features of the 2013-14 Budget affecting California cities.

Future State Budgets. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City. The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current or future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets are being and will be affected by national and State economic conditions and other factors, including the current economic conditions, over which the City has no control.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND EXPENDITURES

Property Tax Rate Limitations – Article XIIIA

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriations Limitations – Article XIIIB

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

"Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service," but "proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIIIB limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the City in each year is based on the City's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by a City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the City's appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111).

Section 7910 of the Government Code requires the City to adopt a formal appropriations limit for each fiscal year. The City's appropriations limit for 2013-14 is $136,132,665. The City's appropriations subject to the limit for 2012-13 were $39,179,741.

Articles XIIIC and XIIID of California Constitution – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California constitution, which contains a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC requires that all new local taxes or increases in existing local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter-approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet any increased expenditure requirements.

Article XIIID contains provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIIID also contains several provisions affecting "property-related fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property-related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Fees for electrical and gas service are explicitly exempted from the definition of "property-related" under Article XIIID. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. In addition to the provisions described above, Proposition 218 removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge.

Proposition 218 continues to be interpreted by California courts. The State Supreme Court's 2006 decision in *Bighorn-Desert View Water Agency* found that metered charges for consumption of water by a public agency fell within the "property-related" fees subject to Proposition 218. Fees for sewer and refuse collection could also be found to be within the definition of property-related fees. If such charges are property-related charges, rate increases would be subject to notice, hearing and majority protest, but not prior voter approval, and rates and charges could be reduced by referendum.

Statutory Revenue Limitations – Proposition 62

Proposition 62 is a statewide statutory initiative adopted by the voters at the November 4, 1986 general election. It added Sections 53720 to 53730 to the Government Code to require that all new local taxes be approved by the voters. The statute provides that all local taxes are either general taxes or special taxes. General taxes are imposed for general governmental purposes. Special taxes are imposed for specific purposes only. General taxes may not be imposed by local government unless approved by a two-thirds vote of the entire legislative body and a majority of the voters voting on the proposed general tax. Special taxes may not be imposed by local government unless approved by a majority of the entire legislative body and by two-thirds of the voters voting on the special tax. Soon after Proposition 62 was adopted by the voters, legal challenges to taxes adopted contrary to its provisions were filed. In 1991, in the most significant case, *City of Woodlake v. Logan*, the California Court of Appeal held that the statutory voter approval requirement for general taxes was unconstitutional. The California Supreme Court refused to review *Woodlake*.

On September 28, 1995, the California Supreme Court, on a 5-2 vote, in a decision entitled *Santa Clara County Local Transportation Authority v. Guardino* (Case No. S036269), "disapproved" *Woodlake* and held that the voter approval requirements of Proposition 62 are valid. On December 14, 1995, the Supreme Court made minor nonsubstantive changes to its written opinion and denied the petition for rehearing. The decision provides that the voter approval requirements of Proposition 62 for both general and special taxes are valid. The *Guardino* case fails to say (1) whether the decision is retroactively applicable to general taxes adopted prior to the decision; (2) whether taxpayers have any remedies for refund of taxes paid under a tax ordinance that was not voter approved; (3) what statute of limitations applies to taxes adopted without voter approval prior to *Guardino*; (4) whether Proposition 62 applies only to new taxes or to tax increases as well.

Several questions raised by the *Guardino* decision remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* decision.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. By adding Section 25.5 to Article XIII of the State Constitution, Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

By amending Section 15 of Article XI of the State Constitution, Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, by amending Section 6 of Article XIIIB of the State Constitution, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay Base Rental Payments when due.

Proposition 30

The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from fiscal years 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2011–12, 2017–18 and 2018–19. These additional monies will be available to fund programs in the 2012-13 State Budget as described above and prevent the "trigger cuts" included in the 2012-13 State Budget going into effect, avoiding spending reductions of about $6 billion in fiscal year 2012–13, mainly to education programs. Proposition 30 also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

Future Initiatives

Article XIIIA, Article XIIIB and the other Propositions referenced above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other State or local initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

RISK FACTORS

Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not meant to be an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Substitution and Release of Property

Pursuant to the Lease, the City will have, so long as the Lease is in effect, the option at any time and from time to time, to substitute other real property and/or improvements for any portion of the Leased Property or release any identifiable real property and/or improvements constituting the Leased Property; provided, that the City satisfies certain requirements set forth in the Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Leased Property" herein and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease."

Special Obligations

The Indenture provides that the Bonds will be special obligations of the Authority, payable exclusively from the Revenues and other funds as is provided in the Indenture. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The principal of and interest on the Bonds, and any premium upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Indenture. The obligation of the City to make Base Rental Payments or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments and Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Abatement

In the event of the loss of, damage to or destruction or condemnation of, or title defect with respect to the Leased Property that causes substantial interference with the use by the City of the Leased Property or any portion thereof, the City's obligation to make the Base Rental Payments due under the Lease will be abated and, notwithstanding: (i) the provisions of the Lease specifying the extent of such abatement, (ii) the funding of the Reserve Account for the Bonds, and (iii) rental interruption insurance covering loss of use of the Leased Property in an amount adequate to cover 24 months of Base Rental Payments, the resulting Base Rental Payments (and such other funds) may not be sufficient to pay all of the remaining principal and interest due with respect to the Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease."

Risk of Uninsured Loss

The City covenants under the Lease to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. For example, the Lease requires earthquake insurance to be obtained and maintained only if and to the extent such coverage is available from reputable insurers at commercially reasonable rates, in the judgment of the City. Thus, the Leased Property could be damaged or destroyed due to earthquake or other casualty for which the Leased Property lacks insurance. See "RISK FACTORS – Earthquake and Seismic Conditions" herein. Additionally, the Leased Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. In cases where the casualty is covered by insurance, there can be no assurance that the City's insurance carriers will in all events be able or willing to make payments under their respective policies should a claim be made. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Property will be sufficient to repair or replace the Leased Property or to redeem the Bonds.

Certain of the City's insurance policies provide for deductibles that vary according to insured peril (for example, deductibles for earthquake coverage are 5% of total value per unit per occurrence). Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

No Limitation on Incurring Additional Obligations

Neither the Lease nor the Indenture contains any limitations on the ability of the City to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the City incurs additional obligations, the funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues. See “CITY FINANCIAL INFORMATION – City General Fund Obligations” herein.

Hazardous Substances

The public works activities of the City may, from time to time, result in the use of hazardous substances on the facilities owned and operated by the City, including, but not limited, to the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of Base Rental Payments. See “RISK FACTORS – Abatement” above.

Earthquake and Seismic Conditions

Like many areas of California, the City is subject to seismic activity. According to the Seismic Safety Element of the City’s General Plan, the City is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Of primary concern are the Whittier-Elsinore Fault, located four miles north of West Covina, the Newport-Inglewood Fault, located 12 miles west of West Covina, and the Verdugo Fault, located 20 miles northwest of West Covina. Seismic hazards encompass both potential surface rupture and ground shaking. The City adopted its Natural Hazards Mitigation Plan in 2005. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk and is required to comply with FEMA requirements for disaster relief funding.

The City relies on a combination of insurance and general reserves as well as the expectation that some disaster relief funds will be available from the Federal Emergency Management Agency (“FEMA”) to address any resulting damage from seismic activity. There is no assurance that, in the event of a significant seismic event, a combination of insurance, City reserves or FEMA assistance would be available or sufficient for the repair or replacement of the Leased Property. Earthquake insurance is required to be obtained and maintained under the Lease only if and to the extent such coverage is available from reputable insurers at commercially reasonable rates, in the judgment of the City.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Bonds and the Trustee, and the obligations incurred by the City, may be subject to the following, among others: the limitations on legal remedies against counties in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect (as more fully described below); principles of equity that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is "fair and equitable" and in the best interests of creditors.

In addition, the City could either reject the Site Lease or the Lease or assume the Site Lease or the Lease despite any provision of the Site Lease or the Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease (or the Site Lease) to a third party, regardless of the terms of the transaction documents. If the City rejects the Site Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate both the Site Lease and the Lease and the obligations of the City to make payments thereunder.

The Authority is a public agency and, like the City, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a Plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Site Lease and the Lease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Site Lease or the Lease or assume the Site Lease or the Lease despite any provision of the Site Lease or the Lease that makes the bankruptcy or insolvency of the Authority an event of default thereunder. If the Authority rejects the Site Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate both the Site Lease and the Lease and the obligations of the City to make payments thereunder. If the Authority rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection may terminate the Lease and the City's obligations to make payments thereunder. The Authority may also be permitted to assign the Site Lease or the Lease to a third party, regardless of the terms of the transaction documents.

State of California Finances

The State of California, upon which the City relies for a material portion of its revenues, has experiencing severe budget shortfalls in recent years. Decreases in State revenues may significantly affect appropriations made by the State to counties and the timing of payment to counties by the State may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings in the future. See "STATE BUDGET" herein.

Receiver's Power to Repudiate Letters of Credit

If a financial institution, such as the Credit Entity, is placed into receivership, the receiver generally will have broad powers with respect to the disposition of the assets and liabilities of such financial institution. A receiver may, depending on the circumstances and the scope of its legal authority, repudiate letters of credit issued by the failed financial institution while discharging its powers as receiver. No assurance can be given that if the Credit Entity were to enter receivership that the Credit Facility would not be subject to repudiation by the Credit Entity's receiver.

THE AUTHORITY

The Authority is a joint exercise of powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated June 1, 1990 (as amended, the "JPA Agreement"), between the City and the Redevelopment Agency of the City (the predecessor to the West Covina Community Development Commission). The JPA Agreement was entered into pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500). The Authority is authorized to issue lease revenue bonds to provide funds to acquire or construct public capital improvements, such lease revenue bonds to be repaid from the lease payments for such improvements. The members of the City Council of the City comprise the Authority's Board of Directors.

TAX MATTERS

General

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. Each of the Authority and the City has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel to the Authority, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and the Lease, and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the Authority and the City in connection with the issuance of the Bonds, each of the Authority and the City will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the Authority and the City with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX E.

Other Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than March 31 after the end of each Fiscal Year of the City, commencing with the report for the Fiscal Year ended June 30, 2013 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of the occurrences of certain enumerated events will be filed by the City with the Municipal Securities Rulemaking Board. The Municipal Securities Rulemaking Board intends to make the information available to the public without charge through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein. These covenants have been made by the City in order to assist the Underwriters in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). Except as described in the below paragraph, the City has never failed to comply in the previous five years in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of certain enumerated events.

The City was late in filing its annual reports and audited financial statements for the fiscal year ending June 30, 2011, with respect to the following obligations of the Authority: Variable Rate Lease Revenue Refunding Bonds, 2002 Series B (Public Facilities Project); Lease Revenue Bonds, 2003 Series A (Community Center Project); Variable Rate Lease Revenue Bonds, 2004 Series A (Golf Course Project) and Variable Rate Lease Revenue Bonds, 2004 (Golf Course Project); Variable Rate Lease Revenue Refunding Project, 2005 Series C (Public Facilities Project; Lease Revenue Bonds, 2006 Series A (Big League Dreams Project) and Lease Revenue Bonds, 2006 Series B (Taxable) (Big League Dreams Project). The annual reports and audited financial statements, which were due to be filed on EMMA system by March 31, 2012, were provided to the respective trustees prior to, but filed on the EMMA system on April 6, 2012. The City has implemented procedures to ensure timely filing of all future reports.

LEGAL MATTERS

Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel to the Authority, will render an opinion with respect to the validity and enforceability of the Site Lease, the Lease, the Assignment Agreement and the Indenture and as to the validity of the Bonds. The proposed form of the opinion of Bond Counsel is set forth in "APPENDIX F –FORM OF BOND COUNSEL OPINION." Fulbright & Jaworski LLP, as Bond Counsel, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Fulbright & Jaworski LLP is serving as Disclosure Counsel to the Authority. Certain legal matters will be passed on for the City and the Authority by Alvarez-Glassman & Colvin, Yountville, California.

LITIGATION

The Authority is not aware of any pending or threatened litigation concerning the validity of the Bonds, and a certificate of the Authority to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The Authority is not aware of any litigation pending or threatened against the Authority which questions the political existence of the Authority or contests the Authority's ability to collect or receive pledged revenues or the City's ability to make the Rental Payments under the Lease.

There are a number of suits and claims pending against the City for which the City is either self-insured or insured in varying degrees by commercial insurance, or which in the aggregate, if determined adversely to the City, could have a material adverse impact on the City's finances in the future. However, the City does not expect any such suits or claims to have a material adverse effect on the City's ability to make Rental Payments under the Lease.

RATINGS

Standard and Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P"), has assigned a long-term rating of "A" to the Bonds. S&P has assigned a short-term rating of "A1" to the Bonds, based on the understanding that the Letter of Credit will be delivered by the Credit Entity concurrently with the issuance of the Bonds. These ratings reflect only the views of S&P and do not constitute a recommendation to buy, sell or hold the Bonds. An explanation of these ratings and any outlook associated with these ratings should be obtained from S&P.

Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The ratings are subject to revision or withdrawal at any time by S&P, and there is no assurance that the ratings will continue for any period of time or that they will not be lowered, suspended or withdrawn. The City and the Authority undertake no responsibility to oppose any such revision, suspension or withdrawal. Any reduction, suspension or withdrawal of the ratings, or other actions by S&P relating to its ratings, may have an adverse effect on the market price for, or marketability of, the Bonds.

UNDERWRITING

The Bonds are being purchased by Gates Capital Corporation (the "Underwriter") pursuant to a Bond Purchase Agreement by and among the Underwriter, the Authority and the City. The Underwriter has agreed in the Bond Purchase Agreement to purchase the Bonds at a purchase price of par. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement. In addition, the Underwriter will be paid of fee of $75,000.00 in connection with the Bonds.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bonds and the approving resolution of the City and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement and should be read in their entirety. Copies, in reasonable quantity, of the resolution may be obtained during the offering period from the Underwriters and thereafter upon request to the City.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been approved by the Authority and the City. This Official Statement is not to be construed as a contract or agreement between either the Authority or the City and the purchasers or Owners of any of the Bonds.

WEST COVINA PUBLIC FINANCING
AUTHORITY

By: /s/ Christopher J. Chung
Executive Director

CITY OF WEST COVINA, CALIFORNIA

By: /s/ Christopher J. Chung
City Manager

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

SELECTED DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WEST COVINA

General

The City was incorporated on February 17, 1923 as a general law city. The City encompasses 17 square miles in northeastern portion of the County of Los Angeles, and is located approximately 20 miles northeast of the City of Los Angeles. Neighboring communities include Covina, Baldwin Park, Walnut, Industry and La Puente.

The City is a largely residential city that has a commercial section along the Interstate 10, including two regional shopping centers, many smaller shopping centers and restaurants and numerous auto dealerships. Outside of this corridor lie the residential areas and a significant concentration of hospital and medical facilities.

Population

The following table provides surrounding cities and Los Angeles County between 2009 and 2013.

CHANGE IN POPULATION
CITY OF WEST COVINA AND LOS ANGELES COUNTY
2009 – 2013

Year	WEST COVINA Population	LOS ANGELES COUNTY Population
2009	106,231	9,801,474
2010	106,098	9,818,605
2011	106,284	9,879,712
2012	106,766	9,809,520
2013	107,248	9,950,091

Source: State of California, Department of Finance.

Employment

Civilian labor force, employment and unemployment statistics for the City, County and the State for the years 2009 through 2012, and for 2013 as of November 2013, are shown in the following table:

CITY OF WEST COVINA
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2008				
City of West Covina	55,900	52,200	3,700	6.6%
Los Angeles County	4,934,800	4,565,500	369,300	7.5
California	18,203,100	16,890,000	1,313,100	7.2
2009				
City of West Covina	55,200	49,600	5,700	10.2
Los Angeles County	4,904,300	4,335,200	569,000	11.6
California	18,208,300	16,144,500	2,063,900	11.3
2010				
City of West Covina	55,200	49,100	6,200	11.1
Los Angeles County	4,910,500	4,291,400	619,100	12.6
California	18,316,400	16,051,500	2,264,900	12.4
2011				
City of West Covina	55,400	49,400	6,000	10.9
Los Angeles County	4,924,400	4,318,900	605,500	12.3
California	18,384,900	16,226,600	2,158,300	11.7
2012				
City of West Covina	55,000	49,700	5,300	9.6
Los Angeles County	4,879,700	4,345,700	534,000	10.9
California	18,494,900	16,560,300	1,934,500	10.5
2013(1)				
City of West Covina	56,200	51,600	4,600	8.2
Los Angeles County	4,974,300	4,508,000	466,300	9.4
California	18,579,000	17,041,000	1,538,400	8.3

(1) Values reflect November 2013 data.
Source: California State Employment Development Department and United States Bureau of-Labor Statistics.

Commercial Activity

Taxable transactions by type of business for the City are summarized below for 2007 through 2011 (the most recent year for which statistics are available for the full year). The taxable transaction categories changed in 2009.

CITY OF WEST COVINA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in $ thousands)
2007 and 2008

	2007	**2008**
Retail and Food Services		
Clothing and Clothing Accessories Stores	$ 105,702	$ 100,212
General Merchandise Stores	232,571	214,295
Food and Beverage Stores	46,154	43,304
Food Services and Drinking Places	144,280	145,907
Home Furnishings and Appliance Stores	50,077	52,428
Building Materials and Garden Equipment and Supplies	7,318	(1)
Motor Vehicle and Parts Dealers	422,505	358,583
Gasoline Stations	89,283	83,865
Other Retail Group	151,128	135,236
Total Retail and Food Services	**1,249,018**	**1,133,830**
All Other Outlets	104,423	117,717
Total All Outlets[2]	**$1,353,441**	**$1,251,547**

Source: State Board of Equalization, *"Taxable Sales in California."*
(1) Included with "Other Retail Group" when possible.
(2) Totals may not add due to rounding.

CITY OF WEST COVINA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in $ thousands)
2009 – 2011[1]

	2009	2010	2011
Retail and Food Services			
Motor Vehicle and Parts Dealers	$ 269,143	$ 255,969	$74,816
Home Furnishings and Appliance Stores	60,346	55,198	13,854
Food and Beverage Stores	47,804	45,896	12,442
Gasoline Stations	73,758	94,715	37,137
Clothing and Clothing Accessories Stores	99,768	109,421	32,489
General Merchandise Stores	167,992	168,267	38,946
Food Services and Drinking Places	139,998	140,542	39,688
Other Retail Group	108,549	107,138	29,899
Total Retail and Food Services	**967,357**	**977,145**	**279,271**
All Other Outlets	113,905	111,658	28,289
Total All Outlets[3]	**$1,081,262**	**$1,088,803**	**$307,560**

Source: State Board of Equalization, *"Taxable Sales in California."*
(1) Annual figures for 2012 unavailable.
(2) Totals may not add due to rounding.

Transportation

The City's close proximity to several major sources of transportation gives the City access to regional, national and international markets.

Ontario International Airport is located 20 miles east of the City and is served by most domestic carriers. Los Angeles International Airport is located 40 miles west of the City and is served by every major airline.

The Metropolitan Transit District serves the City locally with two routes. The City serves as a transit hub for bus service within the San Gabriel Valley. Together, Foothill Transit District and the Los Angeles County Metropolitan Transportation Authority provide over 400 bus arrivals and departures in the City daily. These buses serve express and local routes throughout the City and the greater Los Angeles County area.

The City is served by two Metrolink train stations in the nearby cities of Covina and Baldwin Park. Metrolink provides daily light-rail commuter train service between residential and major commercial areas within Los Angeles, Riverside, San Bernardino and Ventura Counties.

The City also offers local shuttle bus service, providing convenient connections between regional malls, Civic Center, Senior Citizens' Center, regional hospital facilities and the Baldwin Park Metrolink train station.

The City enjoys easy access to the Los Angeles Freeway System. A major freeway, Interstate 10 (the San Bernardino Freeway) runs through the northern section of the city. The following major freeways also serve the City: State Highway 60 (Pomona Freeway) to the south; Interstate 605 (San Gabriel Valley River Freeway) to the West; and State Highway 57 (Orange Freeway) to the east.

Community Information

The West Covina Unified School District serves more than 10,000 students in eight elementary schools, three middle schools, two high schools (including one alternative) and two charter schools. There are numerous private preschools and elementary schools within the City.

Within a 30-mile radius of the City are higher education facilities of all levels. With a selection of nearby community colleges as well as four-year universities, residents have a wide choice to continue or complete their education.

Community Colleges	Four Year Universities
Citrus Community College	Cal State Polytechnic University, Pomona
Mount San Antonio College	Cal State University, Fullerton
Rio Hondo Community College	Cal State University, Los Angeles
Whittier Community College	Claremont McKenna College
Pasadena City College	Occidental College
	Azusa Pacific University
	University of La Verne

Neither the West Covina Unified School District or any of these colleges or universities are in any way affiliated with the City.

The City has five medical facilities and one trauma center available in close proximately for residents of West Covina. Hospitals providing health care to City residents include Queen of the Valley Hospital, West Covina Hospital and Kaiser Permanente Medical Group.

There are 16 parks and two recreation centers, including the Community Youth Center and Cameron Community Center and Gymnasium, with programs for sports and recreation. The Senior Citizen's Center is active and hosts tournaments, trips and social gatherings.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF WEST COVINA FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF WEST COVINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2013

Prepared By:

City of West Covina Finance Department

Nita McKay
Director of Finance and Administrative Services

(This page intentionally left blank.)

CITY OF WEST COVINA

TABLE OF CONTENTS

For the year ended June 30, 2013

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2013

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2013

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2013

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements are free from material misstatement.

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

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

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

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 activitiy, each major fund, and the aggregate remaining fund information of the City of West Covina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General Fund, the Community Development Block Grant Special Revenue Fund and the West Covina Housing Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1d to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1d to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in $11,717,419 reduction of previously reported net position of the governmental activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
January 2, 2014

(This page intentionally left blank.)

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, 2013. The information presented herein should be considered in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- As of June 30, 2013, the City's total net position (excess of assets over liabilities) is $209.9 million.

- The City's total net position decreased $26.1 million. This decrease is the result of $19.6 million in extraordinary losses from the restatement of certain interest rates on City advances to the former Redevelopment Agency, and the liability for principal and interest payments due to the Successor Agency.

- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of $50.2 million, a decrease of $17.1 million from the prior year. This decrease is due to the restatement of certain loan balances between the City and the Successor Agency to the Former Redevelopment Agency as described in more detail later in this report.

- As of June 30, 2013, the unassigned fund balance for the General Fund was $4.1 million, or 8.0% of total General Fund expenditures. This amount decreased by $9.1 million. General Fund expenditures declined by $2.9 million which included a $2.2 million reduction in public safety costs. Even with the City's cost cutting measures, the impacts of the dissolution of redevelopment agencies continues to have a negative impact on the General Fund, including $21.2 million of extraordinary losses. A liability has been recorded in the amount of $12.2 million for loan payments made by the former Redevelopment Agency to the City for the period of January 2011 through January 2012 which may be subject to provisions of Assembly Bill (AB) 1484 dictating the amount of loan repayments that may be made by the Successor Agency. There is uncertainty over the legality of this provision of AB 1484 and is still the subject of litigation between the City and the State Department of Finance.

- The City's total long-term debt had a net increase of $1.5 million during the current fiscal year due to increases in compensated absences and claims payable. Principal reductions of outstanding bonds totaled $1.2 million. The City's net OPEB obligation increased by $4.1 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 non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the West Covina Service Group, the City's computer enterprise.
  - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as an *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

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

<u>Reporting the City as a Whole</u>

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

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

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

- Governmental activities – Most of the City's basic services such as public safety, streets and roads, economic development and parks and recreation, are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. These activities include the City's computer 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, the Parking Authority of the City of West Covina and the West Covina Community Services Foundation (component units), along with the City of West Covina (the primary government). Although legally separate, these component units are important because the City is financially accountable for them.

The activities of the Successor Agency of the Former Redevelopment Agency can be found in the Fiduciary Fund Section of the Financial Statements in the Private Purpose Trust Fund.

See independent auditors' report.

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 management 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 funds. 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 basis of accounting, 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 governmental 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. The relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* are described in reconciliations on the pages following the fund financial statements in this report.

- *Proprietary funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported 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 position may serve over time as a useful indicator of a government's financial position. At June 30, 2013, net position for the City of West Covina was $209,914,157.

A summary of the government-wide statement of net position at June 30, 2013 follows:

City of West Covina
Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	101,544,402	108,438,142	(253,661)	(786,398)	101,290,741	107,651,744
Capital assets	216,882,606	222,784,189	-	-	216,882,606	222,784,189
Total Assets	318,427,008	331,222,331	(253,661)	(786,398)	318,173,347	330,435,933
Long-term debt outstanding	79,610,043	78,122,620	145,515	145,730	79,755,558	78,268,350
Other liabilities	28,476,288	4,328,191	27,344	62,432	28,503,632	4,390,623
Total Liabilities	108,086,331	82,450,811	172,859	208,162	108,259,190	82,658,973
Net Position:						
Net investment in capital assets	164,621,539	168,749,834	-	-	164,621,539	168,749,834
Restricted	46,016,224	53,333,115	-	-	46,016,224	53,333,115
Unrestricted	(297,086)	26,688,571	(426,520)	(994,560)	(723,606)	25,694,011
Total net position	210,340,677	248,771,520	(426,520)	(994,560)	209,914,157	247,776,960

$164,621,539 (78%) of the net position reflects the City's investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Since these assets are used to provide services to the citizens, they are not available for future spending. An additional $46,016,224 (22%) of net position represents resources that are subject to external restrictions on how they may be used. The result is a negative $723,606 in unrestricted net position. The decrease in the restricted balance of $7.3 million and the decrease in the unrestricted portion of $26.4 million are primarily the result of the restatement of interest on advances to and the liability due to the Successor Agency Private Purpose Trust Fund (which is not included in the government-wide statements). This resulted in extraordinary losses of $19.6 million.

A summary of the government-wide statement of activities for the year ended June 30, 2013 follows:

City of West Covina
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	12,891,868	12,238,722	2,105,421	1,805,242	14,997,289	14,043,964
Operating contributions and grants	10,344,778	12,557,141	-	-	10,344,778	12,557,141
Capital contributions and grants	597,405	958,459	-	-	597,405	958,459
General revenues:						
Property taxes	20,937,356	23,313,556	-	-	20,937,356	23,313,556
Sales taxes	13,307,736	13,177,914	-	-	13,307,736	13,177,914
Other taxes	9,627,069	11,059,971	-	-	9,627,069	11,059,971
Other general revenues	7,655,672	6,995,940	(101,775)	(98,811)	7,553,897	6,897,129
Total revenues	75,361,884	80,301,703	2,003,646	1,706,431	77,365,530	82,008,134
Extraordinary Gain <Loss>	(19,629,066)	55,825,872	-	-	(19,629,066)	55,825,872
Expenses						
General government	5,547,949	4,953,340	-	-	5,547,949	4,953,340
Public safety	47,160,347	49,369,913	-	-	47,160,347	49,369,913
Public works	20,465,106	20,510,387	-	-	20,465,106	20,510,387
Community services	6,911,667	6,949,951	-	-	6,911,667	6,949,951
Community development	708,422	4,071,050	-	-	708,422	4,071,050
Interest expense	1,652,751	5,927,002	-	-	1,652,751	5,927,002
Computer service	-	-	1,435,606	1,701,367	1,435,606	1,701,367
Total expenses	82,446,242	91,781,643	1,435,606	1,701,367	83,881,848	93,483,010
Increase (decrease) in net assets	(26,713,424)	44,345,932	568,040	5,064	(26,145,384)	44,350,996
Beginning net position, as restated	237,054,101	192,708,169	(994,560)	(999,624)	236,059,541	191,708,545
Ending net position	210,340,677	237,054,101	(426,520)	(994,560)	209,914,157	236,059,541

The increase or decrease in net position can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Total net position for the City decreased by $26,145,384 during the fiscal year. Virtually all of that decrease was in the Governmental activities as net position decreased by $26,713,424 (11%) during the fiscal year while business-type activities net position increased by $568,040 (57%). The decrease in net position in the governmental activities was due to the restatement of advances to the former Redevelopment Agency to comply with AB 1484 whereby accrued interest cannot exceed the Local Agency Investment Fund (LAIF) rate at the time of calculation, resulting in extraordinary losses of $19.6 million. Other revenue and expense fluctuations for the governmental and business-type activities of the City are described as follows.

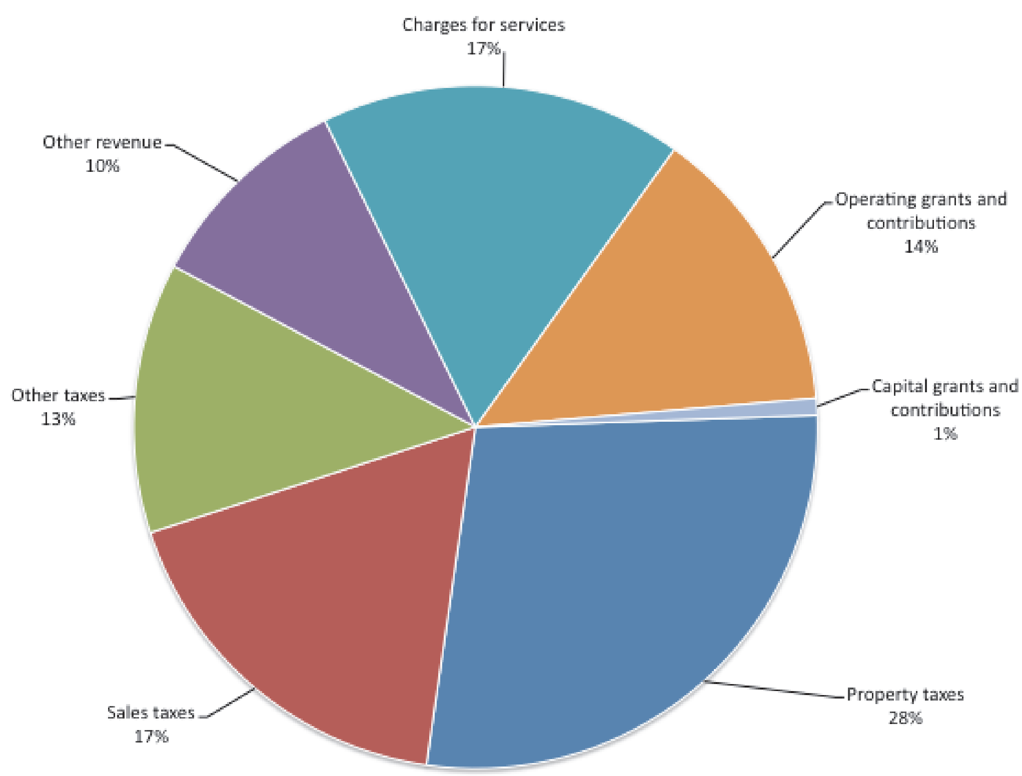
See independent auditors' report.

Governmental Activities

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

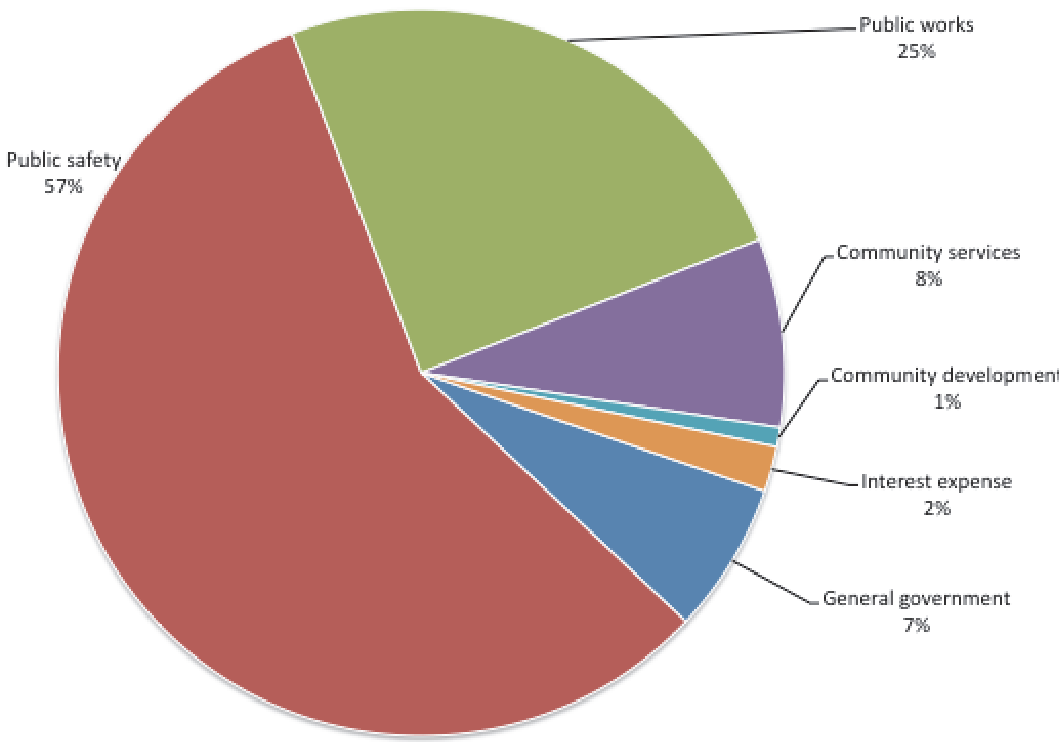
- Property tax revenues decreased by $2.4 million (10.2%) during the fiscal year due the elimination of redevelopment and the loss of property tax increment.
- Sales tax, the City's second largest revenue source, showed growth for the second consecutive year increasing by $129,822 (1.0%). This followed a 5% increase in fiscal year 2011-12 and a 10% increase in fiscal year 2010-11.
- Franchise taxes increased by 4.3% which reflects increases in utility rates.
- Investment income decreased $1,461,948 (89%) due to the elimination of redevelopment in the prior fiscal year and the resulting loss of interest on City loans to the Redevelopment Agency.
- Overall Governmental Activities expenses decreased by $9,335,401 (10.2%).
- General Government costs increased by $594,609 (12.0%).
- Public Safety costs decreased by $2,209,566 (4.5%).
- Community Development costs decreased by $3,362,628 (82.6%) due to elimination of redevelopment.
- Interest expense decreased by $4,274,251 (72.1%), due 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 increased by $300,179 (16.6%) from $1,805,242 in 2011-12 to $2,105,421 in 2012-13. Expenses and transfers out decreased by $262,797 (14.6%) from $1,800,178 in 2011-12 to $1,537,381 in 2012-13. The result was an increase in net position of $568,040.

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

- Charges for services from clients increased by $300,179 due to customer base expansion and increased license fees.
- The City computer service enterprise operating expenses decreased by $265,761 primarily from reduced staffing levels.

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 $4,108,967, while total fund balance was $10,730,662. 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 8% of total general fund expenditures, while total fund balance represents 21% of that same amount. The nonspendable portion of fund balance in the amount of $6,621,695 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 by the State Department of Finance. The City has reported significant extraordinary losses in the current fiscal year due to the restatement of certain interest rates per AB 1484 and the reporting of the $12.2 million due to the Successor Agency. This latter amount is the subject of ongoing litigation between the City and the State Department of Finance.

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

- Total revenues, exclusive of fund transfers in, increased by $4,662,136, while total expenditures, exclusive of fund transfers out, decreased by $2,854,957.
- Total taxes were up $2,269,618 (6.1%) from the prior fiscal year. Property taxes increased by $1,051,589 (5.8%), 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 $694,195 (7.6%), due to a slowly rebounding economy. Franchise taxes increased by 4.3% while business license taxes increased by $127,303 (6.5%). Transient occupancy taxes (TOT) posted a strong increase of $175,971 (16.7%) due to a full year of operation of a new hotel and a rebounding hospitality market.
- Investment income declined by $1,611,340 due to the elimination of redevelopment and the resulting loss of interest income from City advances to the agency and interest related to the sales tax reimbursement agreement with the former Redevelopment Agency. The majority of interest earned in the General Fund previously came from loans and advances to the former Redevelopment Agency.
- Revenues from other agencies increased by $711,119. The increase is due to a SAFER grant used to fund twelve firefighters, coupled with an increased amount of Proposition A transportation funds that were exchanged with other cities for unrestricted funds.
- Transfers in decreased by $3,024,528 (55%) due to a one-time transfer of $4,054,617 from the City's Debt Service to the General Fund in the prior fiscal year.
- Public works expenditures decreased $426,221 (10%).
- Public safety costs decreased by $2,231,612 (5%) due to employee-borne pension costs and staffing reductions which were partially offset with the SAFER grant for additional fire personnel.

The **Community Development Block Grant Fund** finished the fiscal year with a fund balance of $115,155, up from a fund deficit of $63,912 in the prior fiscal year. This fund receives its allocation of federal funds on a reimbursable basis after expenditures are made and reported to HUD. Revenues during the year were $1,199,850 and included $960,682 of grant funds and $239,016 of loan repayments. Expenditures for the year were $1,020,783.

The **West Covina Housing Authority Fund** provides for low and moderate income activities that were previously provided by the Redevelopment Agency. The Authority has outstanding loans receivable of $27.2 million and is due $6.6 million from the Successor Agency for amounts borrowed by the former Redevelopment Agency to fund the SERAF payments and 20% of the loans made to the former Redevelopment Agency.

The **City Debt Service Fund** finished the fiscal year with a total fund balance of $14,026,702, down $96,422 from $14,123,124 in the prior fiscal year. The majority of that amount is designated for payment of debt service on the City's lease revenue bonds.

GENERAL FUND BUDGET

There were only minor changes to the budget during the fiscal year. Taxes in total fell short of estimated revenue by $439,067. Property taxes exceeded their budget by $291,838, mainly in the area of secured taxes. The excess was also attributable to $813,994 in residual tax distributions from the former Redevelopment Agency, up $556,895 from the prior year. Sales tax revenues fell short of their budget by $162,071 and business license taxes also fell short by $110,540. Transient occupancy taxes exceeded their budget by $178,062. On the expenditure side, City Attorney, reported as part of General Government, exceeded budget due to higher than expected litigation costs. All other departments completed the fiscal year within budget.

CAPITAL ASSETS

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	38,974,512	38,974,512	-	-	38,974,512	38,974,512
Buildings and improvements	65,674,202	67,196,844	-	-	65,674,202	67,196,844
Equipment and vehicles	6,192,254	6,937,975	-	-	6,192,254	6,937,975
Infrastructure	81,703,737	86,739,270	-	-	81,703,737	86,739,270
Rights of way	14,376,498	14,376,498	-	-	14,376,498	14,376,498
Construction in progress	9,961,403	8,559,090	-	-	9,961,403	8,559,090
Total	216,882,606	222,784,189	-	-	216,882,606	222,784,189

The major additions to capital assets during the fiscal year ended June 30, 2013 are as follows:

- Construction in progress had a net increase of $1,402,313. The $10.0 million currently in progress includes the following:
    - Major Street Rehabilitation Projects ($4.0 million)
    - Energy Efficiency Upgrade Projects ($1.1 million)
    - Street Upgrade/Median/Landscape Projects ($1.6 million)
    - Park Improvements ($3.2 million)

See independent auditors' report.

- Completed fixed asset additions of $2,416,176 included:
  - Major Street Rehabilitation Projects ($1.4 million)
  - Traffic Signal Modifications ($221,631)
  - Highway Safety Improvement Program ($190,049)
  - Facility Repairs/Improvements ($295,163)

Additional information on the City of West Covina's capital assets can be found in note 6 on pages 59-60 of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the City had debt outstanding of $79,755,558. Of this amount, $49,645,000 represents outstanding bonds and $30,110,558 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.

Outstanding Bonds

	Governmental Activities	
	2013	2012
Lease revenue bonds	49,645,000	50,825,000
Total	49,645,000	50,825,000

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 to the accompanying financial statements on pages 61-70 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 office of the Director of Finance and Administrative Services, at City of West Covina, 1444 West Garvey Ave., West Covina, California 91793.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF WEST COVINA

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activity	Totals
ASSETS:			
Cash and investments	$ 48,193,964	$ -	$ 48,193,964
Cash and investments with fiscal agent	2,263,653	-	2,263,653
Receivables, net:			
Accounts	61,436	125,620	187,056
Taxes	4,379,245	-	4,379,245
Interest	28,166	-	28,166
Notes and loans	30,968,070	-	30,968,070
Other	472,791	-	472,791
Advances to Successor Agency	13,125,194	-	13,125,194
Internal balances	379,281	(379,281)	-
Due from other agencies	582,418	-	582,418
Due from Successor Agency	777,520	-	777,520
Inventory	1,732	-	1,732
Prepaids and other assets	310,932	-	310,932
Capital assets:			
Nondepreciable	63,312,413	-	63,312,413
Depreciable, net	153,570,193	-	153,570,193
TOTAL ASSETS	318,427,008	(253,661)	318,173,347
LIABILITIES:			
Accounts payable	2,359,686	4,025	2,363,711
Accrued liabilities	1,751,765	23,319	1,775,084
Interest payable	146,513	-	146,513
Unearned revenues	11,717,419	-	11,717,419
Due to Successor Agency	12,205,531	-	12,205,531
Deposits	295,374	-	295,374
Long-term liabilities:			
Due within one year	4,705,353	23,916	4,729,269
Due in more than one year	74,904,690	121,599	75,026,289
TOTAL LIABILITIES	108,086,331	172,859	108,259,190
NET POSITION:			
Net investment in capital assets	164,621,539	-	164,621,539
Restricted for:			
Public safety	3,122,586	-	3,122,586
Public works	9,278,192	-	9,278,192
Community services	5,745,060	-	5,745,060
Community development	25,755,226	-	25,755,226
Debt service	2,115,160	-	2,115,160
Unrestricted	(297,086)	(426,520)	(723,606)
TOTAL NET POSITION	$ 210,340,677	$ (426,520)	$ 209,914,157

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

CITY OF WEST COVINA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

		Program Revenues		
Functions/programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 5,547,949	$ 548,333	$ -	$ -
Public safety	47,160,347	3,018,478	2,739,455	-
Public works	20,465,106	7,781,333	1,796,776	597,405
Community services	6,911,667	1,195,612	5,808,547	-
Community development	708,422	348,112	-	-
Interest expense	1,652,751	-	-	-
Total governmental activities	82,446,242	12,891,868	10,344,778	597,405
Business-type activity:				
Computer service	1,435,606	2,105,421	-	-
Total business-type activity	1,435,606	2,105,421	-	-
Total	$ 83,881,848	$ 14,997,289	$ 10,344,778	$ 597,405

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

Change in net position before extraordinary items

Extraordinary Items:
Loss on return of interest payments
Loss on return of disallowed transfers

Change in net position

Net Position - Beginning of Year, as Restated

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activity	Totals
$ (4,999,616)	$ -	$ (4,999,616)
(41,402,414)	-	(41,402,414)
(10,289,592)	-	(10,289,592)
92,492	-	92,492
(360,310)	-	(360,310)
(1,652,751)	-	(1,652,751)
(58,612,191)	-	(58,612,191)
-	669,815	669,815
-	669,815	669,815
(58,612,191)	669,815	(57,942,376)
20,937,356	-	20,937,356
13,307,736	-	13,307,736
3,361,812	-	3,361,812
1,228,062	-	1,228,062
5,037,195	-	5,037,195
57,902	-	57,902
185,451	-	185,451
7,310,544	-	7,310,544
101,775	(101,775)	-
51,527,833	(101,775)	51,426,058
(7,084,358)	568,040	(6,516,318)
(17,179,359)	-	(17,179,359)
(2,449,707)	-	(2,449,707)
(26,713,424)	568,040	(26,145,384)
237,054,101	(994,560)	236,059,541
$ 210,340,677	$ (426,520)	$ 209,914,157

CITY OF WEST COVINA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	General	Special Revenue Funds: Community Development Block Grant	Special Revenue Funds: West Covina Housing Authority
ASSETS			
Cash and investments	$ 13,947,580	$ 156,429	$ 3,490,240
Cash and investments with fiscal agent	-	-	-
Receivables:			
Accounts	58,627	-	-
Taxes	3,186,513	-	-
Interest	9,267	90	1,836
Notes and loans	-	3,800,278	27,167,792
Other	293,425	-	5,013
Due from other funds	483,818	-	-
Advances to Successor Agency	6,480,000	-	6,645,194
Due from other agencies	65,850	111,149	-
Prepaids and other assets	141,695	-	169,167
Due from Successor Agency	777,520	-	-
TOTAL ASSETS	$ 25,444,295	$ 4,067,946	$ 37,479,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 596,899	$ 120,243	$ 2,183
Other accrued liabilities	1,615,829	14,450	4,414
Due to other funds	-	-	-
Due to Successor Agency	12,205,531	-	-
Deposits	295,374	-	-
Unearned revenue	-	-	11,717,419
TOTAL LIABILITIES	14,713,633	134,693	11,724,016
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	-	3,818,098	15,450,373
FUND BALANCES:			
Nonspendable	6,621,695	-	6,814,361
Restricted	-	115,155	3,490,492
Assigned	-	-	-
Unassigned	4,108,967	-	-
TOTAL FUND BALANCES	10,730,662	115,155	10,304,853
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 25,444,295	$ 4,067,946	$ 37,479,242

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

City Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 11,663,478	$ 15,262,894	$ 44,520,621
2,263,653	-	2,263,653
-	-	58,627
-	1,192,732	4,379,245
8,224	8,326	27,743
-	-	30,968,070
107,164	64,658	470,260
-	-	483,818
-	-	13,125,194
-	405,419	582,418
-	70	310,932
-	-	777,520
$ 14,042,519	$ 16,934,099	$ 97,968,101
$ 15,817	$ 1,510,175	$ 2,245,317
-	108,276	1,742,969
-	44,803	44,803
-	-	12,205,531
-	-	295,374
-	-	11,717,419
15,817	1,663,254	28,251,413
-	249,169	19,517,640
-	70	13,436,126
14,026,702	14,501,304	32,133,653
-	893,566	893,566
-	(373,264)	3,735,703
14,026,702	15,021,676	50,199,048
$ 14,042,519	$ 16,934,099	$ 97,968,101

(This page intentionally left blank.)

CITY OF WEST COVINA

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

June 30, 2013

Fund balances for governmental funds		$ 50,199,048
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and accumulated depreciation, are not considered current financial resources in the governmental funds:		
Capital assets	$ 372,319,376	
Accumulated depreciation	(155,906,345)	
		216,413,031
Long-term debt and compensated absences applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position. Balances at June 30, 2013 are:		
Bonds payable	$ (49,645,000)	
Compensated absences	(4,519,235)	
Capital lease obligations	(957,535)	
Notes payable	(1,658,532)	
		(56,780,302)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.		(146,513)
Revenues that are measurable but not available are reported as unavailable revenues under the modified accrual basis of accounting.		19,517,640
Net pension obligations are not due and payable at year end; they are therefore not reported in the governmental fund financial statements.		(13,630,654)
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 Position.		(5,231,573)
Net position of governmental activities		$ 210,340,677

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, 2013

		Special Revenue Funds	
	General	Community Development Block Grant	West Covina Housing Authority
REVENUES:			
Taxes	$ 39,525,933	$ -	$ -
Special assessments	-	-	-
Licenses and permits	1,156,196	-	-
Fines and forfeitures	234,240	-	-
Investment income (loss)	(152,230)	152	7,793
Rental income	370,913	-	-
Revenue from other agencies	3,056,880	960,682	-
Charges for services	5,514,004	-	-
Repayment of notes and loans	-	239,016	686,219
Other revenues	3,301,660	-	65
TOTAL REVENUES	53,007,596	1,199,850	694,077
EXPENDITURES:			
Current:			
General government	4,642,490	-	475,213
Public safety	40,354,067	21,259	-
Public works	3,922,636	166,477	-
Community services	1,763,704	833,047	-
Community development	481,341	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	51,164,238	1,020,783	475,213
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,843,358	179,067	218,864
OTHER FINANCING SOURCES (USES):			
Transfers in	2,478,900	-	-
Transfers out	(1,110,500)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,368,400	-	-
CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	3,211,758	179,067	218,864
EXTRAORDINARY ITEMS:			
Gain/(Loss) on transfer of advance	(1,620,000)	-	1,620,000
Loss on return of disallowed transfers	(17,179,359)	-	-
Loss on return of interest payments	(2,449,707)	-	-
NET CHANGE IN FUND BALANCES	(18,037,308)	179,067	1,838,864
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	28,767,970	(63,912)	8,465,989
FUND BALANCES - END OF YEAR	$ 10,730,662	$ 115,155	$ 10,304,853

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

City Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 6,659,112	$ 46,185,045
-	5,511,465	5,511,465
-	-	1,156,196
-	814,579	1,048,819
639,923	37,902	533,540
-	-	370,913
-	5,478,919	9,496,481
458,889	151,308	6,124,201
-	-	925,235
1,127,000	676,392	5,105,117
2,225,812	19,329,677	76,457,012
-	88,253	5,205,956
-	2,313,161	42,688,487
-	12,114,031	16,203,144
-	3,275,734	5,872,485
-	184,914	666,255
1,773,261	-	1,773,261
1,659,473	-	1,659,473
3,432,734	17,976,093	74,069,061
(1,206,922)	1,353,584	2,387,951
1,110,500	50,000	3,639,400
-	(2,427,125)	(3,537,625)
1,110,500	(2,377,125)	101,775
(96,422)	(1,023,541)	2,489,726
-	-	-
-	-	(17,179,359)
-	-	(2,449,707)
(96,422)	(1,023,541)	(17,139,340)
14,123,124	16,045,217	67,338,388
$ 14,026,702	$ 15,021,676	$ 50,199,048

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, 2013

Net change in fund balances - total governmental funds		$ (17,139,340)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays and disposals in the current period:		
Capital outlay	$ 4,375,610	
Disposal of capital assets	(195,163)	
Depreciation expense	(9,936,803)	
		(5,756,356)
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 Position.		1,773,261
The Statement of Net Position includes accrued interest on long-term debt. This is the net change in the current year.		6,722
To record as an expense the net change in compensated absences in the Statement of Activities.		(122,234)
Revenues that are measurable but not available are reported as unavailable revenues under the modified accrual basis of accounting.		(1,237,318)
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		(4,119,251)
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.		(118,908)
Change in net position of governmental activities		$ (26,713,424)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 39,965,000	$ 39,965,000	$ 39,525,933	$ (439,067)
Licenses and permits	959,200	959,200	1,156,196	196,996
Fines and forfeitures	136,000	136,000	234,240	98,240
Investment income (loss)	360,500	360,500	(152,230)	(512,730)
Rental income	330,500	330,500	370,913	40,413
Revenue from other agencies	3,226,000	3,226,000	3,056,880	(169,120)
Charges for services	5,256,499	5,256,499	5,514,004	257,505
Other revenues	192,900	192,900	3,301,660	3,108,760
TOTAL REVENUES	50,426,599	50,426,599	53,007,596	2,580,997
EXPENDITURES:				
Current:				
General government	4,656,428	4,714,515	4,642,490	72,025
Public safety	40,508,059	40,611,741	40,354,067	257,674
Public works	4,109,366	4,110,785	3,922,636	188,149
Community services	1,869,567	1,876,535	1,763,704	112,831
Community development	485,852	505,852	481,341	24,511
TOTAL EXPENDITURES	51,629,272	51,819,428	51,164,238	655,190
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,202,673)	(1,392,829)	1,843,358	3,236,187
OTHER FINANCING SOURCES (USES):				
Transfers in	2,390,225	2,478,900	2,478,900	-
Transfers out	(1,110,500)	(1,110,500)	(1,110,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,279,725	1,368,400	1,368,400	-
CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	77,052	(24,429)	3,211,758	3,236,187
EXTRAORDINARY ITEMS:				
Loss on transfer of advance	-	-	(1,620,000)	(1,620,000)
Loss on return of disallowed transfers	-	-	(17,179,359)	(17,179,359)
Loss on return of interest payments	-	-	(2,449,707)	(2,449,707)
NET CHANGE IN FUND BALANCE	77,052	(24,429)	(18,037,308)	(18,012,879)
FUND BALANCE - BEGINNING OF YEAR	28,767,970	28,767,970	28,767,970	-
FUND BALANCE - END OF YEAR	$ 28,845,022	$ 28,743,541	$ 10,730,662	$ (18,012,879)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 152	$ 152
Revenue from other agencies	1,353,768	1,353,768	960,682	(393,086)
Repayment of notes and loans	30,000	30,000	239,016	209,016
TOTAL REVENUES	1,383,768	1,383,768	1,199,850	(183,918)
EXPENDITURES:				
Current:				
Public safety	231,382	231,382	21,259	210,123
Public works	55,027	440,697	166,477	274,220
Community services	870,913	1,203,234	833,047	370,187
TOTAL EXPENDITURES	1,157,322	1,875,313	1,020,783	854,530
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	226,446	(491,545)	179,067	670,612
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(63,912)	(63,912)	(63,912)	-
FUND BALANCE - END OF YEAR	$ 162,534	$ (555,457)	$ 115,155	$ 670,612

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 7,793	$ 7,793
Repayment of notes and loans	30,000	30,000	686,219	656,219
Other revenues	-	-	65	65
TOTAL REVENUES	30,000	30,000	694,077	664,077
EXPENDITURES:				
Current:				
General government	392,316	586,327	475,213	111,114
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE EXTRAORDINARY ITEM	(362,316)	(556,327)	218,864	775,191
EXTRAORDINARY ITEM:				
Gain on transfer of advance	-	-	1,620,000	1,620,000
NET CHANGE IN FUND BALANCE	(362,316)	(556,327)	1,838,864	2,395,191
FUND BALANCE - BEGINNING OF YEAR	8,465,989	8,465,989	8,465,989	-
FUND BALANCE - END OF YEAR	$ 8,103,673	$ 7,909,662	$ 10,304,853	$ 2,395,191

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

CITY OF WEST COVINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
ASSETS:		
CURRENT ASSETS:		
Cash and investments	$ -	$ 3,673,343
Receivables:		
Account	125,620	2,809
Interest	-	423
Other	-	2,531
Inventories	-	1,732
TOTAL CURRENT ASSETS	125,620	3,680,838
NONCURRENT ASSETS:		
Capital assets:		
Other capital assets	1,059,120	3,407,641
Less accumulated depreciation	(1,059,120)	(2,938,066)
Total capital assets (net of accumulated depreciation)	-	469,575
TOTAL NONCURRENT ASSETS	-	469,575
TOTAL ASSETS	125,620	4,150,413
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	4,025	114,369
Accrued liabilities	23,319	8,796
Claims and judgments - current portion	-	2,074,440
Compensated absences - current portion	23,916	14,878
Due to other funds	379,281	59,734
TOTAL CURRENT LIABILITIES	430,541	2,272,217
NONCURRENT LIABILITIES:		
Claims and judgments	-	7,031,660
Compensated absences	121,599	78,109
TOTAL NONCURRENT LIABILITIES	121,599	7,109,769
TOTAL LIABILITIES	552,140	9,381,986
NET POSITION:		
Net investment capital assets	-	469,575
Unrestricted	(426,520)	(5,701,148)
TOTAL NET POSITION	$ (426,520)	$ (5,231,573)

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

CITY OF WEST COVINA

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

For the year ended June 30, 2013

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	$ 2,105,421	$ 4,048,924
Other revenues	-	36,397
TOTAL OPERATING REVENUES	2,105,421	4,085,321
OPERATING EXPENSES:		
Personnel services	1,083,298	722,748
Cost of sales, services and operations	352,308	1,465,748
Depreciation	-	145,227
Insurance and claims paid	-	1,872,511
TOTAL OPERATING EXPENSES	1,435,606	4,206,234
OPERATING INCOME	669,815	(120,913)
NONOPERATING REVENUES:		
Investment income	-	2,005
INCOME BEFORE TRANSFERS	669,815	(118,908)
TRANSFERS OUT	(101,775)	-
CHANGE IN NET POSITION	568,040	(118,908)
NET POSITION - BEGINNING OF YEAR	(994,560)	(5,112,665)
NET POSITION - END OF YEAR	$ (426,520)	$ (5,231,573)

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, 2013

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	$ 1,993,948	$ -
Received from user departments	-	4,082,340
Payments to suppliers for goods and services	(396,473)	(4,326,570)
Payments to employees for services	(1,074,436)	(673,772)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	523,039	(918,002)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Received from other funds	-	2,019,198
Paid to other funds	(523,039)	(414,737)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(523,039)	1,604,461
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	-	1,884
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	688,343
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	2,985,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 3,673,343

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, 2013

	Business-type Activity	Governmental Activities
	Computer Service Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 669,815	$ (120,913)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	-	145,227
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(111,473)	(450)
(Increase) decrease in other receivables	-	(2,531)
(Increase) decrease in inventories	-	16
Increase (decrease) in accounts payable	(44,165)	42,295
Increase (decrease) in other accrued liabilities	9,077	(871)
Increase (decrease) in claims and judgments payable	-	(1,030,622)
Increase (decrease) in compensated absences payable	(215)	49,847
TOTAL ADJUSTMENTS	(146,776)	(797,089)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 523,039	$ (918,002)

There were no significant noncash financing or investing activities for the year ended June 30, 2013.

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

CITY OF WEST COVINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	Successor Agency Private Purpose Trust Fund	Special Deposits Agency Fund
ASSETS:		
Cash and investments	$ 11,567,898	$ 1,086,483
Cash and investments with fiscal agent	7,423,055	-
Receivables, net		
Taxes	520,309	20
Interest	4,687	-
Notes and loans	14,671,967	-
Allowance for doubtful accounts	(14,671,967)	-
Assessments	32,520,000	-
Other	-	1,400
Prepaid expenses	4,705	-
Due from City of West Covina	12,205,531	
Land held for resale	67,040	-
Capital assets:		
Nondepreciable	15,597,561	-
Depreciable, net	6,323,485	-
TOTAL ASSETS	86,234,271	$ 1,087,903
LIABILITIES:		
Accounts payable	676,059	$ 11,231
Accrued liabilities	2,384	-
Interest payable	953,836	-
Due to other governments	248,644	-
Deposits	-	1,076,672
Due to County Auditor Controller	11,578,351	
Due to the City of West Covina	777,520	-
Advances from the City of West Covina	13,125,194	-
Long-term liabilities:		
Due within one year	6,118,021	-
Due in more than one year	99,232,372	-
TOTAL LIABILITIES	132,712,381	$ 1,087,903
NET POSITION	$ (46,478,110)	

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

CITY OF WEST COVINA

STATEMENT OF CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUND

For the year ended June 30, 2013

	Successor Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	$ 13,588,470
Investment income	282,435
Rental income	64,825
Other revenues	454,183
TOTAL ADDITIONS	14,389,913
DEDUCTIONS:	
Program administration	9,646,654
Payment to County Auditor Controller	11,578,351
Depreciation	372,219
Interest and fiscal charges	3,710,177
TOTAL DEDUCTIONS	25,307,401
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEMS	(10,917,488)
EXTRAORDINARY ITEMS:	
Gain on return of disallowed transfers	17,801,238
Gain on return of interest payments	2,449,707
CHANGES IN NET POSITION	9,333,457
NET POSITION - BEGINNING OF YEAR, AS RESTATED	(55,811,567)
NET POSITION - END OF YEAR	$ (46,478,110)

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

(This page intentionally left blank.)

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 City's significant 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 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:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. Reporting Entity (Continued):

The West Covina Public Financing Authority (the Authority) was created by a 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 former Community Development Commission (the Commission) which are used to meet the debt service requirements on debt issues. The Authority is blended into the debt service fund of the City.

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.

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 City are composed of the following:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-wide Financial Statements

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

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.

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Financial Statements

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting.* Their revenues are recognized when they become *measurable* and *available* 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets 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.

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 is not received within 60 days after the fiscal year ends to meet the "available" criteria of revenue recognition. Therefore recognition of governmental fund type revenue represented by non-current receivables is 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 all revenues is 60 days.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, the proprietary funds 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 position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

West Covina Housing Authority Special Revenue Fund - This fund is used to account for assets and related income received from the former Community Development Commission to be used for the administration of providing affordable housing in the City.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (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. New Accounting Pronouncements:

Implemented:

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, *"Elements of Financial Statements"*, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". This statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. Accounting changes adopted to conform to the provision of this statement should be applied retroactively. The implementation of this statement resulted in an $11,717,419 reduction of previously reported net position of the governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 66 - "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62",* effective for periods beginning after December 15, 2012.
- GASB 67 - *"Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25"*, effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27"*, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - *"Government Combinations and Disposals of Government Operations"*, effective for periods beginning after December 15, 2013.
- GASB 70 - "*Accounting and Financial Reporting for Nonexchange Financial Guarantees"*, effective for the periods beginning after June 15, 2013.

e. 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 ensure adequate and proper standards of service. Budgetary revisions, including supplemental appropriations which increase appropriations in individual funds, must be approved by the City Council. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements' budget to actual comparisons are the final amended amounts.

The budget is formally integrated into the accounting system and employed as a management control device during the year 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for 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 investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Depreciation has been provided using the straight-line method over the estimated useful life of the 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, 2013.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from three sources: long-term notes receivable repayments, taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

k. Net Position Flow Assumptions:

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

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

l. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Property Taxes (Continued):

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 10
	Second Installment - April 10

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

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

m. 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.

n. Compensated Absences:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. Compensated Absences (Continued):

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

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

o. 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.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments held by the City at June 30, 2013 are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 48,193,964
Cash and investments with fiscal agents	2,263,653
Statement of Fiduciary Net Position:	
Cash and investments	12,654,381
Cash and investments with fiscal agents	7,423,055
Total cash and investments	$ 70,535,053

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	$ 9,450
Deposits with financial institutions	4,425,390
Investments	66,100,213
Total cash and investments	$ 70,535,053

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 Authorized by State Law	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%	30%
Repurchase Agreements	Yes	100 days	20%	20%
Reverse Repurchase Agreements	Yes	92 days	20%	20%
Medium-Term Notes	Yes	5 years	30%	30%
Mutual Funds	No	N/A	N/A	N/A
Time Certificates of Deposit	Yes	5 years	25%	25%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	20%
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.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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	180 to 365 days	None	None
Repurchase Agreements	30 days to 6 months	None	None
Local Agency Investment Fund	None	None	None
Investment Agreements	None	None	None
Money Market Funds	None	None	None

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.

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:

	Remaining Maturity (in Months)		
Investment Type	12 Months or Less	More Than 36 Months	Total
Local Agency Investment Fund	$ 15,845,135	$ -	$ 15,845,135
Los Angeles County Investment Pool	25,360,959	-	25,360,959
U.S. Government Sponsored Agency Securities	-	15,207,409	15,207,409
Held by fiscal agent:			
Money market funds	623,814	-	623,814
U.S. Government Sponsored Agency Securities	4,060,226	-	4,060,226
Investment agreements	-	5,002,670	5,002,670
Total	$ 45,890,134	$ 20,210,079	$ 66,100,213

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, 2013	AAA	AA+	Not Rated
Local Agency Investment Fund	N/A	$ 15,845,135	$ -	$ -	$ 15,845,135
Los Angeles County Investment Pool	N/A	25,360,959	-	-	25,360,959
U.S. Government Sponsored Agency Securities	N/A	15,207,409	-	15,207,409	-
Held by fiscal agent:					
Money market funds	A	623,814	623,814	-	-
U.S. Government Sponsored Agency Securities	N/A	4,060,226	-	4,060,226	-
Investment agreements	N/A	5,002,670	-	-	5,002,670
Total		$ 66,100,213	$ 623,814	$ 19,267,635	$ 46,208,764

N/A - Not Applicable

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount, as noted on page 51, that can be invested in any one 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
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	$ 3,260,282
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Agency Securities	11,498,869
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	3,708,540
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, 2013, all the City’s deposits are either federally insured or collateralized. 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.

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, 2013 are as follows:

Payable	Receivable	Amount
Other Governmental Funds	General Fund	$ 44,803
Computer Services Enterprise Fund	General Fund	379,281
Fleet Management Internal Service Fund	General Fund	59,734
Total interfund receivable and payable balances		$ 483,818

These interfund balances are a result of short-term borrowings to cover deficit cash in the Transportation Development Act Special Revenue Fund, Inmate Welfare Special Revenue Fund, Computer Service Enterprise Fund and Fleet Management Internal Service Fund.

See independent auditors' report.

4. LONG-TERM RECEIVABLES FROM SUCCESSOR AGENCY:

Prior to the dissolution of the Commission's redevelopment activities on February 1, 2012, the City authorized several advances to be used for completing redevelopment projects throughout the community. As a result of the dissolution, the liability side of these advances was transferred to the Successor Agency. See Note 23 for additional information. At June 30, 2013 the outstanding receivable side of these advances was as follows:

(a) The General Fund had made the several advances to the Commission totaling $8,100,000 for administrative and capital improvement construction costs ("General Advance"). Eighty percent (80%) of the balance is reported in the General Fund and the remaining twenty percent (20%) balance is reported in the West Covina Housing Authority Special Revenue Fund.

(b) In May 2010, the Commission made an advance of $6,529,308 from the Low and Moderate Income Housing Capital Projects Fund to the Citywide Project Area Debt Service Fund to satisfy the Commission's Supplemental Educational Revenue Augmentation Fund (SERAF) obligation as required by Assembly Bill ABX4-26. The advance bears no interest 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 Housing Authority. The outstanding balance at June 30, 2013 was $5,025,194.

The "Dissolution Act" (AB 1x26 as amended by AB 1484) outlines the method ofrepayment for the General Advances and the SERAF Advances by the SuccessorAgency.

With regard to the General Advances, upon application by the Successor Agency and approval by the Oversight Board, the General Advances will be deemed to be "enforceable obligations" that qualify for repayment; provided the Oversight Board makes a finding that the General Advances were for legitimate redevelopment purposes. The Dissolution Act sets a defined schedule by which the General Advances may be repaid. The repayment schedule is to span a reasonable term of years, with outstanding balances incurring interest at a rate not to exceed that earned by the funds deposited into the Local Agency Investment Fund ("LAIF"). Repayment of the General Advances is subject to additional repayment limitations, including: repayment may not commence prior to the 2013-2014 fiscal year, annual payments are capped as determined by a specific formula, repayment of the General Advances is on a lower payment priority than other obligations of the Successor Agency, and twenty percent (20%) of the repayment amount must be deposited in the LMIHF for the benefit of the Housing Authority. With regard to repayment of the SERAF Advances, repayment is authorized to begin is the 2013-14 fiscal year, and annual repayment is capped pursuant to a statutory formula

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

The Successor Agency made principal payments of $1,898,922 and $949,461 on June 5, 2012 and December 20, 2012, respectively, on the SERAF loan to the Housing Authority. These payments were approved on ROPS I, lines 8 and 9 and ROPS II, lines 8 and 9, respectively.

Successor Agency and City management believes, in consultation with legal counsel, that both the General Advances and the SERAF Advances are enforceable obligations payable by the Successor Agency under the Dissolution Act's repayment restrictions. Therefore, the City has not recorded an allowance for uncollectible advances. That said, the Dissolution Act is a complicated statutory scheme and the State and local agency implementation thereof has been the subject of substantial dispute and litigation. As such, repayment of either the General Advances or the SERAF Advances cannot be guaranteed.

5. NOTES AND LOANS RECEIVABLE:

As of June 30, 2013, the following notes and loans receivable were outstanding:

Housing rehabilitation	$ 4,420,279
First time home buyers	411,324
Housing preservation program	838,129
Lark Ellen Towers	5,793,638
Executive Lodge Apartments	6,177,220
West Covina Senior Villas, L.L.C.	3,116,666
West Covina Senior Villas II, L.P.	8,600,753
Other loans	1,978,598
Allowance for doubtful accounts	(368,537)
Total	$ 30,968,070

Several housing rehabilitation loans totaling $4,420,279 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 $411,324. 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 23 individual loans outstanding at June 30, 2013 ranging from $3,800 to $22,450.

5. NOTES AND LOANS RECEIVABLE (CONTINUED):

The Commission has also made housing preservation loans totaling $838,129 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 96 individual loans outstanding at June 30, 2013 ranging from $205 to $11,308.

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, 2013 is $5,793,638.

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, 2013 is $6,177,220.

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, 2013 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, 2013 the Commission had provided $8,600,000. The outstanding principal at June 30, 2013 is $8,600,753.

6. CAPITAL ASSETS:

Governmental Activities

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

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:				
Land	$ 38,974,512	$ -	$ -	$ 38,974,512
Rights of way	14,376,498	-		14,376,498
Construction in progress	8,559,090	3,818,489	(2,416,176)	9,961,403
Total capital assets, not being depreciated	61,910,100	3,818,489	(2,416,176)	63,312,413
Capital assets, being depreciated:				
Buildings and improvements	86,359,897	242,093	-	86,601,990
Equipment and vehicles	22,238,068	703,513	-	22,941,581
Infrastructure - pavement	180,416,393	1,420,847	-	181,837,240
Infrastructure - other	20,622,113	411,680	-	21,033,793
Total capital assets, being depreciated	309,636,471	2,778,133	-	312,414,604
Less accumulated depreciation for:				
Buildings and improvements	(19,163,053)	(1,764,735)	-	(20,927,788)
Equipment and vehicles	(15,300,093)	(1,449,234)	-	(16,749,327)
Infrastructure - pavement	(98,856,771)	(6,528,811)	-	(105,385,582)
Infrastructure - other	(15,442,465)	(339,249)	-	(15,781,714)
Total accumulated depreciation	(148,762,382)	(10,082,029)	-	(158,844,411)
Total capital assets, being depreciated, net	160,874,089	(7,303,896)	-	153,570,193
Total governmental activities capital assets, net	$ 222,784,189	$ (3,485,407)	$ (2,416,176)	$ 216,882,606

See independent auditors' report.

6. CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Depreciation expense (including $145,227 from Internal Service Funds) was charged to the following functions in the Statement of Activities for the year ended June 30, 2013 as follows:

General government	$ 64,011
Public safety	1,065,426
Public works	7,544,754
Community services	1,407,838
	$ 10,082,029

Business-type Activity

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

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets, being depreciated:				
Equipment and machinery	$ 1,059,120	$ -	$ -	$ 1,059,120
Less accumulated depreciation for:				
Equipment and machinery	(1,059,120)	-	-	(1,059,120)
Capital assets, net	$ -	$ -	$ -	$ -

There was no depreciation expense charged to the computer service program for the year ended June 30, 2013.

7. LONG-TERM LIABILITIES:

Governmental Activities

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year	Due in More Than One Year
2002 Lease Revenue Bonds	$ 16,590,000	$ -	$ (480,000)	$ 16,110,000	$ 495,000	$ 15,615,000
2003 Lease Revenue Bonds	2,520,000	-	(160,000)	2,360,000	170,000	2,190,000
2004 Lease Revenue Bonds	11,500,000	-	(310,000)	11,190,000	325,000	10,865,000
2005 Lease Revenue Bonds	2,415,000	-	(65,000)	2,350,000	70,000	2,280,000
2006 Lease Revenue Bonds	17,800,000	-	(165,000)	17,635,000	195,000	17,440,000
Total Lease Revenue Bonds	50,825,000	-	(1,180,000)	49,645,000	1,255,000	48,390,000
Compensated absences	4,440,140	909,922	(737,840)	4,612,222	760,787	3,851,435
Claims and judgments payable (Note 11)	10,136,722	644,547	(1,675,169)	9,106,100	2,074,440	7,031,660
Capital lease obligations (Note 12)	1,409,134	-	(451,599)	957,535	469,475	488,060
Notes payable (Note 13)	1,800,221	-	(141,689)	1,658,532	145,651	1,512,881
Net OPEB obligation (Note 19)	9,511,403	5,811,000	(1,691,749)	13,630,654	-	13,630,654
Total long-term liabilities Governmental activities	$ 78,122,620	$ 7,365,469	$ (5,878,046)	$ 79,610,043	$ 4,705,353	$ 74,904,690

Business-type Activity

Changes in long-term liabilities for the business-type activity for the year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year	Due in More Than One Year
Compensated absences	$ 145,730	$ 23,736	$ (23,951)	$ 145,515	$ 23,916	$ 121,599

See independent auditors' report.

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 $495,000 to $950,000. The Series B bonds mature on September 1, 2035.

The Series B bonds are payable from lease payments to be made by the City to the Authority as rental for certain public facilities consisting of a portion of the City's Civic Center Complex. At June 30, 2013, the outstanding balance is $16,110,000.

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).

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, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 495,000	$ 150,902	$ 645,902
2015	510,000	146,266	656,266
2016	525,000	141,489	666,489
2017	545,000	136,571	681,571
2018	560,000	131,466	691,466
2019 - 2023	3,060,000	575,508	3,635,508
2024 - 2028	3,540,000	423,482	3,963,482
2029 - 2033	4,105,000	247,336	4,352,336
2034 - 2036	2,770,000	52,408	2,822,408
Totals	$ 16,110,000	$ 2,005,428	$ 18,115,428

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 $170,000 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, 2013 of $287,345 was fully funded. At June 30, 2013, the outstanding balance is $2,360,000.

The annual debt service requirements on the 2003 Lease Revenue Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	200,000	80,360	280,360
2019 - 2023	1,170,000	232,410	1,402,410
2024 - 2025	270,000	7,256	277,256
Totals	$ 2,360,000	$ 732,499	$ 3,092,499

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 $185,000 to $460,000. The Series B bonds mature annually through May 1, 2034 in amounts ranging from $140,000 and $350,000. The Series A and B bonds bear interest at a variable rate reset weekly and at a fixed rate after the fixed rate conversion date. Prior to the fixed rate conversion date, interest is payable on the first business day of each month. Following the fixed rate conversion date, interest is payable on May 1 and November 1 of each year.

The bonds are payable from lease payments as rental for certain public facilities. At June 30, 2013, the outstanding balance is $11,190,000.

The annual debt service requirements on the 2004 Lease Revenue Bonds as of June 30, 2013 are as follows (using .10% interest rate at June 30, 2013):

Year Ending June 30,	Principal	Interest	Total
2014	$ 325,000	$ 11,190	$ 336,190
2015	345,000	10,865	355,865
2016	355,000	10,520	365,520
2017	375,000	10,165	385,165
2018	395,000	9,790	404,790
2019 - 2023	2,245,000	42,680	2,287,680
2024 - 2028	2,810,000	30,385	2,840,385
2029 - 2033	3,530,000	14,965	3,544,965
2034 - 2036	810,000	810	810,810
Totals	$ 11,190,000	$ 141,370	$ 11,331,370

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 $70,000 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, 2013, the outstanding balance is $2,350,000.

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, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	80,000	19,872	99,872
2019 - 2023	460,000	86,933	546,933
2024 - 2028	540,000	63,145	603,145
2029 - 2033	670,000	34,570	704,570
2034 - 2035	305,000	4,448	309,448
Totals	$ 2,350,000	$ 295,757	$ 2,645,757

See independent auditors' report.

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 $80,000 to $1,270,000, with interest rates that range from 4.0% to a maximum of 5.0% over the term of the bonds. The Series B bonds mature annually through June 1, 2036 in amounts ranging from $115,000 to $550,000, with interest rates that range from 5.39% to a maximum of 6.07% over the term of the bonds. The bonds are payable from lease payments as rental for certain public facilities. The reserve requirement of $1,528,766 was fully funded at June 30, 2013. At June 30, 2013, the outstanding balance is $17,635,000.

The annual debt service requirements on the 2006 Lease Revenue Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	360,000	894,412	1,254,412
2019 - 2023	2,625,000	4,138,342	6,763,342
2024 - 2028	3,875,000	3,287,696	7,162,696
2029 - 2033	5,040,000	2,116,241	7,156,241
2034 - 2036	4,725,000	538,527	5,263,527
Totals	$ 17,635,000	$ 14,689,609	$ 32,324,609

9. COMPENSATED ABSENCES:

The liability of $4,612,222 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 $145,515 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. There were no draws made during fiscal year ended June 30, 2013.

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

Letter of Credit	Trustee	Amount	Expiration Date
Wells Fargo Bank:			
2004 Lease Revenue Bonds	US Bank	$ 11,399,698	November 29, 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.

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, 2013, claims and judgments payable, including estimated claims for incurred but not reported claims, amounted to $9,106,100.

Changes in the claims and judgments payable amounts in fiscal years 2012 and 2013 for the Self-Insurance Fund are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2011 - 2012	$ 11,270,107	$ 1,001,676	$ (2,135,061)	$ 10,136,722
2012 - 2013	10,136,722	644,547	(1,675,169)	9,106,100

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, 2013 is $957,535.

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, 2013 is as follows:

Year Ending June 30,		
2014	$	502,454
2015		502,454
Subtotal		1,004,908
Less: amount representing interest		(47,373)
Present value of future lease payments	$	957,535

13. NOTES PAYABLE:

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, 2013 is $696,146.

The annual debt service requirements on the Valencia note as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 67,503	$ 5,805	$ 73,308
2015	68,095	5,214	73,309
2016	68,692	4,617	73,309
2017	69,293	4,015	73,308
2018	69,900	3,408	73,308
2019 - 2023	352,663	7,747	360,410
Totals	$ 696,146	$ 30,806	$ 726,952

13. NOTES PAYABLE (CONTINUED):

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, 2013, the outstanding balance is $962,386.

The annual debt service requirements on the California Energy Commission loan as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	93,370	27,220	120,590
2019 - 2023	534,528	68,422	602,950
Totals	$ 962,386	$ 243,514	$ 1,205,900

14. SHORT-TERM DEBT:

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 was paid in full on June 27, 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.

15. FUND BALANCE CLASSIFICATION (CONTINUED):

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

Assigned Fund Balance - This classification includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the 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. Additional formal action does not normally have to be taken for the removal of an assignment.

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

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

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

		Special Revenue Funds				
	General	Community Development Block Grant	West Covina Housing Authority	City Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaids and other assets	$ 141,695	$ -	$ 169,167	$ -	$ 70	$ 310,932
Advances to Successor Agency	6,480,000	-	6,645,194	-	-	13,125,194
Restricted:						
Debt service	-	-	-	14,026,702	-	14,026,702
Special revenue fund purposes	-	115,155	3,490,492	-	14,501,304	18,106,951
Assigned:						
Capital projects	-	-	-	-	893,566	893,566
Unassigned	4,108,967	-	-	-	(373,264)	3,735,703
Totals	$ 10,730,662	$ 115,155	$ 10,304,853	$ 14,026,702	$ 15,021,676	$ 50,199,048

16. ACCUMULATED FUND DEFICITS/NET POSITION:

The following funds reported deficits in fund balances/net position as of June 30, 2013:

	Deficit Balance
Other Governmental Funds - Special Revenue Funds:	
Transportation Development Act	$ 515
Grants	351,045
Inmate Welfare	12,548
Other Governmental Funds - Capital Projects Fund:	
Construction Tax	9,086
Enterprise Fund:	
Computer Services	426,520
Internal Service Fund:	
Self-Insurance	6,292,437

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

Grants Special Revenue Fund

The deficit of $351,045 in the Grants Special Revenue Fund is the result of expenses incurred prior to reimbursement from grantors. The deficit will be eliminated through future grant revenues.

Computer Services Enterprise Fund

The deficit in fund balance of $426,520 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 $6,292,437 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.

"Classic" members (employees hired before January 1, 2013 or after January 1, 2013 and have been in the PERS System) 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. New members (hired after January 1, 2013) are required to contribute 6.25% of their annual covered salary. The City made the contributions required of "classic" safety employees on their behalf and for their account, while the miscellaneous employees and new members made their own contributions. Benefit provisions and all other requirements are established by state statute and City contracts with employee bargaining groups.

The City 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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 35.233% of payroll for the safety plan and 13.713% 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, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012 to June 30, 2013.

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

	Safety	Miscellaneous
Valuation Date	June 30, 2010	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normall Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	30 years as of the valuation date	23 years as of the valuation date
Asset Valuation Method	15 year smoothed market	15 year smoothed market

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

	Safety	Miscellaneous
Actuarial Assumptions:		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on age, service and type of employment	3.55% 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 an assumed annual inflation component of 3.0% and an annual production growth of 0.25%

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	$ 295,827	$ 224,513	$ 71,314	75.89 %	$ 17,823	400.12 %
Miscellaneous	122,269	110,510	11,759	90.38 %	10,045	117.06 %

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

See independent auditors' report.

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

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

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/11	$ 5,054,059	100%	$ -
6/30/12	6,365,171	100%	-
6/30/13	6,020,341	100%	-

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

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/11	$ 1,223,303	100%	$ -
6/30/12	1,570,847	100%	-
6/30/13	1,346,443	100%	-

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, a single-employer defined benefit 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.

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

EPMC Replacement Supplemental Retirement Plan (Continued)

The City makes all contributions to these plans. Participants do not make any contributions. For the fiscal year ended June 30, 2013, the City's required contributions were $91,485 and actual contributions were $199,017. The required contribution was based on the June 30, 2010 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)

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/11	$ 174,492	100%	$ -
6/30/12	133,148	100%	-
6/30/13	199,017	100%	-

Supplemental Retirement Plan for Executive Staff and City Council

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

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

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

17. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

Supplemental Retirement Plan for Executive Staff and City Council (Continued)

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, 2013, the City's required and actual contributions were $77,050. 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
6/30/11	$ 52,718	100%	$ -
6/30/12	45,787	100%	-
6/30/13	77,050	100%	-

See independent auditors' report.

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

During the year, total required and actual contributions amounted to $96,599 and covered payroll for the year ended June 30, 2013 totaled $1,287,981. No contributions were made by the City and employees contributed $96,599 (7.5% of current covered payroll). Total plan assets at June 30, 2013 were $768,922. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and, therefore, are not included in the financial statements.

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 ($1,026 and $1,118 per month in 2012 and 2013, respectively).
- Fire - Kaiser Employee + 1 Los Angeles Area Region Rate ($931 and $1,005 per month in 2012 and 2013, respectively).
- Miscellaneous - At the PEMHCA minimum amount ($112 and $115 per month in calendar years 2012 and 2013, 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, 2013, the City contributed $1,691,749 to the plan, including $1,691,749 for current premiums (100% of total premiums).

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	$ 5,822,000
Interest on net OPEB obligation	406,000
Adjustment to annual required contribution	(417,000)
Annual OPEB cost (expense)	5,811,000
Actual contributions made (including premiums paid)	(1,691,749)
Increase in net OPEB obligation	4,119,251
Net OPEB Obligation - beginning of year	9,511,403
Net OPEB Obligation - end of year	$ 13,630,654

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

Fiscal Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 3,317,000	40.20%	$ 5,575,491
6/30/12	5,472,000	28.07%	9,511,403
6/30/13	5,811,000	29.11%	13,630,654

d. Funded Status and Funding Progress:

As of June 30, 2011, the latest actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $68,782,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $68,782,000. 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 $29,420,000 and the ratio of the UAAL to the covered payroll was 233.8%.

19. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

d. Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about 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 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% 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% initially, reduced by decrements of 1% per year to an ultimate rate of 5% 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.

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.

21. TRANSFERS IN/TRANSFERS OUT:

The following schedule summarizes the City's transfer activity:

Transfers In	Transfers Out	Amount	
General Fund	Other Governmental Funds	$ 2,377,125	(a)
	Computer Services Enterprise Fund	101,775	
City Debt Service Fund	General Fund	1,110,500	(b)
Other Governmental Funds	Other Governmental Funds	50,000	
Total		$ 3,639,400	

(a) This is to reimburse the General Fund for traffic, public safety, public works and community service related activities.
(b) This is to transfer funds for debt service payments.

See independent auditors' report.

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.

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.

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

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 ROPS is prepared in advance for the enforceable obligations due over the next six months.

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

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

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

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

City management, in consultation with its legal counsel, did not agree with the DOF's decision and filed a lawsuit to contest the decision. The City also did not remit the payments that were disallowed to the CAC. If the City does not prevail in its lawsuit against the DOF, the City will have to return the funds to the Successor Agency and the Successor Agency will remit the appropriate amount to the CAC. If the City refuses to pay it back, the City will lose future sales and property tax allocations. At June 30, 2013, the City accrued a liability of $12,205,531 in the General Fund related to the DOF's determination of which $4,105,531 was reported as part of the extraordinary loss.

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

The Successor Agency made principal and interest payments totaling $1,898,922 and $949,461 on SERAF loan to the Housing Authority on June 5, 2012 and December 20, 2012, respectively

The City determined that advances totaling $16,145,414 were not collectible and wrote off the balance during the fiscal year. This is reported as part of the extraordinary loss in the accompanying financial statements.

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.

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

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.

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, 2013, with interest, is $10,229,768. The City also obtained a judgment in a related matter. The outstanding balance of that judgment at June 30, 2013, 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, 2013 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.

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

ASSESSMENT RECEIVABLE:

As of June 30, 2013, the following assessments receivable were outstanding:

1996 Special Tax Bonds	$ 32,520,000

In connection with the Commission's issuance of its $51,220,000 1996 Special Tax Bonds, $32,520,000 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.

LAND HELD FOR RESALE:

Land held for resale, which is valued a lower of cost or the sales price per contract with the developer is comprised of the following at June 30, 2013:

BKK Project	$ 67,040

CAPITAL ASSETS:

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

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
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	(11,716,569)	(368,072)	-	(12,084,641)
Equipment and vehicles	(87,311)	(4,147)	-	(91,458)
Total accumulated depreciation	(11,803,880)	(372,219)	-	(12,176,099)
Total capital assets, being depreciated, net	6,695,704	(372,219)	-	6,323,485
Total capital assets, net	$ 22,293,265	$ (372,219)	$ -	$ 21,921,046

See independent auditors' report.

23. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES:

Long-term liability activity for the year ended 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year	Due in More Than One Year
1988 Lease Revenue Bonds	$ 3,785,000	$ -	$ (425,000)	$ 3,360,000	$ 460,000	$ 2,900,000
1996 Special Tax Bonds	34,290,000	-	(1,770,000)	32,520,000	2,055,000	30,465,000
Tax Allocation Bonds:						
1999 Tax Allocation Bonds	3,545,000	-	(135,000)	3,410,000	140,000	3,270,000
2002 Tax Allocation Bonds	8,970,000	-	(560,000)	8,410,000	580,000	7,830,000
Total Tax Allocation Bonds	12,515,000	-	(695,000)	11,820,000	720,000	11,100,000
Housing Set-Aside Bonds:						
1998 Housing Set-Aside Bonds	4,200,000	-	(210,000)	3,990,000	215,000	3,775,000
2001 Housing Set-Aside Bonds	7,850,000	-	(400,000)	7,450,000	420,000	7,030,000
Total Housing Set-Aside Bonds	12,050,000	-	(610,000)	11,440,000	635,000	10,805,000
Developer agreement payable	33,853,229	4,298,511	(960,049)	37,191,691	729,163	36,462,528
Due to County of Los Angeles	9,615,188	590,008	(1,186,494)	9,018,702	1,518,858	7,499,844
Total long-term liabilities	$ 106,108,417	$ 4,888,519	$ (5,646,543)	$ 105,350,393	$ 6,118,021	$ 99,232,372

See independent auditors' report.

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 $396,612 was fully funded at June 30, 2013. At June 30, 2013, the outstanding balance is $3,360,000.

The annual debt service requirements on the 1988 Lease Revenue Refunding Bonds as of June 30, 2013 are as follows (using interest rate of 0.1%):

Year Ending June 30,	Principal	Interest	Total
2014	$ 460,000	$ 3,360	$ 463,360
2015	495,000	2,900	497,900
2016	535,000	2,405	537,405
2017	575,000	1,870	576,870
2018	625,000	1,295	626,295
2019 - 2020	670,000	670	670,670
Totals	$ 3,360,000	$ 12,500	$ 3,372,500

See independent auditors' report.

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, 2022. The term bonds are not subject to optional redemption; mandatory redemption begins September 1, 2007, then annually thereafter through September 1, 2022. Interest is payable semiannually on March 1 and September 1 of each year. The bonds are secured by and payable from a portion of the revenues derived from an annual special tax to be levied against all taxable real property within the Special Assessment District. In addition, the Commission has pledged certain other incremental revenues generated within the District consisting of property taxes and sales taxes. The reserve requirement of $4,832,827 was fully funded at June 30, 2013. The outstanding principal balance of the bonds at June 30, 2013 is $32,520,000.

The annual debt service requirements on the 1996 Special Tax Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	3,050,000	1,277,700	4,327,700
2019 - 2023	19,770,000	3,201,900	22,971,900
Totals	$ 32,520,000	$ 11,191,800	$ 43,711,800

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 $140,000 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, 2013 is $3,410,000.

The annual debt service requirements on the 1999 Tax Allocation Bonds as of June 30, 2013 are as follows (using interest rate of 0.25%):

Year Ending June 30,	Principal	Interest	Total
2014	$ 140,000	$ 8,525	$ 148,525
2015	150,000	8,175	158,175
2016	155,000	7,800	162,800
2017	165,000	7,413	172,413
2018	165,000	7,000	172,000
2019 - 2023	935,000	28,500	963,500
2024 -2028	1,170,000	15,675	1,185,675
2029 - 2030	530,000	2,000	532,000
Totals	$ 3,410,000	$ 85,088	$ 3,495,088

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 $580,000 to $800,000. At June 30, 2013 the required reserve of $987,833 was fully funded. The principal balance of outstanding bonds at June 30, 2013 is $8,410,000.

The annual debt service requirements on the 2002 Tax Allocation Refunding Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	690,000	285,090	975,090
2019 - 2023	3,385,000	877,329	4,262,329
2024 - 2026	1,860,000	145,350	2,005,350
Totals	$ 8,410,000	$ 2,754,577	$ 11,164,577

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 $215,000 to $420,000, 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, 2013 the required reserve of $443,430 was fully funded. The principal balance of outstanding bonds at June 30, 2013 is $3,990,000.

The annual debt service requirements on the 1998 Housing Set-Aside Tax Allocation Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	270,000	164,653	434,653
2019 - 2023	1,590,000	571,869	2,161,869
2024 -2026	1,190,000	103,876	1,293,876
Totals	$ 3,990,000	$ 1,635,919	$ 5,625,919

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, 2013 the required reserve of $779,176 was fully funded. The principal balance of outstanding bonds at June 30, 2013 is $7,450,000.

The annual debt service requirements on the 2001 Housing Set-Aside Tax Allocation Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	500,000	266,250	766,250
2019 - 2023	2,635,000	943,812	3,578,812
2024 - 2028	1,000,000	521,750	1,521,750
2029 - 2032	1,530,000	136,250	1,666,250
Totals	$ 7,450,000	$ 3,149,626	$ 10,599,626

Developer Agreement Payable

	Outstanding Balance at June 30, 2013
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.	$ 37,191,691

See independent auditors' report.

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 and is based on a calculation of excess tax increment revenues from the sub-project area. The outstanding balance accrues interest at 7%. The balance at June 30, 2013 is $9,018,702.

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. There were no draws made during fiscal year ended June 30, 2013.

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

Letter of Credit	Trustee	Amount	Expiration Date
Wells Fargo Bank:			
1988 Lease Revenue Bonds	Bank of New York	$ 3,409,710	December 3, 2013
1999 Tax Allocation Bonds	US Bank	3,467,176	October 31, 2015

24. SUBSEQUENT EVENTS:

Events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure as of January 2, 2014, which is the date these financial statements were available to be issued.

25. RESTATEMENT OF NET POSITION:

As a result of early implementation of GASB Statement No. 65, the net position of the governmental activities was decreased by $11,717,419 to $237,054,101 to add liabilities previously reported as revenues.

The net position of the Successor Agency Private Purpose Trust Fund was increased by $456,808 to $(55,811,567) to remove a liability that was denied by the Department of Finance.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF WEST COVINA

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2013
(dollar amounts in thousands)

CalPERS SAFETY PENSION PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
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%
06/30/12	295,827	224,513	71,314	75.89%	17,823	400.12%

CalPERS MISCELLANEOUS PENSION PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
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%
06/30/12	122,269	110,510	11,759	90.38%	10,045	117.06%

EPMC REPLACEMENT SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued 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, 2013
(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 Accrued 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	-	68,782	68,782	0.00%	29,420	233.79%

See independent auditors' report.

SUPPLEMENTARY SCHEDULES

(This page intentionally left blank.)

CITY OF WEST COVINA

OTHER GOVERNMENTAL FUNDS

June 30, 2013

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, 2013

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
ASSETS			
Cash and investments	$ 14,101,634	$ 1,161,260	$ 15,262,894
Receivables, net:			
Taxes	1,192,732	-	1,192,732
Interest	7,741	585	8,326
Other	53,706	10,952	64,658
Due from other agencies	405,419	-	405,419
Prepaids and other assets	70	-	70
TOTAL ASSETS	$ 15,761,302	$ 1,172,797	$ 16,934,099
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 1,223,092	$ 287,083	$ 1,510,175
Other accrued liabilities	107,042	1,234	108,276
Due to other funds	44,803	-	44,803
TOTAL LIABILITIES	1,374,937	288,317	1,663,254
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	249,169	-	249,169
FUND BALANCES:			
Nonspendable	70	-	70
Restricted	14,501,304	-	14,501,304
Assigned	-	893,566	893,566
Unassigned	(364,178)	(9,086)	(373,264)
TOTAL FUND BALANCES	14,137,196	884,480	15,021,676
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 15,761,302	$ 1,172,797	$ 16,934,099

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, 2013

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
REVENUES:			
Taxes	$ 6,608,445	$ 50,667	$ 6,659,112
Special assessments	5,511,465	-	5,511,465
Fines and forfeitures	814,579	-	814,579
Investment income	34,879	3,023	37,902
Revenue from other agencies	5,478,919	-	5,478,919
Charges for services	151,308	-	151,308
Other revenues	629,112	47,280	676,392
TOTAL REVENUES	19,228,707	100,970	19,329,677
EXPENDITURES:			
Current:			
General government	88,253	-	88,253
Public safety	2,309,161	4,000	2,313,161
Public works	11,569,624	544,407	12,114,031
Community services	3,229,250	46,484	3,275,734
Community development	184,914	-	184,914
TOTAL EXPENDITURES	17,381,202	594,891	17,976,093
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,847,505	(493,921)	1,353,584
OTHER FINANCING SOURCES (USES):			
Transfers in	50,000	-	50,000
Transfers out	(2,427,125)	-	(2,427,125)
TOTAL OTHER FINANCING SOURCES (USES)	(2,377,125)	-	(2,377,125)
NET CHANGE IN FUND BALANCES	(529,620)	(493,921)	(1,023,541)
FUND BALANCES - BEGINNING OF YEAR	14,666,816	1,378,401	16,045,217
FUND BALANCES - END OF YEAR	$ 14,137,196	$ 884,480	$ 15,021,676

See independent auditors' report.

June 30, 2013

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

Drug Enforcement Rebate - 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.

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, 2013

	Drug Enforcement Rebate	Business Improvement Tax	Air Quality Improvement	Proposition A
ASSETS				
Cash and investments	$ 2,530,328	$ 19,784	$ 257,669	$ 146,842
Receivables, net				
Taxes	-	-	-	165,059
Interest	1,393	11	126	52
Other	-	-	-	-
Due from other agencies	-	-	-	-
Prepaids and other assets	-	-	-	-
TOTAL ASSETS	$ 2,531,721	$ 19,795	$ 257,795	$ 311,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 23,704	$ -	$ -	$ -
Other accrued liabilities	22,716	-	162	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	46,420	-	162	-
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	-	-
FUND BALANCES (DEFICITS):				
Nonspendable	-	-	-	-
Restricted	2,485,301	19,795	257,633	311,953
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	2,485,301	19,795	257,633	311,953
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,531,721	$ 19,795	$ 257,795	$ 311,953

See independent auditors' report.

Proposition C	Traffic Safety	State Gas Tax	Police Special Programs	Transportation Development Act	AB939	Grants	Tree
$ 1,232,892	$ 175,185	$ 362,940	$ 41,090	$ -	$ 286,235	$ 44,828	$ 109
137,051	44,083	417,787	-	-	42,560	-	-
653	-	469	21	-	160	240	-
-	3,258	-	-	-	-	16,916	-
-	-	68,483	-	30,324	-	303,707	-
-	-	-	-	-	-	70	-
$ 1,370,596	$ 222,526	$ 849,679	$ 41,111	$ 30,324	$ 328,955	$ 365,761	$ 109
$ 92,385	$ 6,569	$ 71,064	$ 477	$ -	$ 828	$ 430,521	$ -
4,295	-	14,428	458	-	2,166	37,116	-
-	-	-	-	30,839	-	-	-
96,680	6,569	85,492	935	30,839	2,994	467,637	-
-	-	-	-	-	-	249,169	-
-	-	-	-	-	-	70	-
1,273,916	215,957	764,187	40,176	-	325,961	-	109
-	-	-	-	(515)	-	(351,115)	-
1,273,916	215,957	764,187	40,176	(515)	325,961	(351,045)	109
$ 1,370,596	$ 222,526	$ 849,679	$ 41,111	$ 30,324	$ 328,955	$ 365,761	$ 109

(Continued)

CITY OF WEST COVINA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2013

	Inmate Welfare	Public Safety	COPS Grant	Special Assessments
ASSETS				
Cash and investments	$ -	$ 92,524	$ 364,579	$ 6,837,729
Receivables, net				
Taxes	-	105,107	34,634	124,852
Interest	-	45	200	3,433
Other	1,416	-	-	-
Due from other agencies	-	-	2,905	-
Prepaids and other assets	-	-	-	-
TOTAL ASSETS	$ 1,416	$ 197,676	$ 402,318	$ 6,966,014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ -	$ -	$ 2,131	$ 372,628
Other accrued liabilities	-	-	754	23,415
Due to other funds	13,964	-	-	-
TOTAL LIABILITIES	13,964	-	2,885	396,043
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	-	-
FUND BALANCES (DEFICITS):				
Nonspendable	-	-	-	-
Restricted	-	197,676	399,433	6,569,971
Unassigned	(12,548)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	(12,548)	197,676	399,433	6,569,971
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,416	$ 197,676	$ 402,318	$ 6,966,014

See independent auditors' repot.

Charter Cable	Art in Public Places	North Azusa Relinquishment	Measure R	Integrated Waste Management	West Covina Community Services Foundation	Total Other Special Revenue Funds
$ 302,295	$ 100,110	$ 287,748	$ 864,063	$ 43,613	$ 111,071	$ 14,101,634
-	-	-	103,692	17,907	-	1,192,732
179	59	155	480	-	65	7,741
-	-	26,212	-	-	5,904	53,706
-	-	-	-	-	-	405,419
-	-	-	-	-	-	70
$ 302,474	$ 100,169	$ 314,115	$ 968,235	$ 61,520	$ 117,040	$ 15,761,302

7,523	$ -	161,848	$ 35,934	$ 182	$ 17,298	$ 1,223,092
-	-	-	1,154	378	-	107,042
-	-	-	-	-	-	44,803
7,523	-	161,848	37,088	560	17,298	1,374,937
-	-	-	-	-	-	249,169
-	-	-	-	-	-	70
294,951	100,169	152,267	931,147	60,960	99,742	14,501,304
-	-	-	-	-	-	(364,178)
294,951	100,169	152,267	931,147	60,960	99,742	14,137,196
$ 302,474	$ 100,169	$ 314,115	$ 968,235	$ 61,520	$ 117,040	$ 15,761,302

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

For the year ended June 30, 2013

	Drug Enforcement Rebate	Business Improvement Tax	Air Quality Improvement	Proposition A
REVENUES:				
Taxes	$ -	$ -	$ -	$ 1,744,428
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	6,319	51	575	87
Revenue from other agencies	1,772,161	-	95,023	119,496
Charges for services	-	-	-	-
Other revenues	-	2,005	-	-
TOTAL REVENUES	1,778,480	2,056	95,598	1,864,011
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	1,946,914	-	-	-
Public works	-	-	47,237	-
Community services	-	-	-	2,037,500
Community development	-	-	-	-
TOTAL EXPENDITURES	1,946,914	-	47,237	2,037,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(168,434)	2,056	48,361	(173,489)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(11,900)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(11,900)	-	-
NET CHANGE IN FUND BALANCES	(168,434)	(9,844)	48,361	(173,489)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	2,653,735	29,639	209,272	485,442
FUND BALANCES (DEFICITS) - END OF YEAR	$ 2,485,301	$ 19,795	$ 257,633	$ 311,953

See independent auditors' report.

Proposition C	Traffic Safety	State Gas Tax	Police Special Programs	Transportation Development Act	AB939	Grants	Tree
$ 1,449,734	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	814,579	-	-	-	-	-	-
2,984	-	3,436	104	-	768	1,441	2
-	-	2,599,560	3,500	30,324	-	703,953	-
-	-	2,974	-	-	4,823	67,256	-
-	-	102	3,031	-	170,185	179,137	-
1,452,718	814,579	2,606,072	6,635	30,324	175,776	951,787	2
-	-	-	-	-	-	-	-
-	-	-	8,816	-	-	241,773	-
251,589	-	3,381,177	-	-	168,985	1,225,346	1,000
765,436	-	-	-	-	-	270,402	-
84,200	-	-	-	-	-	-	-
1,101,225	-	3,381,177	8,816	-	168,985	1,737,521	1,000
-							
351,493	814,579	(775,105)	(2,181)	30,324	6,791	(785,734)	(998)
-	-	50,000	-	-	-	-	-
-	(867,381)	(836,569)	-	-	-	-	-
-	(867,381)	(786,569)	-	-	-	-	-
351,493	(52,802)	(1,561,674)	(2,181)	30,324	6,791	(785,734)	(998)
922,423	268,759	2,325,861	42,357	(30,839)	319,170	434,689	1,107
$ 1,273,916	$ 215,957	$ 764,187	$ 40,176	$ (515)	$ 325,961	$ (351,045)	$ 109

(Continued)

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

For the year ended June 30, 2013

	Inmate Welfare	Public Safety	COPS Grant	Special Assessments
REVENUES:				
Taxes	$ -	$ 636,492	$ -	$ 1,693,874
Special assessments	-	-	-	5,511,465
Fines and forfeitures	-	-	-	-
Investment income	-	168	908	13,566
Revenue from other agencies	-	-	154,902	-
Charges for services	-	-	-	4,627
Other revenues	9,477	-	-	-
TOTAL REVENUES	9,477	636,660	155,810	7,223,532
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	6,734	-	104,924	-
Public works	-	-	-	5,539,729
Community services	-	-	-	-
Community development	-	-	-	39,999
TOTAL EXPENDITURES	6,734	-	104,924	5,579,728
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,743	636,660	50,886	1,643,804
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(575,000)	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(575,000)	-	(50,000)
NET CHANGE IN FUND BALANCES	2,743	61,660	50,886	1,593,804
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(15,291)	136,016	348,547	4,976,167
FUND BALANCES (DEFICITS) - END OF YEAR	$ (12,548)	$ 197,676	$ 399,433	$ 6,569,971

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
$ -	$ -	$ -	$ 1,083,917	$ -	$ -	$ 6,608,445
-	-	-	-	-	-	5,511,465
-	-	-	-	-	-	814,579
951	189	919	2,095	-	316	34,879
-	-	-	-	-	-	5,478,919
-	-	-	-	71,628	-	151,308
-	67,026	-	-	-	198,149	629,112
951	67,215	919	1,086,012	71,628	198,465	19,228,707
88,253	-	-	-	-	-	88,253
-	-	-	-	-	-	2,309,161
-	-	222,954	687,245	44,362	-	11,569,624
-	-	-	-	-	155,912	3,229,250
-	60,715	-	-	-	-	184,914
88,253	60,715	222,954	687,245	44,362	155,912	17,381,202
(87,302)	6,500	(222,035)	398,767	27,266	42,553	1,847,505
-	-	-	-	-	-	50,000
-	-	(36,275)	-	-	(50,000)	(2,427,125)
-	-	(36,275)	-	-	(50,000)	(2,377,125)
(87,302)	6,500	(258,310)	398,767	27,266	(7,447)	(529,620)
382,253	93,669	410,577	532,380	33,694	107,189	14,666,816
$ 294,951	$ 100,169	$ 152,267	$ 931,147	$ 60,960	$ 99,742	$ 14,137,196

CITY OF WEST COVINA

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

DRUG ENFORCEMENT REBATE SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 6,319	$ 6,319
Revenue from other agencies	12,000	1,772,161	1,760,161
TOTAL REVENUES	12,000	1,778,480	1,766,480
EXPENDITURES:			
Current:			
Public safety	2,671,191	1,946,914	724,277
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,659,191)	(168,434)	2,490,757
FUND BALANCE - BEGINNING OF YEAR	2,653,735	2,653,735	-
FUND BALANCE - END OF YEAR	$ (5,456)	$ 2,485,301	$ 2,490,757

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 51	$ 51
Other revenues	-	2,005	2,005
TOTAL REVENUES	-	2,056	2,056
EXPENDITURES:			
Current:			
Community services	4,492	-	4,492
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,492)	2,056	6,548
OTHER FINANCING USES:			
Transfers out	(11,900)	(11,900)	-
NET CHANGE IN FUND BALANCE	(16,392)	(9,844)	6,548
FUND BALANCE - BEGINNING OF YEAR	29,639	29,639	-
FUND BALANCE - END OF YEAR	$ 13,247	$ 19,795	$ 6,548

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 575	$ 575
Revenue from other agencies	126,000	95,023	(30,977)
TOTAL REVENUES	126,000	95,598	(30,402)
EXPENDITURES:			
Current:			
Public works	328,082	47,237	280,845
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(202,082)	48,361	250,443
FUND BALANCE - BEGINNING OF YEAR	209,272	209,272	-
FUND BALANCE - END OF YEAR	$ 7,190	$ 257,633	$ 250,443

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 1,675,000	$ 1,744,428	$ 69,428
Investment income	-	87	87
Revenue from other agencies	160,000	119,496	(40,504)
TOTAL REVENUES	1,835,000	1,864,011	29,011
EXPENDITURES:			
Current:			
Community services	2,045,900	2,037,500	8,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(210,900)	(173,489)	37,411
FUND BALANCE - BEGINNING OF YEAR	485,442	485,442	-
FUND BALANCE - END OF YEAR	$ 274,542	$ 311,953	$ 37,411

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 1,380,000	$ 1,449,734	$ 69,734
Investment income	-	2,984	2,984
TOTAL REVENUES	1,380,000	1,452,718	72,718
EXPENDITURES:			
Current:			
Public works	1,013,494	251,589	761,905
Community services	862,591	765,436	97,155
Community development	102,981	84,200	18,781
TOTAL EXPENDITURES	1,979,066	1,101,225	877,841
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(599,066)	351,493	950,559
FUND BALANCE - BEGINNING OF YEAR	922,423	922,423	-
FUND BALANCE - END OF YEAR	$ 323,357	$ 1,273,916	$ 950,559

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Fines and forfeitures	$ 900,000	$ 814,579	$ (85,421)
OTHER FINANCING USES:			
Transfers out	(867,381)	(867,381)	-
NET CHANGE IN FUND BALANCE	32,619	(52,802)	(85,421)
FUND BALANCE - BEGINNING OF YEAR	268,759	268,759	-
FUND BALANCE - END OF YEAR	$ 301,378	$ 215,957	$ (85,421)

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 3,436	$ 3,436
Revenue from other agencies	2,795,000	2,599,560	(195,440)
Charges for services	-	2,974	2,974
Other revenues	-	102	102
TOTAL REVENUES	2,795,000	2,606,072	(188,928)
EXPENDITURES:			
Current:			
Public works	4,172,471	3,381,177	791,294
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,377,471)	(775,105)	602,366
OTHER FINANCING SOURCES (USES):			
Transfers in	50,000	50,000	-
Transfers out	(836,569)	(836,569)	-
TOTAL OTHER FINANCING SOURCES (USES)	(786,569)	(786,569)	-
NET CHANGE IN FUND BALANCE	(2,164,040)	(1,561,674)	602,366
FUND BALANCE - BEGINNING OF YEAR	2,325,861	2,325,861	-
FUND BALANCE - END OF YEAR	$ 161,821	$ 764,187	$ 602,366

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 104	$ 104
Revenue from other agencies	3,500	3,500	-
Other revenues	3,031	3,031	-
TOTAL REVENUES	6,531	6,635	104
EXPENDITURES:			
Current:			
Public safety	31,885	8,816	23,069
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,354)	(2,181)	23,173
FUND BALANCE - BEGINNING OF YEAR	42,357	42,357	-
FUND BALANCE - END OF YEAR	$ 17,003	$ 40,176	$ 23,173

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Revenue from other agencies	$ 45,000	$ 30,324	$ (14,676)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(30,839)	(30,839)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 14,161	$ (515)	$ (14,676)

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 768	$ 768
Charges for services	3,500	4,823	1,323
Other revenues	170,000	170,185	185
TOTAL REVENUES	173,500	175,776	2,276
EXPENDITURES:			
Current:			
Public works	211,575	168,985	42,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,075)	6,791	44,866
FUND BALANCE - BEGINNING OF YEAR	319,170	319,170	-
FUND BALANCE - END OF YEAR	$ 281,095	$ 325,961	$ 44,866

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 1,441	$ 1,441
Revenue from other agencies	2,057,303	703,953	(1,353,350)
Charges for services	75,000	67,256	(7,744)
Other revenues	170,000	179,137	9,137
TOTAL REVENUES	2,302,303	951,787	(1,350,516)
EXPENDITURES:			
Current:			
Public safety	214,723	241,773	(27,050)
Public works	2,805,697	1,225,346	1,580,351
Community services	320,361	270,402	49,959
TOTAL EXPENDITURES	3,340,781	1,737,521	1,603,260
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,038,478)	(785,734)	252,744
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	434,689	434,689	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (603,789)	$ (351,045)	$ 252,744

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 2	$ 2
EXPENDITURES:			
Current:			
Public works	1,000	1,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000)	(998)	2
FUND BALANCE - BEGINNING OF YEAR	1,107	1,107	-
FUND BALANCE - END OF YEAR	$ 107	$ 109	$ 2

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Other revenues	$ 7,000	$ 9,477	$ 2,477
EXPENDITURES:			
Current:			
Public safety	7,052	6,734	318
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52)	2,743	2,795
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(15,291)	(15,291)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (15,343)	$ (12,548)	$ 2,795

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 600,000	$ 636,492	$ 36,492
Investment income	-	168	168
TOTAL REVENUES	600,000	636,660	36,660
OTHER FINANCING USES:			
Transfers out	(575,000)	(575,000)	-
NET CHANGE IN FUND BALANCE	25,000	61,660	36,660
FUND BALANCE - BEGINNING OF YEAR	136,016	136,016	-
FUND BALANCE - END OF YEAR	$ 161,016	$ 197,676	$ 36,660

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 908	$ 908
Revenue from other agencies	305,015	154,902	(150,113)
TOTAL REVENUES	305,015	155,810	(149,205)
EXPENDITURES:			
Current:			
Public safety	286,467	104,924	181,543
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,548	50,886	32,338
FUND BALANCE - BEGINNING OF YEAR	348,547	348,547	-
FUND BALANCE - END OF YEAR	$ 367,095	$ 399,433	$ 32,338

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 818,700	$ 1,693,874	$ 875,174
Special assessments	5,374,860	5,511,465	136,605
Investment income	-	13,566	13,566
Charges for services	-	4,627	4,627
TOTAL REVENUES	6,193,560	7,223,532	1,029,972
EXPENDITURES:			
Current:			
Public works	6,061,532	5,539,729	521,803
Community development	41,670	39,999	1,671
TOTAL EXPENDITURES	6,103,202	5,579,728	523,474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	90,358	1,643,804	1,553,446
OTHER FINANCING USES:			
Transfers out	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	40,358	1,593,804	1,553,446
FUND BALANCE - BEGINNING OF YEAR	4,976,167	4,976,167	-
FUND BALANCE - END OF YEAR	$ 5,016,525	$ 6,569,971	$ 1,553,446

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 951	$ 951
EXPENDITURES:			
Current:			
General government	112,800	88,253	24,547
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,800)	(87,302)	25,498
FUND BALANCE - BEGINNING OF YEAR	382,253	382,253	-
FUND BALANCE - END OF YEAR	$ 269,453	$ 294,951	$ 25,498

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 189	$ 189
Other revenues	-	67,026	67,026
TOTAL REVENUES	-	67,215	67,215
EXPENDITURES:			
Current:			
Community development	4,954	60,715	(55,761)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,954)	6,500	11,454
FUND BALANCE - BEGINNING OF YEAR	93,669	93,669	-
FUND BALANCE - END OF YEAR	$ 88,715	$ 100,169	$ 11,454

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 919	$ 919
EXPENDITURES:			
Current:			
Public works	373,881	222,954	150,927
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(373,881)	(222,035)	151,846
OTHER FINANCING USES:			
Transfers out	(36,275)	(36,275)	-
NET CHANGE IN FUND BALANCE	(410,156)	(258,310)	151,846
FUND BALANCE - BEGINNING OF YEAR	410,577	410,577	-
FUND BALANCE - END OF YEAR	$ 421	$ 152,267	$ 151,846

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 1,050,000	$ 1,083,917	$ 33,917
Investment income	-	2,095	2,095
TOTAL REVENUES	1,050,000	1,086,012	36,012
EXPENDITURES:			
Current:			
Public works	1,647,851	687,245	960,606
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(597,851)	398,767	996,618
FUND BALANCE - BEGINNING OF YEAR	532,380	532,380	-
FUND BALANCE - END OF YEAR	$ (65,471)	$ 931,147	$ 996,618

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	$ 70,000	$ 71,628	$ 1,628
EXPENDITURES:			
Current:			
Public works	67,998	44,362	23,636
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,002	27,266	25,264
FUND BALANCE - BEGINNING OF YEAR	33,694	33,694	-
FUND BALANCE - END OF YEAR	$ 35,696	$ 60,960	$ 25,264

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 316	$ 316
Other revenues	219,512	198,149	(21,363)
TOTAL REVENUES	219,512	198,465	(21,047)
EXPENDITURES:			
Current:			
Community services	252,710	155,912	96,798
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,198)	42,553	75,751
OTHER FINANCING USES:			
Transfers out	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	(83,198)	(7,447)	75,751
FUND BALANCE - BEGINNING OF YEAR	107,189	107,189	-
FUND BALANCE - END OF YEAR	$ 23,991	$ 99,742	$ 75,751

See independent auditors' report.

(This page intentionally left blank.)

MAJOR DEBT SERVICE FUND

June 30, 2013

The DEBT SERVICE FUND is 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.

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ 812,287	$ 639,923	$ (172,364)
Charges for services	558,299	458,889	(99,410)
Other revenues	1,127,000	1,127,000	-
TOTAL REVENUES	2,497,586	2,225,812	(271,774)
EXPENDITURES:			
Debt service:			
Principal	1,768,266	1,773,261	(4,995)
Interest and fiscal charges	2,111,018	1,659,473	451,545
TOTAL EXPENDITURES	3,879,284	3,432,734	446,550
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,381,698)	(1,206,922)	174,776
OTHER FINANCING SOURCES:			
Transfers in	1,110,500	1,110,500	-
NET CHANGE IN FUND BALANCE	(271,198)	(96,422)	174,776
FUND BALANCE - BEGINNING OF YEAR	14,123,124	14,123,124	-
FUND BALANCE - END OF YEAR	$ 13,851,926	$ 14,026,702	$ 174,776

See independent auditors' report.

CITY OF WEST COVINA

OTHER CAPITAL PROJECTS FUNDS

June 30, 2013

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

City Capital Projects - This fund accounts for all capital expenditures not being accounted for in the capital projects described below, or in other fund types.

Construction Tax - This fund accounts for monies received from developers based on the construction of dwelling units and used primarily to construct public domain assets.

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, 2013

	City	Construction Tax	Park Development	Total Other Capital Projects Funds
ASSETS				
Cash and investments	$ 1,013,035	$ 25,803	$ 122,422	$ 1,161,260
Receivables, net				
Interest	540	9	36	585
Other	-	-	10,952	10,952
TOTAL ASSETS	$ 1,013,575	$ 25,812	$ 133,410	$ 1,172,797
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 245,185	$ 34,898	$ 7,000	$ 287,083
Other accrued liabilities	1,020	-	214	1,234
TOTAL LIABILITIES	246,205	34,898	7,214	288,317
FUND BALANCES (DEFICIT):				
Assigned	767,370	-	126,196	893,566
Unassigned	-	(9,086)	-	(9,086)
TOTAL FUND BALANCES (DEFICIT)	767,370	(9,086)	126,196	884,480
TOTAL LIABILITIES AND FUND BALANCES	$ 1,013,575	$ 25,812	$ 133,410	$ 1,172,797

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, 2013

	City	Construction Tax	Park Development	Total Other Capital Projects Funds
REVENUES:				
Taxes	$ -	$ 50,667	$ -	$ 50,667
Investment income	2,775	36	212	3,023
Other revenues	-	-	47,280	47,280
TOTAL REVENUES	2,775	50,703	47,492	100,970
EXPENDITURES:				
Current:				
Public safety	4,000	-	-	4,000
Public works	377,840	77,005	89,562	544,407
Community services	9,819	-	36,665	46,484
TOTAL EXPENDITURES	391,659	77,005	126,227	594,891
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(388,884)	(26,302)	(78,735)	(493,921)
FUND BALANCES - BEGINNING OF YEAR	1,156,254	17,216	204,931	1,378,401
FUND BALANCES (DEFICIT) - END OF YEAR	$ 767,370	$ (9,086)	$ 126,196	$ 884,480

See independent auditors' report.

CITY OF WEST COVINA

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

CITY CAPITAL PROJECTS FUND

For the year ended June 30, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 2,775	$ 2,775
TOTAL REVENUES	-	2,775	2,775
EXPENDITURES:			
Current:			
Public safety	8,381	4,000	4,381
Public works	669,775	377,840	291,935
Community services	30,220	9,819	20,401
TOTAL EXPENDITURES	708,376	391,659	316,717
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(708,376)	(388,884)	319,492
FUND BALANCE - BEGINNING OF YEAR	1,156,254	1,156,254	-
FUND BALANCE - END OF YEAR	$ 447,878	$ 767,370	$ 319,492

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	$ 36,000	$ 50,667	$ 14,667
Investment income	-	36	36
TOTAL REVENUES	36,000	50,703	14,703
EXPENDITURES:			
Current:			
Public works	124,097	77,005	47,092
TOTAL EXPENDITURES	124,097	77,005	47,092
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(88,097)	(26,302)	61,795
FUND BALANCE - BEGINNING OF YEAR	17,216	17,216	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (70,881)	$ (9,086)	$ 61,795

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, 2013

	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	$ -	$ 212	$ 212
Other revenues	-	47,280	47,280
TOTAL REVENUES	-	47,492	47,492
EXPENDITURES:			
Current:			
Public works	102,373	89,562	12,811
Community services	101,354	36,665	64,689
TOTAL REVENUES	203,727	126,227	77,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(203,727)	(78,735)	124,992
FUND BALANCE - BEGINNING OF YEAR	204,931	204,931	-
FUND BALANCE - END OF YEAR	$ 1,204	$ 126,196	$ 124,992

See independent auditors' report.

CITY OF WEST COVINA

INTERNAL SERVICE FUNDS

June 30, 2013

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 POSITION
INTERNAL SERVICE FUNDS

June 30, 2013

	Fleet Management	Self-Insurance
ASSETS:		
CURRENT ASSETS:		
Cash and investments	$ -	$ 2,868,485
Receivables:		
Account	-	2,809
Interest	-	-
Other	-	2,531
Inventories	1,732	-
TOTAL CURRENT ASSETS	1,732	2,873,825
NONCURRENT ASSETS:		
Capital assets:		
Other capital assets	2,987,100	-
Less accumulated depreciation	(2,585,713)	-
Total capital assets (net of accumulated depreciation)	401,387	-
TOTAL NONCURRENT ASSETS	401,387	-
TOTAL ASSETS	403,119	2,873,825
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	92,248	22,121
Other accrued liabilities	6,140	2,656
Claims and judgments - current portion	-	2,074,440
Compensated absences - current portion	9,944	4,934
Due to other funds	59,734	-
TOTAL CURRENT LIABILITIES	168,066	2,104,151
NONCURRENT LIABILITIES:		
Claims and judgments	-	7,031,660
Compensated absences	47,658	30,451
TOTAL NONCURRENT LIABILITIES	47,658	7,062,111
TOTAL LIABILITIES	215,724	9,166,262
NET POSITION:		
Net investment in capital assets	401,387	-
Unrestricted	(213,992)	(6,292,437)
TOTAL NET POSITION	$ 187,395	$ (6,292,437)

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ 575,075	$ 229,783	$ 3,673,343
-	-	2,809
301	122	423
-	-	2,531
-	-	1,732
575,376	229,905	3,680,838
-	420,541	3,407,641
-	(352,353)	(2,938,066)
-	68,188	469,575
-	68,188	469,575
575,376	298,093	4,150,413
-	-	114,369
-	-	8,796
-	-	2,074,440
-	-	14,878
-	-	59,734
-	-	2,272,217
-	-	7,031,660
-	-	78,109
-	-	7,109,769
-	-	9,381,986
-	68,188	469,575
575,376	229,905	(5,701,148)
$ 575,376	$ 298,093	$ (5,231,573)

CITY OF WEST COVINA

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

For the year ended June 30, 2013

	Fleet Management	Self-Insurance
OPERATING REVENUES:		
Charges for services	$ 1,476,564	$ 2,466,355
Other revenues	-	36,397
TOTAL OPERATING REVENUES	1,476,564	2,502,752
OPERATING EXPENSES:		
Personnel services	512,226	190,349
Cost of sales, services and operations	1,119,737	346,011
Depreciation	85,150	-
Insurance and claims paid	-	1,872,511
TOTAL OPERATING EXPENSES	1,717,113	2,408,871
OPERATING INCOME (LOSS)	(240,549)	93,881
NONOPERATING REVENUES:		
Investment income	-	-
CHANGE IN NET POSITION	(240,549)	93,881
NET POSITION - BEGINNING OF YEAR	427,944	(6,386,318)
NET POSITION - END OF YEAR	$ 187,395	$ (6,292,437)

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ 106,005	$ -	$ 4,048,924
-	-	36,397
106,005	-	4,085,321
20,173	-	722,748
-	-	1,465,748
-	60,077	145,227
-	-	1,872,511
20,173	60,077	4,206,234
85,832	(60,077)	(120,913)
1,405	600	2,005
87,237	(59,477)	(118,908)
488,139	357,570	(5,112,665)
$ 575,376	$ 298,093	$ (5,231,573)

CITY OF WEST COVINA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2013

	Fleet Management	Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from user departments	$ 1,476,564	$ 2,499,771
Payments to suppliers for goods and services	(1,096,726)	(3,229,844)
Payments to employees for services	(463,082)	(190,517)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(83,244)	(920,590)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Received from other funds	59,734	1,959,464
Paid to other funds	-	(414,737)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	59,734	1,544,727
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(23,510)	624,137
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	23,510	2,244,348
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 2,868,485
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (240,549)	$ 93,881
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	85,150	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	-	(450)
(Increase) decrease in other receivables	-	(2,531)
(Increase) decrease in inventories	16	-
Increase (decrease) in accounts payable	22,995	19,300
Increase (decrease) in other accrued liabilities	760	(1,631)
Increase (decrease) in claims and judgments	-	(1,030,622)
Increase (decrease) in compensated absences	48,384	1,463
TOTAL ADJUSTMENTS	157,305	(1,014,471)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (83,244)	$ (920,590)

See independent auditors' report.

Retiree Health Savings Plan	Vehicle Replacement	Totals
$ 106,005	$ -	$ 4,082,340
-	-	(4,326,570)
(20,173)	-	(673,772)
85,832	-	(918,002)
-	-	2,019,198
-	-	(414,737)
-	-	1,604,461
1,310	574	1,884
87,142	574	688,343
487,933	229,209	2,985,000
$ 575,075	$ 229,783	$ 3,673,343
$ 85,832	$ (60,077)	$ (120,913)
-	60,077	145,227
-	-	(450)
-	-	(2,531)
-	-	16
-	-	42,295
-	-	(871)
-	-	(1,030,622)
-	-	49,847
-	60,077	(797,089)
$ 85,832	$ -	$ (918,002)

(This page intentionally left blank.)

CITY OF WEST COVINA

AGENCY FUND

June 30, 2013

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, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS:				
Cash and investments	$ 1,292,367	$ 2,592,969	$ 2,798,853	$ 1,086,483
Receivables, net				
Taxes	13,086	20	13,086	20
Other	-	1,400	-	1,400
TOTAL ASSETS	$ 1,305,453	$ 2,594,389	$ 2,811,939	$ 1,087,903
LIABILITIES:				
Accounts payable	$ 125	$ 113,663	$ 102,557	$ 11,231
Deposits	1,305,328	2,596,429	2,825,085	1,076,672
TOTAL LIABILITIES	$ 1,305,453	$ 2,710,092	$ 2,927,642	$ 1,087,903

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2013

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 theses schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Net Position by Component	1
Changes in Net Position	2
Changes in Net Position - Governmental Activities	3
Changes in Net Position - 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 POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	$ 146,195,649	$ 143,792,663	$ 144,030,127	$ 139,413,253
Restricted	106,938,430	104,865,107	99,990,727	88,484,572
Unrestricted	2,406,084	140,122	(3,710,829)	20,796,530
Total governmental activities net position	$ 255,540,163	$ 248,797,892	$ 240,310,025	$ 248,694,355
Business-type activities:				
Net investment in capital assets	$ 458,875	$ 136,937	$ 193,706	$ 303,147
Restricted	-	-	-	-
Unrestricted	1,692,357	1,832,618	1,469,994	721,839
Total business-type activities net position	$ 2,151,232	$ 1,969,555	$ 1,663,700	$ 1,024,986
Primary government:				
Net investment in capital assets	$ 146,654,524	$ 143,929,600	$ 144,223,833	$ 139,716,400
Restricted	106,938,430	104,865,107	99,990,727	88,484,572
Unrestricted	4,098,441	1,972,740	(2,240,835)	21,518,369
Total primary government net position	$ 257,691,395	$ 250,767,447	$ 241,973,725	$ 249,719,341

Source: City of West Covina Finance Department

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 148,634,909	$ 180,298,472	$ 184,338,106	$ 179,236,866	$ 168,749,834	$ 164,621,539
30,802,069	25,937,799	18,316,134	25,286,909	53,333,115	46,016,224
63,530,998	22,723,726	10,219,814	1,884,827	26,688,571	(297,086)
$ 242,967,976	$ 228,959,997	$ 212,874,054	$ 206,408,602	$ 248,771,520	$ 210,340,677
$ 202,227	$ 107,507	$ 42,073	$ -	$ -	$ -
-	-	-	-	-	-
(66,842)	(786,551)	(1,128,610)	(999,624)	(994,560)	(426,520)
$ 135,385	$ (679,044)	$ (1,086,537)	$ (999,624)	$ (994,560)	$ (426,520)
$ 148,837,136	$ 180,405,979	$ 184,380,179	$ 179,236,866	$ 168,749,834	$ 164,621,539
30,802,069	25,937,799	18,316,134	25,286,909	53,333,115	46,016,224
63,464,156	21,937,175	9,091,204	(98,187)	25,694,011	(723,606)
$ 243,103,361	$ 228,280,953	$ 211,787,517	$ 204,425,588	$ 247,776,960	$ 209,914,157

CITY OF WEST COVINA

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Governmental activities:				
General government	$ 2,314,558	$ 2,919,887	$ 1,594,760	$ 46,328
Public safety	33,172,116	38,436,098	38,433,238	42,186,533
Public works	16,803,123	19,642,927	20,696,562	19,322,212
Community services	7,911,247	4,144,990	6,482,112	5,167,297
Community development	6,438,979	6,761,102	11,245,539	9,610,651
Interest on long-term debt	4,039,240	5,001,981	7,714,047	8,320,239
Total governmental activities expenses	70,679,263	76,906,985	86,166,258	84,653,260
Business-type activities:				
Simulator	241,047	-	-	-
Computer enterprise	2,023,376	2,212,802	2,098,690	2,470,811
Total business-type activities expenses	2,264,423	2,212,802	2,098,690	2,470,811
Total primary government expenses	72,943,686	79,119,787	88,264,948	87,124,071
Program revenues:				
Governmental activities:				
Charges for services:				
General government	1,271,852	1,377,178	2,767,383	861,565
Public safety	1,772,859	2,562,910	3,310,988	3,141,098
Public works	3,763,540	3,610,577	5,297,840	6,339,196
Community services	1,471,603	1,546,169	1,454,683	1,526,866
Community development	154,837	223,938	302,677	537,813
Operating grants and contributions	9,833,967	10,802,517	11,614,595	8,607,221
Capital grants and contributions	1,064,756	378,493	285,078	2,714,668
Total governmental activities program revenues	19,333,414	20,501,782	25,033,244	23,728,427
Business-type activities:				
Charges for services:				
Simulator	79,903	-	-	-
Computer enterprise	2,165,999	1,992,662	1,721,715	1,765,224
Total business-type activities program revenues	2,245,902	1,992,662	1,721,715	1,765,224
Total primary government program revenues	21,579,316	22,494,444	26,754,959	25,493,651

Source: City of West Covina Finance Department

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 2,448,843	$ 2,849,501	$ 3,337,547	$ 2,922,898	$ 4,953,340	$ 5,547,949
45,498,406	47,682,934	48,151,398	45,253,725	49,369,913	47,160,347
20,246,687	21,598,894	21,054,241	21,052,423	20,510,387	20,465,106
5,214,550	7,835,430	6,558,987	6,629,292	6,949,951	6,911,667
10,000,667	12,867,904	8,619,004	9,414,730	4,071,050	708,422
8,200,588	7,962,089	6,577,544	7,101,037	5,927,002	1,652,751
91,609,741	100,796,752	94,298,721	92,374,105	91,781,643	82,446,242
-	-	-	-	-	-
2,682,467	2,633,564	2,507,498	2,086,135	1,701,367	1,435,606
2,682,467	2,633,564	2,507,498	2,086,135	1,701,367	1,435,606
94,292,208	103,430,316	96,806,219	94,460,240	93,483,010	83,881,848
1,145,943	757,678	1,019,690	681,877	599,066	548,333
3,431,488	3,611,259	3,850,741	3,571,864	3,196,729	3,018,478
4,251,433	5,818,290	7,041,281	8,043,988	7,046,096	7,781,333
1,443,945	1,158,644	1,089,227	1,166,675	1,141,162	1,195,612
275,235	266,286	313,639	240,462	255,669	348,112
10,618,414	11,895,355	5,157,956	10,189,050	12,557,141	10,344,778
434,630	578,828	3,574,609	678,827	958,459	597,405
21,601,088	24,086,340	22,047,143	24,572,743	25,754,322	23,834,051
-	-	-	-	-	-
1,755,717	1,885,071	2,193,037	2,268,982	1,805,242	2,105,421
1,755,717	1,885,071	2,193,037	2,268,982	1,805,242	2,105,421
23,356,805	25,971,411	24,240,180	26,841,725	27,559,564	25,939,472

CITY OF WEST COVINA

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Net revenues (expenses):				
Governmental activities	$ (51,345,849)	$ (56,405,203)	$ (61,133,014)	$ (60,924,833)
Business-type activities	(18,521)	(220,140)	(376,975)	(705,587)
Net primary government revenues (expenses)	(51,364,370)	(56,625,343)	(61,509,989)	(61,630,420)
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	16,107,447	17,565,368	27,614,922	32,458,314
Sales tax	14,355,566	14,522,220	14,216,986	14,056,880
Franchise tax	2,617,462	2,870,211	2,845,521	2,874,165
Other taxes	4,028,136	2,959,329	3,433,966	4,454,217
Motor vehicle in lieu, unrestricted	5,054,209	7,044,997	2,606,079	650,304
Investment income	44,464	2,858,850	1,993,102	6,919,306
Other general revenues	1,324,596	2,132,720	(65,429)	7,895,977
Transfers	250,000	137	-	-
Extraordinary gain (loss)	-	-	-	-
Total governmental activities	43,781,880	49,953,832	52,645,147	69,309,163
Business-type activities:				
Investment income	21,268	38,600	71,120	66,873
Transfers	(250,000)	(137)	-	-
Total business-type activities	(228,732)	38,463	71,120	66,873
Total primary government	43,553,148	49,992,295	52,716,267	69,376,036
Changes in net position:				
Governmental activities	(7,563,969)	(6,451,371)	(8,487,867)	8,384,330
Business-type activities	(247,253)	(181,677)	(305,855)	(638,714)
Total primary government change in net position	$ (7,811,222)	$ (6,633,048)	$ (8,793,722)	$ 7,745,616

Source: City of West Covina Finance Department

	Fiscal Year				
2008	2009	2010	2011	2012	2013
$ (70,008,653)	$ (76,710,412)	$ (72,251,578)	$ (67,801,362)	$ (66,027,321)	$ (58,612,191)
(926,750)	(748,493)	(314,461)	182,847	103,875	669,815
(70,935,403)	(77,458,905)	(72,566,039)	(67,618,515)	(65,923,446)	(57,942,376)
34,760,944	36,387,548	28,849,815	30,888,074	23,313,556	20,937,356
11,167,748	9,261,965	7,791,286	12,550,157	13,177,914	13,307,736
3,367,958	3,512,830	3,093,538	3,159,080	3,224,053	3,361,812
4,445,300	5,108,429	5,392,829	5,449,323	7,835,918	6,265,257
500,629	383,831	331,289	517,098	55,880	57,902
7,800,642	4,768,327	4,288,088	2,281,105	1,647,399	185,451
2,239,053	3,200,753	2,077,837	4,412,125	5,193,850	7,310,544
-	78,750	93,140	95,934	98,811	101,775
-	-	-	-	55,825,872	(19,629,066)
64,282,274	62,702,433	51,917,822	59,352,896	110,373,253	31,898,767
37,149	12,814	108	-	-	-
-	(78,750)	(93,140)	(95,934)	(98,811)	(101,775)
37,149	(65,936)	(93,032)	(95,934)	(98,811)	(101,775)
64,319,423	62,636,497	51,824,790	59,256,962	110,274,442	31,796,992
(5,726,379)	(14,007,979)	(20,333,756)	(8,448,466)	44,345,932	(26,713,424)
(889,601)	(814,429)	(407,493)	86,913	5,064	568,040
$ (6,615,980)	$ (14,822,408)	$ (20,741,249)	$ (8,361,553)	$ 44,350,996	$ (26,145,384)

CITY OF WEST COVINA

CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
General government	$ 2,314,558	$ 2,919,887	$ 1,594,760	$ 46,328
Public safety	33,172,116	38,436,098	38,433,238	42,186,533
Public works	16,803,123	19,642,927	20,696,562	19,322,212
Community services	7,911,247	4,144,990	6,482,112	5,167,297
Community development	6,438,979	6,761,102	11,245,539	9,610,651
Interest on long-term debt	4,039,240	5,001,981	7,714,047	8,320,239
Total expenses	70,679,263	76,906,985	86,166,258	84,653,260
Program revenues:				
Charges for services:				
General government	1,271,852	1,377,178	2,767,383	861,565
Public safety	1,772,859	2,562,910	3,310,988	3,141,098
Public works	3,763,540	3,610,577	5,297,840	6,339,196
Community services	1,471,603	1,546,169	1,454,683	1,526,866
Community development	154,837	223,938	302,677	537,813
Operating grants and contributions	9,833,967	10,802,517	11,614,595	8,607,221
Capital grants and contributions	1,064,756	378,493	285,078	2,714,668
Total program revenues	19,333,414	20,501,782	25,033,244	23,728,427
Net program revenues (expenses)	(51,345,849)	(56,405,203)	(61,133,014)	(60,924,833)
General revenues and other changes in net position:				
Taxes:				
Property taxes	16,107,447	17,565,368	27,614,922	32,458,314
Sales tax	14,355,566	14,522,220	14,216,986	14,056,880
Franchise tax	2,617,462	2,870,211	2,845,521	2,874,165
Other taxes	4,028,136	2,959,329	3,433,966	4,454,217
Motor vehicle in lieu, unrestricted	5,054,209	7,044,997	2,606,079	650,304
Investment income	44,464	2,858,850	1,993,102	6,919,306
Other general revenues	1,324,596	2,132,720	(65,429)	7,895,977
Transfers	250,000	137	-	-
Extraordinary gain (loss)	-	-	-	-
Total general revenues and other changes	43,781,880	49,953,832	52,645,147	69,309,163
Changes in net position	$ (7,563,969)	$ (6,451,371)	$ (8,487,867)	$ 8,384,330

Source: City of West Covina Finance Department

Fiscal Year 2008	2009	2010	2011	2012	2013
$ 2,448,843	$ 2,849,501	$ 3,337,547	$ 2,922,898	$ 4,953,340	$ 5,547,949
45,498,406	47,682,934	48,151,398	45,253,725	49,369,913	47,160,347
20,246,687	21,598,894	21,054,241	21,052,423	20,510,387	20,465,106
5,214,550	7,835,430	6,558,987	6,629,292	6,949,951	6,911,667
10,000,667	12,867,904	8,619,004	9,414,730	4,071,050	708,422
8,200,588	7,962,089	6,577,544	7,101,037	5,927,002	1,652,751
91,609,741	100,796,752	94,298,721	92,374,105	91,781,643	82,446,242
1,145,943	757,678	1,019,690	681,877	599,066	548,333
3,431,488	3,611,259	3,850,741	3,571,864	3,196,729	3,018,478
4,251,433	5,818,290	7,041,281	8,043,988	7,046,096	7,781,333
1,443,945	1,158,644	1,089,227	1,166,675	1,141,162	1,195,612
275,235	266,286	313,639	240,462	255,669	348,112
10,618,414	11,895,355	5,157,956	10,189,050	12,557,141	10,344,778
434,630	578,828	3,574,609	678,827	958,459	597,405
21,601,088	24,086,340	22,047,143	24,572,743	25,754,322	23,834,051
(70,008,653)	(76,710,412)	(72,251,578)	(67,801,362)	(66,027,321)	(58,612,191)
34,760,944	36,387,548	28,849,815	30,888,074	23,313,556	20,937,356
11,167,748	9,261,965	7,791,286	12,550,157	13,177,914	13,307,736
3,367,958	3,512,830	3,093,538	3,159,080	3,224,053	3,361,812
4,445,300	5,108,429	5,392,829	5,449,323	7,835,918	6,265,257
500,629	383,831	331,289	517,098	55,880	57,902
7,800,642	4,768,327	4,288,088	2,281,105	1,647,399	185,451
2,239,053	3,200,753	2,077,837	4,412,125	5,193,850	7,310,544
-	78,750	93,140	95,934	98,811	101,775
-	-	-	-	55,825,872	(19,629,066)
64,282,274	62,702,433	51,917,822	59,352,896	110,373,253	31,898,767
$ (5,726,379)	$ (14,007,979)	$ (20,333,756)	$ (8,448,466)	$ 44,345,932	$ (26,713,424)

CITY OF WEST COVINA

CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Simulator	$ 241,047	$ -	$ -	$ -
Computer enterprise	2,023,376	2,212,802	2,098,690	2,470,811
Total expenses	2,264,423	2,212,802	2,098,690	2,470,811
Program revenues:				
Charges for services:				
Simulator	79,903	-	-	-
Computer enterprise	2,165,999	1,992,662	1,721,715	1,765,224
Total program revenues	2,245,902	1,992,662	1,721,715	1,765,224
Net revenues (expenses)	(18,521)	(220,140)	(376,975)	(705,587)
General revenues and other changes in net position:				
Investment income	21,268	38,600	71,120	66,873
Transfers	(250,000)	(137)	-	-
Total general revenues and other changes	(228,732)	38,463	71,120	66,873
Changes in net position	$ (247,253)	$ (181,677)	$ (305,855)	$ (638,714)

Source: City of West Covina Finance Department

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ -	$ -	$ -	$ -	$ -	$ -
2,682,467	2,633,564	2,507,498	2,086,135	1,701,367	1,435,606
2,682,467	2,633,564	2,507,498	2,086,135	1,701,367	1,435,606
-	-	-	-	-	-
1,755,717	1,885,071	2,193,037	2,268,982	1,805,242	2,105,421
1,755,717	1,885,071	2,193,037	2,268,982	1,805,242	2,105,421
(926,750)	(748,493)	(314,461)	182,847	103,875	669,815
37,149	12,814	108	-	-	-
-	(78,750)	(93,140)	(95,934)	(98,811)	(101,775)
37,149	(65,936)	(93,032)	(95,934)	(98,811)	(101,775)
$ (889,601)	$ (814,429)	$ (407,493)	$ 86,913	$ 5,064	$ 568,040

CITY OF WEST COVINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
General fund:				
Reserved	$ 24,398,011	$ 24,201,596	$ 24,954,584	$ 24,793,675
Unreserved	24,427,158	23,513,760	23,982,187	19,315,808
Total general fund	$ 48,825,169	$ 47,715,356	$ 48,936,771	$ 44,109,483
All other governmental funds:				
Reserved	$ 34,406,256	$ 44,606,915	$ 25,188,543	$ 42,527,670
Unreserved, reported in:				
Special revenue funds	6,021,975	5,980,930	9,981,374	8,293,679
Debt service funds	(1,654,836)	929,735	12,139,928	4,134,045
Capital projects funds	(4,625,186)	(888,628)	(2,685,881)	(1,825,601)
Total all other governmental funds	$ 34,148,209	$ 50,628,952	$ 44,623,964	$ 53,129,793
General fund:				
Nonspendable	$ -	$ -	$ -	$ -
Unassigned	-	-	-	-
Total general fund	$ -	$ -	$ -	$ -
All other governmental funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ -	$ -	$ -	$ -

Source: City of West Covina Finance Department

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
	$ 23,805,491	$ 22,621,000	$ 24,321,122	$ -	$ -	$ -
	16,021,539	12,846,323	7,246,828	-	-	-
	$ 39,827,030	$ 35,467,323	$ 31,567,950	$ -	$ -	$ -
	$ 33,118,104	$ 28,675,986	$ 24,916,095	$ -	$ -	$ -
	9,438,350	9,297,969	10,351,716	-	-	-
	(631,251)	(2,380,312)	(465,131)	-	-	-
	860,278	3,085,503	(131,153)	-	-	-
	$ 42,785,481	$ 38,679,146	$ 34,671,527	$ -	$ -	$ -
	$ -	$ -	$ -	$ 20,827,056	$ 15,580,789	$ 6,621,695
	-	-	-	8,786,221	13,187,181	4,108,967
	$ -	$ -	$ -	$ 29,613,277	$ 28,767,970	$ 10,730,662
	$ -	$ -	$ -	$ 8,210,093	$ 6,200,423	$ 6,814,431
	-	-	-	38,138,456	31,101,636	32,133,653
	-	-	-	1,964,946	1,378,401	893,566
	-	-	-	(12,759,988)	(110,042)	(373,264)
	$ -	$ -	$ -	$ 35,553,507	$ 38,570,418	$ 39,468,386

CITY OF WEST COVINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
Taxes	$ 47,634,431	$ 49,046,990	$ 58,464,794	$ 62,801,264
Special assessments	3,311,896	3,448,956	3,582,066	3,711,712
Licenses and permits	1,425,077	1,046,759	1,336,564	1,833,239
Fines and forfeitures	1,410,536	1,264,600	1,168,842	1,106,271
Investment income	3,564,751	8,239,221	5,807,699	9,544,547
Rental income	593,486	589,564	266,516	223,668
Intergovernmental	8,586,703	12,052,408	12,301,929	7,491,065
Charges for services	4,221,452	5,397,270	6,646,242	8,515,601
Repayment of notes and loans	1,877,550	2,336,958	1,355,096	988,220
Developer fees	916,384	378,493	7,884	1,462,535
Other	1,624,656	2,517,164	2,566,819	8,903,148
Total revenues	75,166,922	86,318,383	93,504,451	106,581,270
Expenditures:				
Current:				
General government	4,230,885	4,790,513	4,912,513	5,478,534
Public safety	34,037,594	37,643,249	39,996,407	41,602,661
Public works	10,996,162	12,937,191	14,269,148	15,623,128
Community services	10,630,005	8,337,754	11,857,937	31,362,253
Community development	8,814,434	5,229,820	10,385,511	7,120,280
Pass-through payments	4,067,098	4,817,371	3,199,441	2,568,343
Debt service:				
Principal retirement	1,807,869	2,200,464	2,050,000	4,014,507
Interest and fiscal charges	7,664,295	7,901,882	8,766,422	10,059,439
Cost of issuance	-	-	-	294,764
Developer agreement payments	-	-	1,858,120	2,783,820
Total expenditures	82,248,342	83,858,244	97,295,499	120,907,729
Excess (deficiency) of revenues over (under) expenditures	(7,081,420)	2,460,139	(3,791,048)	(14,326,459)
Other financing sources (uses):				
Transfers in	8,781,210	9,842,137	9,342,762	33,024,064
Transfers out	(8,531,210)	(10,140,446)	(10,342,762)	(33,024,064)
Issuance of bonds	261,792	13,500,000	2,735,000	18,005,000
Gain/(loss) on sale of property	-	-	-	-
Payment to refunded bond escrow agent	-	-	(2,727,525)	-
Extraordinary gain (loss)	-	-	-	-
Total other financing sources (uses)	511,792	13,201,691	(992,525)	18,005,000
Net change in fund balances	$ (6,569,628)	$ 15,661,830	$ (4,783,573)	$ 3,678,541
Debt service as a percentage of noncapital expenditures	13.85%	15.04%	18.00%	23.60%

Source: City of West Covina Finance Department

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 65,069,488	$ 65,186,854	$ 63,270,166	$ 63,663,702	$ 53,636,172	$ 46,185,045
3,913,965	4,180,404	4,871,575	5,210,062	5,270,856	5,511,465
1,196,670	1,085,650	904,985	1,099,083	866,642	1,156,196
1,216,628	1,229,852	1,324,698	1,056,923	1,097,836	1,048,819
8,778,813	5,601,091	5,589,739	4,124,960	3,419,665	533,540
270,058	311,997	310,819	468,123	421,521	370,913
8,113,584	8,848,048	11,321,980	8,363,460	12,481,691	9,496,481
8,178,880	7,021,197	6,845,511	6,779,667	6,732,076	6,124,201
1,048,727	794,365	449,045	721,348	332,698	925,235
10,950	-	-	-	-	-
662,988	1,824,050	1,112,553	3,781,096	1,720,792	5,105,117
98,460,751	96,083,508	96,001,071	95,268,424	85,979,949	76,457,012
5,787,654	4,687,485	4,646,621	4,180,878	4,950,311	5,205,956
44,138,678	45,554,204	45,639,257	41,938,421	44,109,598	42,688,487
16,308,548	17,923,628	19,686,587	15,325,261	18,209,981	16,203,144
24,580,791	7,189,514	5,390,364	5,412,009	5,917,227	5,872,485
7,632,478	10,739,465	6,142,905	8,228,653	4,246,590	666,255
2,825,925	3,468,902	9,724,035	5,863,850	2,112,227	-
3,441,290	3,828,282	4,108,592	4,649,975	5,155,105	1,773,261
9,827,109	9,055,221	8,410,803	8,520,890	6,307,988	1,659,473
-	-	-	-	-	-
2,939,322	2,181,599	2,002,039	2,317,114	351,444	-
117,481,795	104,628,300	105,751,203	96,437,051	91,360,471	74,069,061
(19,021,044)	(8,544,792)	(9,750,132)	(1,168,627)	(5,380,522)	2,387,951
9,976,252	12,048,364	11,023,152	11,171,460	8,947,657	3,639,400
(9,901,252)	(11,969,614)	(9,180,012)	(11,075,526)	(8,848,846)	(3,537,625)
4,319,279	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,453,315	(19,629,066)
4,394,279	78,750	1,843,140	95,934	7,552,126	(19,527,291)
$ (14,626,765)	$ (8,466,042)	$ (7,906,992)	$ (1,072,693)	$ 2,171,604	$ (17,139,340)
21.10%	19.30%	25.60%	19.89%	16.20%	5.21%

CITY OF WEST COVINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years
(in thousands of dollars)

	City				
Fiscal Year Ended June 30	Secured	Non-Unitary	Unsecured	Less: Exemptions	Taxable Assessed Value
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
2013	6,477,468	-	10,645	(93,277)	6,394,836

Note:
In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone, Los Angeles Assessor 2003/2004 - 2012/2013 Combined Tax Rolls

Community Development Commission (CDC)				City and CDC Total	
Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Taxable Assessed Value	Total Direct Tax Rate
$ 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%
2,429,152	160,821	(152,386)	2,437,587	8,832,423	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			
	2004	2005	2006	2007
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	0.006100	0.005800	0.005200	0.004700
Flood Control	0.000462	0.000245	0.000050	0.000050
Community College	0.015246	0.014731	0.021220	0.025300
Unified Schools	0.050839	0.082226	0.061470	0.065120
County	0.000992	0.000923	0.000800	0.000660
Total Voter Approved Rates	**0.073639**	**0.103925**	**0.088740**	**0.095830**
Total Tax Rate	**1.073639**	**1.103925**	**1.088740**	**1.095830**

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.

Source: Los Angeles County Auditor-Conttoller - Property Tax Rates - TRA #7495

Fiscal Year					
2008	2009	2010	2011	2012	2013
0.003130	0.003130	0.003130	0.003130	0.003130	0.003130
0.136710	0.136710	0.136710	0.135100	0.135100	0.135100
0.139840	0.139840	0.139840	0.138230	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	0.074500	0.074500	0.074500
0.169290	0.169290	0.169290	0.169300	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	0.024100	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	0.329200	0.329200	0.329200
0.000300	0.000300	0.000300	0.000300	0.000300	0.000300
0.031040	0.031040	0.031040	0.031000	0.031000	0.031000
0.000580	0.000580	0.000580	0.000580	0.000580	0.000580
0.185970	0.185970	0.185970	0.186000	0.186000	0.186000
0.860140	0.860140	0.860140	0.861840	0.861840	0.861840
1.000000	**1.000000**	**1.000000**	**1.000000**	**1.000000**	**1.000000**
0.004500	0.004300	0.004300	0.003700	0.003700	0.003500
-	-	-	-	-	-
0.017500	0.023326	0.025710	0.026363	0.026415	0.028957
0.051440	0.060406	0.052576	0.059198	0.053770	0.049650
-	-	-	-	-	-
0.073440	**0.088032**	**0.082586**	**0.089261**	**0.083885**	**0.082107**
1.073440	**1.088032**	**1.082586**	**1.089261**	**1.083885**	**1.082107**

(This page intentionally left blank.)

CITY OF WEST COVINA

TABLE 9

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2013 Taxable Assessed Value	2013 Percent of Total City Taxable Assessed Value	2004 Taxable Assessed Value	2004 Percent of Total City Taxable Assessed Value
851 S. Sunset Avenue Apartments LLC	$ -	0.00%	$ 22,540,862	0.38%
Cole ME West Covina California DST	28,454,849	0.32%	-	0.00%
Cole MT West Covina California LC	87,727,132	0.99%	-	0.00%
Eastland Shopping Center LLC	-	0.00%	85,913,842	1.44%
Eastland Tower Partnership	42,600,000	0.48%	31,650,000	0.53%
Gateway Crescent LLC	46,800,000	0.53%	-	0.00%
Hassen Imports Partnership	-	0.00%	47,019,668	0.79%
Hassen Real Estate Partnership	35,919,195	0.41%	-	0.00%
KW of CV Sunset LLC	40,107,000	0.45%	-	0.00%
Plaza West Covina	190,213,742	2.15%	169,151,619	2.84%
Pleasant Hill Partners	-	0.00%	16,518,533	0.28%
Pried XIV Trust	29,756,545	0.34%	24,699,156	0.41%
PT Enterprises LLC	28,857,269	0.33%	-	0.00%
Sears Development Company	27,153,536	0.31%	16,951,811	0.28%
WCPP Limited	-	0.00%	14,805,623	0.25%
West Covina Lakes Association	-	0.00%	21,900,000	0.37%
	$ 557,589,268	6.31%	$ 451,151,114	7.57%

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 2012/13 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: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
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%
2013	9,094,235	8,853,013	97.35%	(75,056)	8,777,957	96.52%

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. Subsequent to January 31, 2012, there were no property taxes levied under the Community Development Commission.

Source: Los Angeles County Auditor Controller's Office

Fiscal Year Ended June 30	Community Development Commission: Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy
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%
2013	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF WEST COVINA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					
	Lease Revenue Bonds	Special Assessment Bonds	Tax Allocation Bonds (1)	Loans	Capital Lease Obligations	Total Governmental Activities
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
2013	49,645,000	-	-	1,658,532	957,535	52,261,067

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.

Source: City of West Covina Finance Department

Business-type Activities				
Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income (2)	Debt per Capita (2)
$ -	$ -	$ 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
-	-	52,261,067	1.10%	487

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
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
2013	49,645	-	-	49,645	0.56%	463

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, 2013

2012-13 Assessed Valuation	$ 8,832,423,000
Redevelopment Incremental Valuation	(2,437,587,000)
Adjusted Assessed Valuation	$ 6,394,836,000

	Total Debt 6/30/2013	% Applicable [1]	City's Share of Debt 6/30/13
Overlapping Tax and Assessment Debt:			
Los Angeles County Flood Control District	$ 19,770,000	0.837%	$ 165,475
Metropolitan Water District	165,085,000	0.421%	695,008
Mount San Antonio Community College District	212,076,742	12.883%	27,321,847
Baldwin Park Unified School District	98,725,527	0.300%	296,177
Bassett Unified School District	39,744,081	0.068%	27,026
Covina Valley Unified School District	119,496,200	31.813%	38,015,326
Hacienda-La Puente Unified School District	90,748,428	1.411%	1,280,460
Rowland Unified School District	163,707,079	15.018%	24,585,529
Walnut Valley Unified School District	124,443,223	0.729%	907,191
West Covina Unified School District	28,925,000	95.218%	27,541,807
Los Angeles County Reg'l Park and Open Space Assessment District	142,870,000	0.811% #	1,158,676
TOTAL OVERLAPING TAX and ASSESSMENT DEBT	$ 1,205,591,280		$ 121,994,522
Direct and Overlapping General Fund Debt:			
Los Angeles County General Fund Obligations	$ 1,729,437,327	0.811%	$ 14,025,737
Los Angeles County Supt. of Schools Cert. of Participation	10,377,239	0.811%	84,159
Los Angles County Sanitation District No. 15 Authority	29,239,080	2.019%	590,337
Los Angles County Sanitation District No. 21 Authority	17,234,188	2.580%	444,642
Los Angles County Sanitation District No. 22 Authority	14,900,685	21.720%	3,236,429
Baldwin Park Unified School District General Fund Obligations	40,915,000	0.300%	122,745
Covina Valley Unified School District General Fund Obligations	5,000,000	31.813%	1,590,650
Rowland Unified School District General Fund Obligations	5,000,000	15.018%	750,900
City of West Covina General Fund Obligations	49,645,000	100.000%	49,645,000
TOTAL GROSS DIRECT and OVERLAPPING GENERAL FUND DEBT			$ 70,490,599
Less: L.A. County General Fund Obligations supported by landfill revenues			44,539
TOTAL NET DIRECT and OVERLAPPING GENERAL FUND DEBT			70,446,060
Overlapping Tax Increment Debt (Successor Agency)			
Tax Allocation Bonds	$ 23,260,000	100.000%	$ 23,260,000
Total Gross Overlapping Debt	3,360,000	100.000%	3,360,000
Total Net Overlapping Debt	32,520,000	100.000%	32,520,000
			$ 59,140,000
TOTAL DIRECT DEBT			$ 49,645,000
TOTAL GROSS OVERLAPPING DEBT			201,980,121
TOTAL NET OVERLAPPING DEBT			201,935,582
GROSS COMBINED TOTAL DEBT [2]			$ 251,625,121
NET COMBINED TOTAL DEBT			$ 251,580,582

1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Source: California Municipal Statistics, Inc.

CITY OF WEST COVINA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
(in thousands of dollars)

	Fiscal Year			
	2004	2005	2006	2007
Assessed valuation	$ 4,467,971	$ 4,775,504	$ 5,279,478	$ 5,797,458
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,116,993	1,193,876	1,319,870	1,449,365
Debt limit percentage	15%	15%	15%	15%
Debt limit	167,549	179,081	197,980	217,405
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 167,549	$ 179,081	$ 197,980	$ 217,405
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 Tax Assessor's Office

Fiscal Year					
2008	2009	2010	2011	2012	2013
$ 6,200,821	$ 6,487,195	$ 6,219,444	$ 6,202,099	$ 6,308,843	$ 6,394,836
25%	25%	25%	25%	25%	25%
1,550,205	1,621,799	1,554,861	1,550,525	1,577,211	1,598,709
15%	15%	15%	15%	15%	15%
232,531	243,270	233,229	232,579	236,582	239,806
-	-	-	-	-	-
$ 232,531	$ 243,270	$ 233,229	$ 232,579	$ 236,582	$ 239,806
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			
		Debt Service		
	Revenue	Principal	Interest	Coverage
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
2013	53,006	1,605	1,272	18.42

Fiscal Year Ended June 30	Tax Allocation Bonds			
		Debt Service		
	Revenue	Principal	Interest	Coverage
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
2013	12,152	1,305	1,030	5.20

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

Fiscal Year Ended June 30	Assessment District Bond					
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2013	5,569	1,027	4,542	1,770	2,004	1.20

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)
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%
2012	107,248	4,764,278	44,423	9.00%

Sources:
(1) State of California, Department of Finance, E-1 Cities, Counties and the State Population estimates with Annual Percent Change - January 1, 2013
(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 June 2013

CITY OF WEST COVINA

TABLE 17

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2013 Number of Employees	2013 Percent of Total Employment	2004 Number of Employees	2004 Percent of Total Employment
Queen of the Valley Campus	1,484	2.90%		
WC Unified School District	1,194	2.34%		
Target Store #T1028 & T2147	437	0.86%		
City of West Covina	397	0.78%		
Walmart Store #5954	301	0.59%	Data was not available at time of printing	
Macy's	299	0.59%		
Interspace/Concorde Battery	252	0.49%		
S G V Newspaper Group	225	0.44%		
East Valley Comm. Health Ctr	200	0.39%		
B.J.'s Restaurant & Brewery	187	0.37%		

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

Sources: Labor Market Info, EDD, State of California
City of West Covina Business License section

(This page intentionally left blank.)

CITY OF WEST COVINA

TABLE 18

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	44	43	44	43	43	42	40	39	36	31
Public safety	297	297	296	307	307	306	295	281	264	253
Public works	81	79	79	79	79	83	78	76	72	64
Community services	65	66	63	63	63	55	47	44	44	41
Community development	23	22	22	24	24	24	23	19	16	7
Total	510	507	504	516	516	510	483	459	432	396

Source: City of West Covina Finance Department

CITY OF WEST COVINA

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2004	2005	2006	2007
Police:				
Total arrests	3,837	3,852	3,491	3,449
Calls for police service (1)	95,654	89,340	80,048	79,753
Graffiti sites cleaned (2)	N/A	N/A	N/A	N/A
Fire:				
Emergency responses	7,080	7,122	7,057	7,064
Fire inspections	3,350	3,819	3,122	3,711
Public Works:				
Building permits issued	3,830	3,798	4,250	3,854
Community Services:				
Recreation class registrations	3,617	3,950	4,342	4,820
Environmental Management:				
Graffiti sites cleaned (2)	8,055	8,055	9,600	17,903

Note:
(1) Calls received that generated an incident number, not necessarily a police response.

(2) Due to departmenr restructuring, the responsibility for graffiti abatement was absorbed by the Police Department starting in fiscal year 2008-2009

Source: City of West Covina Finance Department

Fiscal Year					
2008	2009	2010	2011	2012	2013
3,726	3,651	3,397	3,210	2,557	2,755
82,588	82,682	75,752	71,254	71,741	65,554
15,736	8,009	16,077	15,781	23,579	19,910
7,167	7,194	6,949	7,454	7,545	7,871
3,748	3,751	3,603	430	496	837
3,189	2,891	2,334	2,477	2,435	3,882
5,097	6,564	7,916	7,041	6,927	6,027
N/A	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 2004	2005	2006	2007
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	114	114
Parks and Recreation:				
Sports complex	-	-	-	-
Parks	15	15	16	16
Community centers	4	4	4	4
Wastewater:				
Sanitary sewers (miles)	233.0	233.0	233.0	238.9
Storm sewers (miles)	42.0	42.0	42.0	42.0

Source: City of West Covina

Fiscal Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
5	5	5	5	5	5
230.0	230.0	230.0	231.0	231.0	231.0
826	826	826	826	826	826
1,109	1,109	1,109	1,109	1,109	1,109
114	116	116	116	117	117
1	1	1	1	1	1
16	16	16	16	16	16
4	4	4	4	4	4
238.9	238.9	238.9	238.9	238.9	238.9
42.0	42.0	42.0	42.0	42.0	42.0

(This page intentionally left blank.)

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Lease, the Site Lease and the Assignment Agreement. This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Additional Rental Payments" means the additional rental payable by the City under and pursuant to the Lease.

"Alternate Credit Facility" means a credit facility delivered to the Trustee pursuant to the Indenture, including, but not limited to, an irrevocable letter of credit, an investment contract, a guaranty, a bond insurance policy, a surety bond or other financial arrangement which secures the payment of the principal of and interest on the Bonds when due, or such an instrument, together with a separate instrument such as an irrevocable letter of credit, a guaranty, a committed line of credit or an investment contract, issued by a financial institution pursuant to the Indenture which provides a method of purchasing Bonds tendered for purchase on a Tender Date.

"Assignment Agreement" means that certain Assignment Agreement, dated as of December 1, 2013, by and between the Authority and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with the Indenture.

"Authority" means the West Covina Public Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement and the laws of the State.

"Authority Board" means the Board of Directors of the Authority.

"Authorized Denominations" shall mean (i) with respect to the Bonds bearing interest at the Weekly Rate or Daily Rate, $100,000 or any integral multiple of $5,000 in excess thereof and (ii) with respect to the Bonds bearing interest at the Fixed Rate, $5,000 or any integral multiple in excess thereof.

"Available Moneys" means (a) with respect to any Bond Payment Date occurring during the term of a Credit Facility, moneys (other than moneys received from draws under the Credit Facility or remarketing proceeds) which have been on deposit with and pursuant to written direction of the Authority and segregated by the Trustee for at least 123 days, during or prior to which no Event of Bankruptcy shall have occurred, as evidenced by a certificate of the Authority to the Trustee, upon which the Trustee may conclusively rely, (b) moneys received from draws under the Credit Facility and remarketing proceeds and (c) proceeds with respect to the refunding of any of the Bonds.

"Base Rental Payments" means the Base Rental Payments under the Lease.

"Bond Counsel" means (a) Fulbright & Jaworski LLP and any successor thereto, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Payment Date" means (a) until the Fixed Rate Conversion Date, the first Business Day of each month commencing February 3, 2014 to and including the Fixed Rate Conversion Date, (b) after the Fixed Rate Conversion Date, each February 1 and August 1 commencing on the first February 1 or August 1 after the Fixed Rate Conversion Date (or on such other February 1 or August 1 as selected by the City with the advice of Bond Counsel), and (c) with respect to Credit Facility Bonds, the dates set for payment of principal of and interest on Credit Facility Bonds under the Reimbursement Agreement. Principal shall be paid on August 1 of each year as set forth in the Indenture, subject to the terms of the Indenture.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on December 1, 2014.

"Bonds" means the West Covina Public Financing Authority Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project).

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close, (iii) a day on which banking institutions or governmental offices in the State or the office of the Credit Entity where draws on the Credit Facility are to be presented are authorized or required to close, (iv) a day on which the Remarketing Agent is authorized or required to be closed, or (v) a day on which the New York Stock Exchange is closed.

"Certificate of the Authority" means a certificate in writing signed by the Chairperson of the Authority or by any other officer of the Authority duly authorized by the Chairperson or by the Authority for that purpose, as evidenced in writing to the Trustee.

"Certificate of the City" means a certificate in writing signed by the City Manager of the City or by any other officer of the City duly authorized for that purpose.

"City" means the City of West Covina, California.

"Closing Date" means January 9, 2014, being the date of delivery of the Bonds to the Original Purchaser thereof.

"Code" means the Internal Revenue Code of 1986 and any regulations promulgated thereunder.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City, relating to the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing expenses, title insurance policy premiums with respect to the Leased Property, rating agency fees, any premium or other fees with respect to insurance provided in connection with the issuance of the Bonds, including but not limited to, municipal bond insurance, rental interruption insurance and other types of insurance as may be required by the Lease, filing and recording fees, initial fees and charges and the first annual administrative fee of the Trustee, fees and costs associated with any Credit Facility obtained in connection with the issuance of the Bonds, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other costs, charges or fees in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Credit Entity" means Bank of the West, as the issuer of the Credit Facility being delivered on the Closing Date with respect to the Bonds and thereafter, the issuer of any Alternate Credit Facility delivered under the Indenture in effect from time to time.

"Credit Facility" means an irrevocable letter of credit, an investment contract, a guaranty, a bond insurance policy, a surety bond or other financial arrangement which secures the payment of the principal and interest on the Bonds when due, or such an instrument, together with a separate instrument, such as an irrevocable letter of credit, a guaranty, a committed line of credit, an investment contract or a standby purchase agreement, issued by a financial institution, which provides a method of purchasing Bonds tendered for purchase on a Tender Date, including an Alternate Credit Facility.

"Credit Facility Account" means the account by that name established in accordance with the Indenture.

"Credit Facility Bond" means any Bond registered in the name of the Credit Entity and held as a "bank bond," as defined in the Reimbursement Agreement.

"Credit Facility Prepayment Account" means the account by that name in the Redemption Fund established in accordance with the Indenture.

"Daily Rate" means the interest rate with respect to the Daily Rate Period.

"Daily Rate Period" means each period during which Bonds bear interest at a Daily Rate.

"Defeasance Securities" means:

(1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — "SLGS").

(2) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

(3) Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(4) Pre-refunded municipal bonds rated "Aaa" by Moody's and ""AA+" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AA+" rated pre-refunded municipals to satisfy this condition.

(5) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(a) U.S. Export-Import Bank (Eximbank)

(i) Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Farmers Home Administration (FmHA)

(i) Certificates of beneficial ownership

(c) Federal Financing Bank

(d) General Services Administration

(i) Participation certificates

(e) U.S. Maritime Administration

(i) Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)

(i) Project Notes

(ii) Local Authority Bonds

(iii) New Communities Debentures – U.S. government guaranteed debentures

(iv) U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Electronic Notice" means any notice sent by telecopier or by any other electronic, facsimile or telecommunications means for receiving notices.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit the value of which is determined in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) the value of which is determined in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Fixed Rate" means the fixed interest rate or rates applicable to the Bonds established in accordance with the Indenture.

"Fixed Rate Conversion Date" means the date on which the rate of interest borne by the Bonds is converted to the Fixed Rate.

"Indenture" means the Indenture, dated as of December 1, 2013, by and between the Authority and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with the Indenture.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at *http://emma.msrb.org*; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

"**Insurance Consultant**" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Interest Account” means the account by that name established within the Lease Revenue Fund and held by the Trustee pursuant to the Indenture.

“**Interest Component**” means the interest component of any Base Rental Payments.

“Interest Rate Conversion Date” means any date (which must be a Business Day) on which the interest rate borne by the Bonds is established at a new rate for a corresponding interest rate period as set forth in the Indenture, other than a Fixed Rate Conversion Date.

“Joint Exercise of Powers Agreement” means the Joint Exercise of Powers Agreement, dated as of February 1, 1990, by and between the City and the West Covina Community Development Commission, as successor to the Redevelopment Agency of the City of West Covina.

“Lease” means that certain Lease Agreement, dated as of December 1, 2013, by and between the Authority and the City, pursuant to which the City leases the Leased Property from the Authority, as originally executed or as it may from time to time be amended or supplemented in accordance therewith.

“Leased Property” means, collectively, those certain parcels of real property, together with the improvements thereon, leased by the Authority to the City pursuant to the Lease, as more fully described in the Lease.

“Lease Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Liquidity Account” means the account by that name in the Tender Fund established in accordance with the Indenture.

“Mandatory Tender Date” means (1) the fifth Business Day prior to the date on which the Credit Facility is scheduled to expire or terminate in accordance with its respective terms and the Trustee has not received notice at least forty (40) days prior to such date that an Alternate Credit Facility, will be provided, (2) on any Interest Rate Conversion Date for which a notice can be given, (3) the fifth Business Day following receipt by the Trustee of notice from the Credit Entity of the occurrence of an event of default under the Reimbursement Agreement, or that the Credit Entity will not reinstate the interest portion of the Credit Facility as provided in the Indenture, and in each case directing the mandatory tender of the Bonds, (4) the Fixed Rate Conversion Date, or (5) the effective date of any Alternate Credit Facility.

“Maximum Rate” means with respect to the Bonds other than Credit Facility Bonds, 12% per annum calculated on the basis of a 365-day year or 366-day year, as applicable, for actual days elapsed, during the Weekly Rate Period or Daily Rate Period and 12% per annum calculated on the basis of a 360-day year of twelve 30-day months on and after the Fixed Rate Conversion Date, and with respect to Credit Facility Bonds, the maximum rate of interest permitted by law.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

“**Net Proceeds**” means proceeds of any casualty or title insurance or condemnation awards, paid with respect to the Leased Property, remaining after payment therefrom of all expenses in the collection thereof.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Optional Tender Date" means the date designated by an Owner to the Tender Agent on which such Owner will tender his Bond in accordance with the Indenture.

"Original Purchaser" means Gates Capital Corporation.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid pursuant to the Indenture;

(c) Untendered Bonds; and

(d) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

(i) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated the same rating as direct obligations of the United States of America by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(ii) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated the same rating as direct obligations of the United States of America by S&P and Moody's.

(iii) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under the Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(iv) Deposit accounts, certificates of deposit, including those placed by a third party pursuant to an agreement between the Authority and the Trustee, trust funds, trust accounts, trust deposits, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, and/or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than "A-1" by S&P and "P-1" by Moody's or whose obligations are rated in the "A" long-term ratings category by S&P or Moody's, including those of the Trustee and its affiliates.

(v) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-l" or "A" or better by S&P (including the Trustee or any of its affiliates).

(vi) Repurchase obligations approved by the Credit Entity with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, and (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(vii) Taxable government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(viii) Tax-exempt government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest rating categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(ix) Money market mutual funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of "AAAm-G" or "AAAm" and rated in one of the two highest rating categories of Moody's, including those managed or advised by the Trustee or its affiliates or for which the Trustee or an affiliate of the Trustee serves as administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(x) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(xi) Investment agreements, including guaranteed investment contracts ("GICs") forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P or Moody's, in one of the three highest rating categories assigned by such agencies; provided that such investment agreements shall be approved by the Credit Entity, if any.

(xii) Any other investments which meet the criteria established by applicable published investment guidelines issued by each nationally recognized rating agency then rating the Bonds.

"**Permitted Encumbrances**" means, with respect to the Leased Property, as of any particular time, (i) the Site and Facility Lease; (ii) the Lease, (iii) the Indenture and the Assignment Agreement and the Trustee's and the Authority's interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the City will not interfere with or impair the use intended to be made of the Leased Property, (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in the Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions and improvements, (vii) any sublease or use permitted by the Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date, (xiv) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Property and as do not materially impair the use intended to be made of property affected thereby, (x) while the Credit Facility or an Alternate Credit Facility is in effect, any encumbrance to which the Credit Entity consents in writing (which consent shall be placed on file with the Trustee) and (ix) the exceptions set forth on Schedule B of the Preliminary Title Reports, dated October 18, 2013 and November 1, 2013, respectively.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"**Principal Component**" means the principal component of any Base Rental Payments.

"Prior Bonds" means the West Covina Public Financing Authority Lease Revenue Bonds, 2003 Series A (Community Center Project).

"Prior Indenture" means the Indenture, dated as of February 1, 2003, by and between the Authority and U.S. Bank National Association.

"Prior Trustee" means U.S. Bank National Association and its successors.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) at the time of issuance of such letter of credit or surety bond, the long-term credit rating of such commercial bank or insurance company is "AA" or "Aa2" by S&P and Moody's, respectively, or higher, and, if rated by A.M. Best & Company, a minimum rating of "A"; (ii) such letter of credit or surety bond has a term which ends no earlier than the last Bond Payment Date of the series of Bonds to which the Reserve Requirement applies; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Record Date” means, during the period during which the Bonds accrue interest at the Fixed Rate, the close of business on the fifteenth day of the month immediately preceding each Bond Payment Date, and, during the Weekly Rate Period or a Daily Rate Period, the close of business on the Business Day immediately preceding the Bond Payment Date.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Reimbursement Agreement” means the agreement or agreements (including related fee letter agreements) entered into between the City and the Credit Entity setting forth the terms and conditions relating to the issuance of the Credit Facility and the City’s obligations to repay the Credit Entity if moneys are drawn under the Credit Facility, as originally executed or as it may from time to time be amended or supplemented in accordance therewith.

“Remarketing Agent” means Gates Capital Corporation, in its capacity as remarketing agent for the Bonds while the Bonds bear interest at the Variable Rate, as “Variable Rate Remarketing Agent” and Fitzgerald Public Finance, a division of Gates Capital Corporation, as “Fixed Rate Remarketing Agent” while the Bonds bear interest at a Fixed Rate, or any successor entity or entities appointed by the Authority to perform the duties of the Remarketing Agent under the Indenture.

“Remarketing Agreement” means the Remarketing Agreement, dated as of December 1, 2013, by and between the Authority and the Remarketing Agent, and any other agreement relating to the services of the Remarketing Agent in effect at any time, as originally executed or as it may from time to time be amended or supplemented in accordance therewith.

“Remarketing Proceeds Account” means the account by that name in the Tender Fund established in accordance with the Indenture.

“Rental Payments” means, collectively, Base Rental Payments and payments of Additional Rental.

“Request of the Authority” means a request in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized for that purpose, as evidenced in writing to the Trustee.

“Request of the City” means a request in writing signed by the City Manager or by any other officer of the City duly authorized for that purpose, as evidenced in writing to the Trustee.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Requirement” means, initially, $0, and, subsequently, as determined by a Supplemental Indenture.

“Responsible Officer” means any officer of the Authority or any other person authorized by resolution of the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Lease or the Indenture.

“Revenues” means (i) all Base Rental Payments paid or payable by the City pursuant to the Lease (including prepayments) and (ii) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Site Lease" means that certain Site and Facility Lease, dated as of December 1, 2013, by and between the City and the Authority, pursuant to which the Authority leases the Leased Property from the City, as originally executed or as it may from time to time be amended or supplemented in accordance therewith.

"Special Record Date" means the date established by the Trustee pursuant to the Indenture.

"State" means the State of California.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of Article VII.

"Tax Certificate" means the Tax Certificate dated the date of the original delivery of the Bonds relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Tender Agent" means U.S. Bank National Association, or any successor entity appointed by the Authority to perform the duties of the Tender Agent under the Indenture, which duties shall include those of acting as a co-transfer agent, co-paying agent for payment of principal and co-registrar under the Indenture. The Tender Agent shall be the same as the Trustee named under the Indenture and shall be subject, among other things, to the same removal and resignation requirements as the Trustee.

"Tender Date" means a Mandatory Tender Date or an Optional Tender Date.

"Tender Fund" means the fund by that name established and held by the Tender Agent pursuant to the Indenture.

"Trust Office" means the corporate trust office of the Trustee in Los Angeles, California or, solely for purposes of the presentation of Bonds for payment, transfer or exchange, the corporate trust operations or agency office designated by the Trustee or such other offices as may be specified to the Authority by the Trustee in writing.

"Trustee" means U.S. Bank National Association, and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in the Indenture.

"Untendered Bonds" means Bonds for which a Tender Date has become effective and for which the purchase price thereof has been irrevocably deposited in trust with the Tender Agent but for which the Tender Agent has not yet received the Bonds.

“Weekly Rate” means the interest rate with respect to the Weekly Rate Period.

“Weekly Rate Period” means the period during which Bonds bear interest at a Weekly Rate.

“Written Request of the Authority” means a request in writing signed by a Responsible Officer.

THE INDENTURE

THE BONDS

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Trustee for such purpose, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee or the Tender Agent; provided, however, that neither the Trustee nor the Tender Agent shall be required to register the transfer of any Bond during the period five (5) days prior to any date established by the Trustee for the selection of Bonds for redemption nor any Bond actually selected by the Trustee for redemption.

Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Authority shall execute and the Trustee shall deliver a new Bond or Bonds of the same maturity and interest rate and for a like aggregate principal amount. The Trustee or the Tender Agent shall require the Owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of preparing any Bonds and any services rendered or any expenses incurred in connection with any transfer shall be paid by the Authority solely from Revenues.

The Authority, the Trustee and the Tender Agent may treat the registered owner of any Bond as the absolute owner thereof for all purposes whatsoever in accordance with the Indenture, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same tenor, interest rate and maturity and of other Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds definitive Bonds of like tenor, maturity and aggregate principal amount in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority and the Credit Entity, if any, with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, maturity and aggregate principal amount in an Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence shall be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

LEASE REVENUE FUND; CREDIT FACILITY ACCOUNT; CREDIT FACILITY REDEMPTION ACCOUNT; APPLICATION OF REVENUES.

All Revenues shall be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Indenture for the benefit of the Owners and the Credit Entity, if any. If the City pays more than 100% of the Base Rental Payments coming due five (5) days prior to any Bond Payment Date, the Trustee shall deposit into the Lease Revenue Fund only that portion of the Base Rental Payments which the City is required to make under the Lease, and shall remit any excess to the City.

The Trustee shall establish, maintain and hold in trust under the Indenture for the benefit of the Credit Entity special funds designated as the "Credit Facility Account" and the "Credit Facility Prepayment Account." There shall be deposited in the Credit Facility Account all amounts drawn under the Credit Facility, except for amounts drawn thereunder with respect to Prepayments which shall be deposited in the Credit Facility Prepayment Account and amounts drawn thereunder with respect to the payment of the purchase price of tendered Bonds.

During the term of any Credit Facility, on each Bond Payment Date, following a draw on the Credit Facility and receipt of the proceeds of such draw, the Trustee shall withdraw the amounts, if any, on deposit in the Lease Revenue Fund and, to the extent moneys are owed to the Credit Entity under the Reimbursement Agreement, pay such amounts to the Credit Entity; provided, however, the Trustee shall not be required to pay amounts to the Credit Entity in excess of the amount drawn on the Credit Facility unless the Credit Entity has certified to the Trustee and to the City, in writing, the additional amounts due and owing and specifying the section in the Reimbursement Agreement pursuant to which such additional amounts are due and such additional amounts are on deposit in the Lease Revenue Fund.

Sources of funds for the payment of the Bonds shall be applied in the following order of priority to pay principal of and interest on the Bonds:

(i) moneys deposited in the Credit Facility Account or the Credit Facility Prepayment Account, as appropriate;

(ii) moneys on deposit in the Reserve Fund;

(iii) other Available Moneys furnished to the Trustee; and

(iv) any other money made available to the Trustee for such purpose.

Payment of Bonds registered to or on behalf of the Credit Entity shall be made from amounts on deposit in the Lease Revenue Fund, the Reserve Fund and the Redemption Account, and other Available Moneys furnished to the Trustee and any other money made available to the Trustee for such purpose, as applicable.

On or before each Bond Payment Date, the Trustee shall transfer from the Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority, to the extent that draws on the Credit Facility are not sufficient for such purpose or if the Bonds are not supported by a Credit Facility. The Trustee shall provide the City with immediate notice by telephone, confirmed in writing, if a draw on the Credit Facility has not produced sufficient funds to pay the principal of and interest on the Bonds when due, and that the Trustee will be applying funds in the Lease Revenue Fund to make such payment.

<u>Interest Account.</u> The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Interest Account." On or before each Bond Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Bond Payment Date on all Outstanding Bonds. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on each succeeding Bond Payment Date within the then current Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity) in the event a Credit Facility is not supporting the Bonds or a draw on such Credit Facility has not produced sufficient funds.

<u>Principal Account</u>. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Principal Account." On or before each Bond Payment Date, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds maturing on such Bond Payment Date pursuant to the Indenture or pursuant to a Supplemental Indenture, as the case may be. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds in the event a Credit Facility is not supporting the Bonds or a draw on such Credit Facility has not produced sufficient funds.

Reserve Account. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Reserve Account." On the date of delivery of the Bonds, the Reserve Requirement will be $0.00. On or before each Bond Payment Date, the Trustee shall deposit in the Reserve Account, from any Revenues in excess of amounts required to be deposited into the Interest Account or the Principal Account, such amount as may be necessary to maintain a balance therein equal to the Reserve Requirement. No deposit shall be made in the Reserve Account so long as there shall be on deposit an amount equal to the Reserve Requirement. All money in the Reserve Account (or available to be drawn from a Qualified Reserve Account Credit Instrument) shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in either of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Authority is lawfully available therefor or to reimburse the Credit Entity if necessary if money has been drawn on the Credit Facility. All moneys in the Reserve Account (or available to be drawn from a Qualified Reserve Account Credit Instrument held in the Reserve Account Reserve Account) in excess of the Reserve Requirement may be applied to the retirement of Bonds then Outstanding at the direction of the Authority.

The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such Qualified Reserve Account Credit Instrument to satisfy the Reserve Requirement, the Trustee shall transfer any excess amounts then on deposit in the Reserve Account into a segregated account of the Lease Revenue Fund to be established by the Trustee, which monies shall be applied at the written direction of the Authority either (i) to the payment within one year of the date of transfer of capital expenditures of the Authority permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted hereby, and pending such application shall in accordance with written direction of the Authority be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; provided, however, that the Authority may by written direction to the Trustee cause an alternative use of such amounts if the Authority shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where a Reserve Account is funded with a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Account Credit Instrument. Any available moneys not needed to pay debt service on the Bonds provided by the Authority or the City to fund the Reserve Account after a withdrawal shall be used first to reinstate the Qualified Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. If the Qualified Reserve Account Credit Instrument is drawn upon, the Authority shall make payment of interest on amounts advanced under the Qualified Reserve Account Credit Instrument after making any payments pursuant to the Indenture.

Surplus. On each Bond Payment Date the Trustee shall determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits required by paragraphs (a) through (c) above and required payments to the Credit Entity pursuant to the Reimbursement Agreement and the transfers of investment earnings pursuant to the Indenture, and shall apply such amount as a credit against the next following Base Rental Payment. Notwithstanding the foregoing, if directed in a Request of the City, the Trustee shall, with respect to all or any portion of such amount, pay, or set aside an amount for the payment of, any Rebate Requirement (as defined in the Tax Certificate) in accordance with a computation made by the City.

Redemption Account. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Redemption Account." The Trustee, on the prepayment date specified in the Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease, shall deposit in the Redemption Account that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Account shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest with respect to any Bonds to be redeemed.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required pursuant to the written direction of the Authority given to the Trustee two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in money market funds described in subsection (i) of the definition of Permitted Investments. Moneys in the Reserve Account shall not be invested in investments having maturities extending beyond five (5) years and shall not be invested in (j) of the definition of Permitted Investments; provided, however, that if such Permitted Investments may be redeemed at par so as to be available on each Bond Payment Date, any amount in the Reserve Account may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final scheduled payment date of the Bonds. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. The Credit Facility Account, the Credit Facility Prepayment Account and the Tender Fund shall be held uninvested and shall not be commingled with other accounts or funds.

Any income, profit or loss on the investment of moneys held by the Trustee under the Indenture shall be credited to the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee or any of its affiliates may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee under the Indenture as they occur, at no additional cost. The Authority specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which shall include detail for the investment transactions effected by the Trustee under the Indenture; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority. The Trustee may rely on the investment directions of the Authority as to both the suitability and legality of the directed investments. Ratings of Permitted Investments shall be determined at the time of purchase and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor ratings.

Valuation and Disposition of Investments**.** Except with respect to the Reserve Account, for the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at least semiannually on or before each February 1 and August 1 at cost (excluding any brokerage commissions and excluding any accrued interest) by the Authority. With respect to the Reserve Account, investments shall be valued by the Authority at fair market value and marked to market semiannually on or before each February 1 and August 1.

CERTAIN COVENANTS OF THE AUTHORITY

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and amounts owing to the Credit Entity under the Reimbursement Agreement, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners and the Credit Entity, if any, under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Credit Entity, if any, and the City during regular business hours with reasonable prior notice.

Additional Obligations. The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part.

Lease. The Trustee, as assignee of the Authority's rights under the Lease pursuant to the Indenture and the Assignment Agreement, shall receive Base Rental Payments due from the City pursuant to the Lease.

The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Lease against the City in accordance with its terms.

Except as otherwise provided in the Lease or the Site Lease, so long as any Bond remains Outstanding, the Authority will not alter, amend or modify the Lease, the Site Lease or the Assignment Agreement without prior written consent of the Credit Entity, if any, and without the prior written consent of the Trustee, which consent shall be given only (i) if the Trustee receives an opinion of counsel selected by the Authority that such alteration, amendment or modification will not result in any material impairment of the covenants made or the security given or intended to be given for the payment of the Base Rental Payments, or (ii) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding to such alteration, amendment or modification.

Prior to any amendment of the Lease, the Site Lease or the Assignment Agreement pursuant to the Indenture, the Authority shall deliver to the Trustee an opinion of the Bond Counsel to the effect that such amendment or modification has been adopted in accordance with the requirements of the Indenture and the Lease or the Site Lease, as applicable.

Tax Covenants. The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Authority shall comply with each of the specific tax covenants in the Indenture.

THE TRUSTEE

Appointment of Trustee. U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least $75,000,000, and which is subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an Event of Default under the Indenture or under the Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and by the Lease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it under the Indenture either directly or by or through attorneys, receivers or agents, shall not be liable for the acts or omissions of such attorneys, receivers or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duties under the Indenture The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Indenture, in the Lease, or in the Bonds, or for any of the supplements to the Indenture or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured hereby and makes no representation as to the validity or sufficiency of the Bonds, the Indenture or the Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture or on the part of the Authority or the City under the Lease. The Trustee shall not be responsible for the application by the Authority or the City of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured hereby with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, requisition, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture or the Lease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture or in the Lease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities, indemnities, rights and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and shall apply to the Trustee's actions and omissions to act under the Lease and the Site Lease.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture or under the Lease except failure by the Authority to make any of the payments of principal of or interest on the Bonds to the Trustee required to be made by the Authority pursuant to the Indenture or thereto or actual knowledge of the Trustee of the failure by the Authority or the City to file with the Trustee any document required by the Indenture or the Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority, the Credit Entity, if any, or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right but shall not be required to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the Indenture and the Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of the Indenture.

(q) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(r) The Trustee is authorized and directed to enter into the Assignment Agreement in its capacity as Trustee.

(s) Notwithstanding the effective date of the Indenture or anything to the contrary in the Indenture, the Trustee shall have no liability or responsibility for any act or event relating to the Indenture which occurs prior to the date the Trustee formally executes the Indenture and commences acting as Trustee under the Indenture.

Removal of Trustee. Subject to the prior written consent of the Credit Entity, if any, the Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and the Credit Entity, if any, and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds or the Credit Entity, if any. Subject to the prior written consent of the Credit Entity, the Authority may also remove the Trustee at any time upon thirty (30) days' notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority, the Credit Entity, if any, and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee**.** In the event of the removal or resignation of the Trustee pursuant to the Indenture, respectively, the Authority shall promptly appoint a successor Trustee approved in writing by the City and the Credit Entity, if any. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in Section 6.06 or within ninety (90) days following the receipt of notice by the Authority pursuant to the Indenture, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such 90-day period.

MODIFICATION AND AMENDMENT OF THE INDENTURE

(a) Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners may be modified or amended at any time by a Supplemental Indenture, which shall become binding upon adoption, subject to the written consent of the Credit Entity, if any, without consent of any Owner, to the extent permitted by law, but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved in the Indenture or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners, as evidenced by the opinion of counsel;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners in the reasonable judgment of the Authority; or

(iii) for any other purpose that does not materially adversely affect the interests of the Owners, as evidenced by the opinion of Bond Counsel described under the Indenture.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners may only be modified or amended at any time by a Supplemental Indenture, which shall become binding, if a Credit Facility is then in effect, only with the prior written consent of the Credit Entity, if any, and otherwise when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

Copies of any modification or amendment to the Indenture, the Site Lease or the Lease shall be sent to S&P at least ten (10) days following the effective date thereof.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Any Default (as defined in the Lease) shall have occurred and be continuing.

(d) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

(e) The filing by the Authority or the City of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority or the City, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or the City or of the whole or any substantial part of the property of the Authority or the City.

(f) Notice of an Event of Default under the Reimbursement Agreement.

Remedies. Upon the occurrence of an Event of Default the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee;

(c) by suit in equity upon the happening of an Event of Default to enforce the terms of the Bonds; or

(d) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as shall be deemed most expedient in the interests of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Application of Revenues and Other Funds Following an Event of Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the

Indenture (other than moneys in the Credit Facility Account and moneys in the Credit Facility Prepayment Account, such moneys in both such accounts to be applied only to the payment of principal and interest on the Bonds and other than moneys in the Tender Fund, such moneys to be applied solely for the purpose of purchasing Bonds) shall be applied by the Trustee in the following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment ratably of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel, without any discrimination or preference;

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid; provided, however, that if such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the extent not already paid, ratably to the reimbursement of any provider of a Qualified Reserve Account Credit Instrument in accordance with the terms thereof and to the payment of any obligations due and owing to the Credit Entity under the Reimbursement Agreement.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners issued under the Indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee, the Credit Entity, if any, and of the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee, the Credit Entity, if any, or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee, the Credit Entity, if any, or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee, the Credit Entity, if any, or Owners by the Bond Law or by the Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee, the Credit Entity, if any, or the Owners, as the case may be.

Rights of Owners. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners.

The right of any Owner to receive payment of the principal of and interest and premium (if any) on such Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Termination of Proceedings**.** In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee, the Credit Entity, if any, and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Defeasance; Discharge of the Indenture

(a) If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay in Available Moneys or from the proceeds of a draw under the Credit Facility all principal of and interest (which shall be calculated at the Maximum Rate if the Bonds bear interest at a Weekly Rate or Daily Rate) and redemption premiums, if any, on such Bonds; or

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust pursuant to an escrow deposit agreement, Defeasance Securities purchased with Available Moneys, or draws under the Credit Facility together with cash, if required, in such amount as will in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and moneys then on deposit in the Lease Revenue Fund and available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge in Available Moneys or draws under the Credit Facility all principal of and interest (which shall be calculated at the Maximum Rate if the Bonds bear interest at a Weekly Rate or Daily Rate) and redemption premiums, if any, on such Bond;

and delivering an opinion of Bond Counsel acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee to the effect that the Bonds are no longer Outstanding under the Indenture, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, and all amounts owing to the Credit Entity pursuant to the Reimbursement Agreement shall have been paid, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to Indenture, which are not required for said purposes, shall after payment of amounts due the Trustee under the Indenture or amounts owing to the Credit Entity pursuant to the Reimbursement Agreement, be paid over to the Authority.

THE LEASE

TERM

The Authority hereby subleases to the City and the City hereby subleases from the Authority, on the terms and conditions set forth in the Lease, the Leased Property. The term of the Lease shall commence on January 9, 2014 and shall expire on the later of (i) the Expiration Date, (ii) the date the last Rental Payment is made under the provisions of the Lease, or (iii) the date of discharge of the Indenture pursuant to the Lease and (iv) the date there are no amounts owed to the Credit Entity under the Reimbursement Agreement. Notwithstanding the foregoing, the term of the Lease Agreement shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Indenture has not been fully discharged or if the rental payable under the Lease shall have been abated at any time and for any reason or amounts remain owing to the Credit Entity under the Reimbursement Agreement, and shall terminate on the date when the Indenture has been fully discharged. Throughout the term of the Lease Agreement, fee title to the Leased Property shall remain in the City.

RENTAL

Subject to the provisions of the Lease, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the Leased Property, the following amounts at the following times:

Base Rental Payments The City shall pay Base Rental Payments to the Trustee, as assignee of the Authority, in accordance with a Base Rental Payment Schedule, less any amounts credited against the Base Rental Payments pursuant to the Lease of the Indenture. On or before the twenty-fifth (25^{th}) day of each month immediately preceding each Bond Payment Date the City shall pay to the Trustee the Base Rental Payments coming due on the next succeeding Bond Payment Date, or as required to be paid pursuant to the Reimbursement Agreement, together with interest on the Bonds to be calculated by the Trustee as provided in the Indenture, or with regards to Bonds held by the Credit Entity as “Bank Bonds” under the Reimbursement Agreement, the rate in effect under the Reimbursement Agreement provided to the Trustee by the Credit Entity.

Payment of Base Rental Payments for each rental payment period during the term hereof shall be paid by the City in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Leased Property during the rental payment period for which such rental is paid.

The City shall provide written notice to the Trustee, the Credit Entity and the Authority at least five (5) Business Days prior to any Lease Payment Date upon which the City expects to be unable to appropriate and pay the Base Rental Payment due on such Base Rental Payment date, informing the Trustee and the Authority of such inability to appropriate and pay.

Additional Rental Payments. The City also agrees to pay, as “Additional Rental” under the Lease, in addition to the Base Rental Payments, to the Authority, to the Trustee or to the Credit Entity, such amounts as shall be required for the payment in full of payments to the Credit Entity required by the Reimbursement Agreement (other than reimbursement for draws on the Credit Facility which are payable from Base Rental Payments) and all costs and expenses not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment hereof, the Indenture, or the Authority’s or the Trustee’s interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Such Additional Rental shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City.

Fair Rental Value. Payments of Base Rental Payments for each rental payment period shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which such rental is to be paid. The parties to the Lease have agreed and determined that such Base Rental Payments are not in excess of the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to other obligations of the parties under the

Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Payment of Rental Payments. Each installment of Base Rental Payments payable under the Lease shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. Notwithstanding any dispute between the City and the Authority, the City shall make all Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Base Rental Payments or any portion thereof, said Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent Base Rental Payments due under the Lease or be refunded at the time of such determination. Each installment of Additional Rental payable under the Lease shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate, or to the Credit Entity, if any, as applicable. Notwithstanding any dispute between the City and the Authority, the City shall make all Additional Rental when due, without deduction or offset of any kind, and shall not withhold any Additional Rental pending the final resolution of any such dispute. In the event of a determination that the City was not liable for such Additional Rental or any portion thereof, such Additional Rental or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent Additional Rental due under the Lease or be refunded at the time of such determination. The total rental under the Lease shall consist of Base Rental Payments and Additional Rental.

Covenant to Budget and Appropriate. The City covenants to take action as may be necessary to include all rental payments due under the Lease in its annual budgets and to make the necessary annual appropriations for all such rental payments. For the budgetary purpose, and while the Bonds bear interest at the Weekly Rate or the Daily Rate, the City shall assume an interest component for any Fiscal Year equal to the average interest rate borne by the Bonds during the 12 months preceding the time of consideration, plus 200 basis points. The City shall furnish to the Trustee at least 15 days before final adoption of the proposed budget for each Fiscal Year a certificate stating that it has included in the proposed budget all Base Rental Payments and Additional Rental due under the Lease in the Fiscal Year covered by such proposed budget and following adoption of the final budget a certificate stating that the Base Rental Payments and Additional Rental was included in the final budget as adopted. The City shall file with the Trustee the certificate regarding adoption of the final budget by July 1 of each year unless the City is permitted by applicable law to adopt its final budget after such date, and has in fact not adopted its final budget by July 1, in which event, the City will file with the Trustee by July 1 a certificate stating the specified later date by which the City may adopt its final budget under applicable law and will file with the Trustee by such specified later date such certificate following such adoption.

To the extent that the amount of any such payment becomes known after the adoption of the annual budget, such amounts shall be included and maintained in such budget as amended. The City covenants to take such action as is necessary to include such amounts in a supplemental budget of the City. The covenants on the part of the City contained in the Lease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

The obligation of the City to pay Base Rental Payments and Additional Rental under the Lease shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City, or the State, or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, the State, or any political subdivision thereof, nor shall anything contained in the Lease constitute a pledge of general revenues, funds or moneys of the City beyond the Fiscal Year for which the City has appropriated funds to pay Base Rental Payments and Additional Rental under the Lease or an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

SUBSTITUTION AND RELEASE OF LEASED PROPERTY

The City shall have, so long as the Lease is in effect, and is hereby granted, the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property shall mean, with the consent of the Credit Entity, the Former Property less any portion released); provided, that the City shall obtain the prior written consent of the Credit Entity and shall satisfy all of the following requirements, which are conditions precedent to such substitution:

a) No default under the Lease or Event of Default shall have occurred and be continuing;

b) The City shall file with the Authority and the Trustee, and cause to be recorded in the office of the City Recorder, sufficient memorialization of amendments to the Lease, the Site Lease, the Assignment Agreement which replace the description of the Former Property with a description of such Substitute Property and which delete therefrom the description of the Former Property;

c) The City shall obtain an extended CLTA policy of title insurance insuring the City's fee estate in such Substitute Property, the City's leasehold estate under the Lease and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds, and such policy shall be approved by the Credit Entity, if any; provided, however, that this requirement shall not apply, subject to the consent of the Credit Entity, if any, to Substitute Property that consists only of Former Property less any released portion;

d) The City shall provide a Certificate of the City to the Authority and to the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California;

e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease;

f) The City shall file with the Authority and the Trustee a certificate of a qualified employee of the City or an independent certified real estate appraiser selected by the City establishing that the annual fair rental value of the Substitute Property after such substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease; and

g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under the Lease and will not in and of itself impair the validity and enforceability of the Lease or impair the exclusion of interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a Certificate of the City certifying that the conditions set forth in (a) and (e) above have been satisfied, the Term of the Lease shall thereupon end as to the Former Property and shall thereupon commence as to the Substitute Property, and all references to the Former Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Rental Payments whatsoever as a result of any substitution or removal under the Lease.

CHANGES TO THE LEASED PROPERTY

The City shall have the right during the term of the Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property.

Upon termination of the Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

INSURANCE

The City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Leased Property required by the Lease.

Such insurance shall consist of:

1. Comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Property. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose; provided, however, that the City's obligations under this clause (1) may be satisfied by self-insurance;

2. Casualty insurance insuring the Leased Property against fire, lightning or earthquake and all other risks covered by an extended coverage endorsement to the full insurance value of the Leased Property, subject to a $100,000 loss deductible provision (excluding earthquake); provided that earthquake coverage shall be required only if and to the extent available from reputable insurers at commercially reasonable rates, in the judgment of the City. Full insurable value shall be evaluated at least every five years by an Insurance Consultant or the City's Risk Manager and shall not be less than the aggregate principal amount of the Outstanding Bonds; provided, however, that the City's obligations under this clause (2) may be satisfied by self-insurance;

3. Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this clause (3) may be satisfied by self-insurance; and

4. Rental interruption insurance in an amount not less than the maximum remaining scheduled Base Rental Payments in any twenty-four (24) month period, by an insurance provider rated at least "A" by A.M. Best & Company, to insure against loss of use of the Leased Property caused by perils covered by the insurance required in Lease. Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City and must list the Trustee and the Credit Entity as an additional insured; provided, however, that such insurance shall not be satisfied by any self-insurance program or policy carried by the City. Such insurance shall be in place as of the Closing Date. The Net Insurance Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Revenue Fund, and shall be credited toward the payment of the Base Rental Payments in the order in which such Lease Payments come due and payable..

5. The City shall, on or before the Closing Date, deliver a CLTA title insurance policy insuring the fee interest in the Leased Property of the City and the leasehold interest in the Leased Property of the City and the Authority, in an amount not less than the aggregate principal amount of the Bonds, and such policy shall have been approved by the Credit Entity.

All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Authority, the Credit Entity and the Trustee. Evidence of such policies in the form of a Certificate of the City required by the Lease shall be deposited with the Trustee and the Credit Entity by the City and the Credit Entity as available. Certificates of comprehensive general liability and workers' compensation insurance shall be furnished by applicable insurers to the City, and, at least ten days prior to the expiration dates of such policies evidence of renewals shall be deposited with the Trustee and the Credit Entity, if any.

If the City elects to provide self-insurance pursuant to clauses (1), (2) and/or (3) above, the City shall annually cause to be delivered to the Trustee and the Credit Entity a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance.

All policies or certificates of insurance provided for in the Lease shall name the City as a named insured and the Trustee as an additional insured. All proceeds of insurance maintained under clause (1) or (3) shall be deposited with the City and under clause (2), (4) or (5) shall be deposited with the Trustee.

DAMAGE, DESTRUCTION AND CONDEMNATION; APPLICATION OF NET PROCEEDS

If prior to the termination of the term of the Lease (a) the Leased Property is destroyed (in whole or in part) or is damaged by fire of other casualty, or (b) title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the City in the Leased Property or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof; provided, that if the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay aggregate annual amounts of principal and interest on any Outstanding Bonds attributable to the Base Rental Payments with respect to that portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the fair rental value of the entire Leased Property), the City shall not be required to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and if the City determines not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property thereupon shall cause said Net Proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Indenture.. If Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds of the City.

If there is an abatement of rental payments pursuant to the Lease as a result of such casualty or event, and the City elects pursuant to the Lease to apply such insurance proceeds and such other legally available funds to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then the Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the City or the date the amount required by the Lease is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may be in force during the term of the Lease which authorizes the termination of the Lease upon the partial or complete destruction of the Leased Property, are hereby waived by the City.

The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the appraised value of the Leased Property shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal, premium, if any, and interest due on the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction of Leased Property and such other legally available funds with the Trustee for deposit into: (a) the Insurance Proceeds and Condemnation Awards Fund if the City elects to repair the Leased Property or (b) the Redemption Account of the Lease Revenue Fund if the City elects to redeem the Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem Bonds. If the City determines to cause the redemption of less than the full amount of the Bonds Outstanding, such redemption shall only be made to the extent the remaining fair rental value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds.

MECHANICS' LIENS

If the City shall at any time during the term of the Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by any mechanics', materialmen's or other liens against the Leased Property or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

ASSIGNMENT

The parties understand that the Lease and the rights of the Authority under the Lease, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the City hereby consents.

Neither the Lease nor any interest of the City under the Lease shall be sold, mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided, however, that the Leased Property may be subleased in whole or in part by the City, but only with the prior written consent of the Credit Entity and subject to the following conditions, which are hereby made conditions precedent (except for subparagraph (b)) to any such sublease:

(i) The Lease and the obligation of the City to make all Rental Payments under the Lease shall remain the primary obligation of the City;

(ii) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority, the Trustee and the Credit Entity a true and complete copy of such sublease;

(iii) No such sublease by the City shall cause the Leased Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, as certified to the Trustee in writing by the City;

(iv) Any sublease of the Leased Property by the City shall explicitly provide that such sublease is subject to all rights of the Authority under the Lease; and

(v) The City shall have filed or caused to be filed with the Authority, the Credit Entity and the Trustee an opinion of Bond Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

AMENDMENT

The Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written consent of Trustee and the Credit Entity and the provisions of the Indenture; provided, that no such amendment that materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than majority in aggregate principal amount of the Bonds then Outstanding, and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the City under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which shall become binding upon execution by the Authority and the City subject to the written consent of the Credit Entity and the provisions of the Indenture, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the City may deem desirable or necessary and not inconsistent with the Lease, and which shall not materially adversely affect the interests of the Owners;

(iii) to effect a substitution for or removal of any portion of the Leased Property pursuant to the Lease; or

(b) for any other purpose which shall not materially adversely affect the interests of the Owners.

EVENTS OF DEFAULT AND REMEDIES

Default. If the City shall:

fail to deposit with the Trustee any Base Rental Payment required to be so deposited pursuant to the Lease by the close of business on the day such deposit is required to be made pursuant to the Lease;

fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Lease;

the occurrence of an Event of Default by the City under, and as defined in the Reimbursement Agreement, and notice from the Credit Entity to the City, the Authority and the Trustee of such occurrence; or

breach any other terms, covenants or conditions contained in the Lease, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Trustee to the City, then and in any such event the City shall be deemed to be in default under the Lease ("Default"); provided, however, that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner as evidenced by an opinion of Bond Counsel.

Remedies.

Whenever any Default referred to in the Lease shall have occurred and be continuing, the Authority, and any assignee of the rights of the Authority under the Lease, shall have the right, at its option, without any further demand or notice, with the consent of the Credit Entity or at the direction of the Credit Entity to enforce all of its rights and remedies under the Lease, including the right to recover Rental Payments as they become due under the Lease (pursuant to Section 1951.4 of the California Civil Code with respect to all components of the Leased Property), by pursuing any remedy available at law or in equity, except as otherwise expressly provided in the Lease. Without limiting the foregoing, upon a Default the Authority may exercise any and all rights of entry and re-entry upon the Leased Property, and also, at its option, with or without such entry, may terminate the Lease as provided therein; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease, except only in the manner expressly provided in the Lease. The City acknowledges and agrees that no act by the Authority under the Lease shall be grounds for termination by the City of the Lease.

If the Authority does not elect to terminate the Lease in the manner provided for in the Lease, the City agrees to and shall remain liable for the payment of all Rental Payments and the performance of all conditions contained in the Lease and shall remain liable for any deficiency arising out of the re-leasing of the Leased Property, or, in the event the Authority does not re-lease the Leased Property, then for the full amount of all Rental Payments to the end of the Lease Term, but said Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided for the payment of Base Rental Payments under the Lease, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of any Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the City, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease. The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Property. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, upon the occurrence and during the continuance of any Default under the Lease, the right to terminate the Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Lease. The City further waives the right to any rental obtained by the Authority in excess of the Rental Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

Upon the occurrence and continuation of any Default under the Lease, the Authority at its option may terminate the Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Lease by the Authority at its option and in the manner provided for in the Lease on account of a Default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing or sale of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease in the case of payment of the Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the City shall have no right thereto, nor shall the City be entitled to any credit in the event of a deficiency in the rentals received by the Authority from the Leased Property. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Lease. The City covenants and agrees that no surrender of the Leased Property or of the remainder of the Lease Term or any termination of the Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

All damages and other payments received by the Authority or its assignee pursuant to the exercise of its rights and remedies pursuant to the Lease shall be applied in the manner set forth in the Indenture.

No Acceleration of Rental Payments. Notwithstanding any other provision of the Lease or the Indenture, in no event shall the Authority have the right to accelerate the payment of any Rental Payments under the Lease.

Remedies Cumulative. Each and every remedy of the Authority or any assignee of the rights of the Authority under the Lease or the Credit Entity is cumulative and the exercise of one remedy shall not impair the right of the Authority or its assignee or the Credit Entity to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority or its assignee or the Credit Entity the Authority or its assignee or the Credit Entity nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Rights of Credit Entity. Notwithstanding anything to the contrary contained in the Lease, and so long as the Credit Facility is in effect and the Credit Entity is not in default thereunder or any amounts remain owing to the Credit Entity, neither the Authority nor any assignee of the rights of the Authority under the Lease shall exercise any of the remedies (including waivers) provided in the Lease without the prior written consent of the Credit Entity, and the Credit Entity shall have the right to direct the exercise of any remedies under the Lease.

PREPAYMENT OF THE LEASE

Prepayment From Net Proceeds. The City may prepay, from Net Proceeds of casualty or title insurance or a condemnation award received by it pursuant to the Lease and deposited in the Redemption Account of the Lease Revenue Fund, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

Prepayments made pursuant to the subsection (a) shall be allocated pro rata among the Principal Components of Base Rental Payments.

Optional Prepayment

The City may at its option, in accordance with the Indenture, prepay from any source of available moneys for redemption of Bonds pursuant to the Indenture, all or any part of the Principal Component of Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of Base Rental Payments which shall be payable after such prepayment shall each be in Authorized Denominations, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium.

Before making any prepayment, the City shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the City agree that any prepayment in part under the Lease and the redemption of any Bonds by the Authority pursuant to the Indenture shall be credited towards the City's obligations under the Lease at the option of the City in any manner determined in writing delivered to the Trustee by the City. A prepayment made pursuant to the Section shall not cause a defeasance of any Bonds unless the requirements of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that the Lease shall be terminated in accordance with the Lease, all amounts then on deposit under the Indenture that are to be credited to the City's obligations to make Base Rental Payments shall be credited towards the amounts then required to be so prepaid.

THE SITE LEASE

Pursuant to the Site Lease, the City leases the Leased Property to the Authority, and the Authority leases the Leased Property to the City, upon the terms and conditions of the Site Lease. Certain of the Authority's rights under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority assigns all of its right, title and interest in and to the Lease and the Site Lease (other than with respect to certain specified rights of indemnification) to the Trustee, including its right to receive and collect Base Rental Payments, Additional Rental Payments and prepayments thereof, in trust for the benefit of the Owners of the Bonds.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of December 1, 2013, is executed and delivered by the City of West Covina (the "City") and U.S. Bank National Association, as Dissemination Agent (the "Dissemination Agent"), in connection with the issuance of the $2,185,000 West Covina Public Financing Authority Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project) (the "Bonds"). The Bonds are being issued pursuant to provisions of an Indenture, dated as of December 1, 2013 (the "Indenture"), by and between the West Covina Public Financing Authority (the "Authority") and U.S. Bank National Association (the "Trustee"). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 after the end of each Fiscal Year of the City, commencing with the report for the Fiscal Year ended June 30, 2013, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following (as of June 30 next preceding the Annual Report date or the most recent readily available information):

(a) The principal amount of the Bonds outstanding.

(b) The audited financial statements for the City for the preceding fiscal year (or if not available at the time of filing, the unaudited financial statements). The audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards

Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Electronic Municipal Marketplace Access website or filed with the United States Securities and Exchange Commission.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the City shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;

2. non-payment related defaults, if material;

3. modifications to the rights of the Bond Owner, if material;

4. optional, contingent or unscheduled calls, if material, and tender offers;

5. defeasances;

6. rating changes;

7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on the credit enhancements reflecting financial difficulties;

10. substitution of the credit or liquidity providers or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds, if material;

12. bankruptcy, insolvency, receivership or similar proceedings of the Authority, which shall occur as described below;

13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;

14. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Upon receipt of notice from the City and instruction by the City to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The City, or the Dissemination Agent, if the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days' written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the

Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond Owners, or any other party. The Dissemination Agent shall not have any liability to the Bond Owners or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of West Covina 1444 West Garvey Avenue West Covina, California 91790 Attn: City Manager
To the Dissemination Agent:	U.S. Bank National Association 633 W. Fifth Street, 24th Flooer Los Angeles, California 90071 Attention: Global Corporate Trust Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF WEST COVINA

By ______________________________
City Manager

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of West Covina
Name of Bond Issue:	West Covina Public Financing Authority Variable Rate Demand Lease Revenue Bonds Series 2013A (Community Center Project)
Date of Issuance:	January 9, 2014

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2013, with respect to the Bonds. [The City anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent
on behalf of the City

cc: West Covina Public Financing Authority

APPENDIX F

FORM OF BOND COUNSEL OPINION

On the delivery date of the Bonds, Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, proposes to render its final approving opinions in substantially the following form:

[Closing Date]

$2,185,000
West Covina Public Financing Authority
Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A
(Community Center Project)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the West Covina Public Financing Authority (the “Authority”) of its $2,185,000 Variable Rate Demand Lease Revenue Refunding Bonds, Series 2013A (Community Center Project) (the “Bonds”). The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “Bond Law”), and pursuant to an Indenture, dated as of December 1, 2013 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

The Bonds are payable exclusively from Revenues and certain other funds pledged to the Bonds under the Indenture. “Revenues” means (i) all Base Rental Payments paid or payable by the City pursuant to the Lease Agreement, dated as of December 1, 2013 (the “Lease”), by and between the Authority and the City (including prepayments) and (ii) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Lease. Under a Site and Facility Lease, dated as of December 1, 2013 (the “Site Lease”), by and between the City and the Authority, the Authority has agreed to lease certain Leased Property from the City. Under the Lease, the Authority has agreed to sublease such Leased Property back to the City in consideration for the Base Rental Payments. Under an Assignment Agreement, dated as of December 1, 2013 (the “Assignment Agreement”), by and between the Authority and the Trustee, the Authority has assigned without recourse all of its rights to receive Base Rental Payments and certain other rights to the Trustee.

As Bond Counsel, we have reviewed the Site Lease, the Lease, the Assignment Agreement, the Indenture, certifications of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding special obligations of the Authority as provided in the Indenture, and are enforceable in accordance with their terms and the terms of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Lease and Site Lease have been duly and validly authorized, executed and delivered by the Authority and the City and constitute the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with their terms.

4. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

5. Under existing statutes, regulations, rulings and court decisions, and assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not included in the computation of alternative minimum taxable income of the owners thereof for federal income tax purposes. We are further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, the Lease and the Tax Certificate of the Authority and the City of even date herewith, each of the Authority and the City has made representations relevant to the determination of, and has made certain covenants regarding or affecting the exclusion of interest on the Bonds from, the gross income of the owners thereof for federal income tax purposes. In reaching our opinions set forth in the immediately preceding paragraph, we have assumed that each such representation made by the Authority or the City is true and that each such covenant made by the Authority or the City will be kept. We express no opinion as to the matters addressed in the preceding paragraph if either any such representation is not true, or any such covenant is not kept. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 through 4 above are qualified to the extent the enforceability of the Bonds, the Indenture, the Lease, the Site Lease and the Assignment Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the Bonds, the Indenture, the Lease, the Site Lease and the Assignment Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification). We advise you that we have not made or undertaken to make any investigation of the state of title to, or ownership of, any of the property described in the Lease and the Site Lease, or of the accuracy or sufficiency of the descriptions of such property contained therein, and we express no opinion with respect to such matters.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

(THIS PAGE INTENTIONALLY LEFT BLANK)